

# Margin Disclosure Statement

**Please Note: The information contained on this page only applies if you elected to have margin on your account.**

On behalf of your brokerage firm, First Clearing\* is furnishing this document to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before trading stocks in a margin account, you should carefully review the margin agreement provided by your brokerage firm. Consult your brokerage firm regarding any questions or concerns you may have with your margin account(s). For further information, please refer to the Designation of Responsibility Letter.

When you purchase securities through your brokerage firm, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm's clearing firm, First Clearing. If you choose to borrow funds, you will open a margin account with your brokerage firm. The securities purchased are First Clearing's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan. And, as a result, First Clearing or your brokerage firm can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- **You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to First Clearing, the firm that has made the loan, to avoid the forced sale of those securities or other securities or assets in your account(s).
- **First Clearing or your brokerage firm can force the sale of securities or other assets in your account(s).** If the equity in your account falls below the maintenance margin requirements or First Clearing's higher "house" requirements, First Clearing can sell the securities or other assets in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.

- **First Clearing or your brokerage firm can sell your securities or other assets without contacting you.** Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the brokerage firm cannot liquidate securities or other assets in their accounts to meet the call unless the brokerage firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to you.
- **You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, First Clearing or your brokerage firm has the right to decide which security to sell in order to protect its interests.
- **First Clearing or your brokerage firm can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice.** These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause First Clearing or your brokerage firm to liquidate or sell securities in your account(s).
- **You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.

*Securities in your margin account may be loaned to or by First Clearing. To the extent First Clearing determines, in accordance with Federal tax regulations, that your securities have been loaned, payments received by you with respect to such securities (including payments in lieu of dividends) may be reclassified as substitute payments. Substitute payments may be reported on different tax reporting forms than payments received on the underlying securities and may be subject to different tax consequences and rates. You are advised to contact your tax advisor to discuss the tax treatment of substitute payments.*

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# Cash Sweep Program Disclosure Statement

<b>Summary</b>		
<b>Please consult the full text of the disclosure statement below for further information at the pages indicated.</b>		
<b>Available Sweep Options</b>	The available sweep options currently consist of 1) interest-bearing deposit accounts at banks (the "Program Banks") including banks affiliated with our Clearing Agent in our Expanded Bank Deposit Sweep program, 2) interest-bearing deposit accounts at two or more banks affiliated with our Clearing Agent in our Standard Bank Deposit Sweep program, and 3) one or more proprietary and/or non-proprietary Money Market Mutual Funds. Eligibility for each available sweep vehicle is determined by account type.	Page 2
<b>How the Cash Sweep Program Works</b>	The Cash Sweep Program allows you to earn a return on the uninvested cash balances in your account by automatically placing ("sweeping") cash balances into a sweep vehicle until such balances are invested by you or otherwise needed to satisfy obligations arising in connection with your account.	Page 2
<b>Rate of Return</b>	<p>The rates of return for the sweep options vary over time. Current rates can be obtained from your financial professional or by calling the general inquiries phone number listed on the front of your account statement.</p> <ul style="list-style-type: none"> <li>The interest rates on the Standard Bank Deposit Sweep and Expanded Bank Deposit Sweep will reflect the amounts that the Program Banks credit to their respective deposit accounts, net of the fees paid to us and others, as set forth below under "Benefits to Us." The rates of interest paid on affiliated Program Bank deposits will be periodically set and re-set by the affiliated Program Banks in consultation with our Clearing Agent. The Clearing Agent will direct and otherwise cause the unaffiliated Program Banks participating in the Expanded Bank Deposit Sweep program to credit interest on their respective deposits at the same rate then being credited by the affiliated Program Banks. With certain exceptions, the rate will be tiered based upon account type and the overall household value of your account(s) with us.</li> <li>Money Market Mutual Funds seek to achieve the highest rate of return (less fees and expenses) consistent with prudence and their investment objectives.</li> <li>There is no guarantee that the yield on any particular cash sweep will remain higher than others over any given period. The rate of return on any of our sweep vehicles may be lower than that of similar investments offered outside of the Cash Sweep Program.</li> </ul> <p>The Cash Sweep should not be viewed as a long-term investment option. If you desire to maintain cash balances for other than a short-term period and/or are seeking the highest yields currently available in the market, please contact your financial professional to discuss investment options that may be available outside of the Cash Sweep Program to help maximize your return potential consistent with your investment objectives and risk tolerance.</p>	Page 3
<b>Duty to Monitor</b>	You must monitor and determine the best cash sweep for you under this program. You may also elect not to participate in the Cash Sweep Program and instead periodically invest cash balances directly.	Page 3
<b>Changes to the Sweep Program</b>	You will be notified in advance if we modify the Cash Sweep Program in certain respects, including modifications that result in changing the sweep vehicle for your account. Unless you tell us otherwise within the time period specified in the notice, you will be treated as approving the change and your cash balances will be moved to the new sweep vehicle that we designate under the program.	Page 3
<b>Benefits to Us</b>	We receive fees and other financial benefits under the different sweep vehicles. Your financial professional is compensated based on total assets in your account(s), including assets in the Cash Sweep Program. Because of these fees and benefits, we and the Clearing Agent have a financial incentive to offer the particular sweep vehicles included in our Cash Sweep Program.	Page 3
<b>Differing Risks and Account Protection</b>	<p>The available Cash Sweep Program options (currently, Money Market Mutual Funds, the Standard Bank Deposit Sweep, and the Expanded Bank Deposit Sweep) are subject to different risks and account protection:</p> <ul style="list-style-type: none"> <li>Money Market Mutual Funds in the Cash Sweep Program invest in high quality, short-term securities and seek to maintain a stable value but are subject to market risks and potential value loss. They are not bank accounts and not subject to FDIC insurance protection. They are instead covered by SIPC, which protects against the custodial risk (and not a decline in market value) when a brokerage firm fails by replacing <u>missing</u> securities and cash up to a limit of \$500,000, of which \$250,000 may be cash.</li> <li>The Standard Bank Deposit Sweep and Expanded Bank Deposit Sweep are not subject to market risk and potential value loss but are subject to the risk of a bank's failure. In the unlikely event a bank fails, deposits at each Program Bank are eligible for FDIC insurance protection up to a limit of \$250,000 (including principal and interest) per depositor in each insurable capacity (e.g., individual or joint). This limit includes any other deposits you may have at each bank outside of these programs. <b>You are responsible for monitoring your bank balances in these programs and the balances in any of your other bank accounts at the same bank to determine if these, in total, exceed FDIC insurance limits.</b> <u>Monies held in the Standard Bank Deposit Sweep and Expanded Bank Deposit Sweep are not covered by SIPC.</u></li> </ul>	Page 4  Page 5

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## Introduction

Under the Cash Sweep Program (the "Cash Sweep Program"), uninvested cash balances - for which no interest is otherwise earned or paid in your account - are automatically swept into interest-bearing deposit accounts ("Standard Bank Deposit Sweep" and "Expanded Bank Deposit Sweep", together the "Bank Deposit Sweep Programs") or, if available, stable-value money market mutual funds ("Money Market Funds") or such other sweep arrangements made available to you (collectively "Cash Sweep Vehicles"), until these balances are invested by you or otherwise needed to satisfy obligations arising in connection with your account.

### Available Cash Sweep Vehicles

The Cash Sweep Vehicle is determined by account type and can be obtained from your financial professional. Each eligible Money Market Fund offered as a Sweep Vehicle is described in a prospectus, which should be read carefully, and may include one or more Money Market Funds that an affiliate of our clearing agent, First Clearing\* ("Clearing Agent"), provides investment management or other services.

### Expanded Bank Deposit Sweep

The Expanded Bank Deposit Sweep is the primary Cash Sweep Vehicle for eligible clients. The Expanded Bank Deposit Sweep consists of interest bearing deposit accounts at affiliated and unaffiliated Program Banks. The Expanded Bank Deposit Sweep will provide up to \$250,000 in FDIC insurance per Program Bank (\$500,000 per Program Bank for joint accounts with two or more owners). As of the date of this Disclosure Statement, the Expanded Bank Deposit Sweep makes five Program Banks available, resulting in up to \$1.25 million in available FDIC insurance (\$2.5 million for joint accounts with two or more owners). You may, at any time, elect to exclude the unaffiliated Program Banks from the Expanded Bank Deposit Sweep. If you make this election, you will be in the Standard Bank Deposit Sweep and only two Affiliated Banks will receive your uninvested cash. You may not designate that Affiliated Banks be excluded from the Expanded Bank Deposit Sweep or exclude less than all of the unaffiliated Program Banks. Electing to exclude the unaffiliated Program Banks will result in your uninvested cash not being deposited into those banks or, if already deposited to those banks, we will withdraw your funds from those banks and deposit the funds with the Affiliated Banks in the Standard Bank Deposit Sweep. You will have less FDIC insurance coverage available if you choose to exclude the unaffiliated Program Banks and, if you have sweep deposits in excess of \$500,000 (\$1 million for joint accounts) you may have uninsured deposits at the Affiliated Banks through the Standard Bank Deposit Sweep. You need to contact us if you wish to change to the Standard Bank Deposit Sweep. Eligible clients may select the Standard Bank Deposit Sweep at account opening or subsequently at any time after the account is opened. Retirement accounts in discretionary advisory programs managed by the Clearing Agent are not eligible for the Expanded Bank Deposit Sweep. By entering in an account agreement where the Expanded Bank

Deposit Sweep is offered, you will be treated as having approved the use of the Expanded Bank Deposit Sweep for your account unless you elect otherwise.

### Standard Bank Deposit Sweep

The Standard Bank Deposit Sweep is available as an alternative to the Expanded Bank Deposit Sweep. The Standard Bank Deposit Sweep consists of interest-bearing deposit accounts at two or more Program Banks affiliated with our Clearing Agent ("Affiliated Banks"). The Standard Bank Deposit Sweep will provide a minimum of \$500,000 in FDIC insurance (\$1 million for joint accounts with two or more owners). Retirement accounts in discretionary advisory programs managed by the Clearing Agent are eligible only for the Standard Bank Deposit Sweep, thus for such accounts the primary Cash Sweep Vehicle is the Standard Bank Deposit Sweep.

### Money Market Fund

The Cash Sweep Vehicle for ineligible accounts will be a taxable Money Market Fund. The Money Market Funds offered in the Cash Sweep Program include those for which an affiliate of our Clearing Agent provides investment management and other services, including the Wells Fargo Money Market Funds. Prior to, or at the same time your available funds are first swept into an available Money Market Fund, you will be furnished with the appropriate prospectus, which should be read carefully. Mutual fund companies typically offer multiple share classes with different levels of fees and expenses. When selecting the share class for the Money Market Fund used as a Cash Sweep Vehicle, we do not, in all instances, select the share class with the lowest fees that is available from the fund company and these decisions are influenced by the additional compensation we receive in connection with your account's Money Market Fund holdings. The use of a more expensive share class of a Money Market Fund as a Cash Sweep Vehicle will negatively impact your overall investment returns.

Prior to the receipt of your signed account documents, cash deposited into your account and not otherwise invested will be held as a free credit balance and not placed in the Cash Sweep Program until written consent is provided to participate in the Cash Sweep Program. Except for retirement accounts, while any cash remains in free credit balance, you will not earn any interest on such balance. When you open your account, or you select an ineligible Cash Sweep Vehicle, your Cash Sweep Vehicle will be (and any cash balances will be transferred to) the Expanded Bank Deposit Sweep if you are eligible (if not, your Cash Sweep Vehicle will be (and any cash balances will be transferred to) the Standard Bank Deposit Sweep, or an available Money Market Fund selected by us). If you wish to specify a different Cash Sweep Vehicle, if available for your account type, you may do so at any time by contacting us. Existing balances in your prior Cash Sweep Vehicle will be automatically transferred to the new Cash Sweep Vehicle you select.

### How the Cash Sweep Program Works

On each business day available cash

balances will be automatically swept into the Cash Sweep Vehicle for your account. Shares or cash held in your Cash Sweep Vehicle will be automatically redeemed in order to settle a transaction, serve as collateral for a margin loan or short sale, or satisfy any other obligations.

**Timing of Credits** - Your Cash Sweep Vehicle will be credited: (i) in the case of available cash balances resulting from the proceeds of securities sales, on the settlement date of the securities sale; and (ii) in the case of available cash balances resulting from non-trade-related credits (i.e., the receipt of dividends, interest payments, or deposits), on the business day after receipt by us of the non-trade-related credit (unless there is a trade-related debit item pending in your account due to settle in one business day, in which case only that amount exceeding the trade-related debit will be credited to your Cash Sweep Vehicle). Available cash balances will not earn a rate of return until swept into your Cash Sweep Vehicle.

**Timing of Debits** - Your Cash Sweep Vehicle is automatically debited to satisfy obligations arising in connection with your brokerage account, including administrative and other fees, and charges in connection with a margin account. Cash Sweep Vehicle balances will also be debited as necessary in connection with certain account activity and services, including securities transactions, preauthorized electronic transfers, automated payments, checks, or debits from using the linked debit cards. Your brokerage account will be scanned automatically for debit items each day. Debit balances will be satisfied automatically from: (i) available cash balances; (ii) funds in any Money Market Fund no longer serving as your Cash Sweep Vehicle; (iii) through the withdrawal of funds from your Cash Sweep Vehicle; and (iv), where applicable, from margin loans.

**Access to Funds** - You may only access the balances held in your Cash Sweep Vehicle through your brokerage account. As required by federal banking regulations, the Program Banks reserve the right to require seven days prior notice before permitting a transfer out of the Bank Deposit Sweep Programs. The Program Banks have no intention of exercising this right at the present time. Pursuant to SEC rules, Money Market Funds may impose a fee on redemptions (liquidity fee) of up to 2% or a suspension of redemptions (gate) if a fund's weekly liquid assets falls below 30% of its total assets, and if the fund's board considers such actions in the best interest of the fund's shareholders. In addition, the Money Market Funds may reserve the right to require one or more days prior notice before permitting withdrawals. Please refer to the fund's prospectus for further information.

**Statements and Confirmations** - Your account statement will indicate your balance, detail transactions, and reflect

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interest or dividends relating to your Cash Sweep Vehicle. These account statements are provided in lieu of separate confirmations of sweep transactions.

**Interest/Dividends Payable** - Interest on cash in the Bank Deposit Sweep Programs is accrued daily, compounded monthly, and credited to your account on the last business day of each monthly statement period. Dividends on the shares in the Money Market Fund will not be payable in cash but will be reinvested each month in additional shares of the applicable Money Market Fund at the current net asset value. Dividends are not guaranteed and are subject to change or elimination.

#### **Rate of Return**

The rate of return for each available Cash Sweep Vehicle can be obtained from your financial professional or by calling the general inquiries phone number listed on the front of your account statement or found on our Clearing Agent's website at [wellsfargoclearingservicesllc.com](http://wellsfargoclearingservicesllc.com). These rates will vary over time and may be lower than rates available to clients making deposits directly with the Program Banks or at other banks, or available by investing directly in other money market mutual funds not offered through the Cash Sweep Program. You will receive the same interest rate on deposits at the Program Banks in the Bank Deposit Sweep Programs.

The interest rates on the Standard Bank Deposit Sweep and Expanded Bank Deposit Sweep can change at any time. The rates of interest paid on affiliated Program Bank deposits will be periodically set and re-set by the affiliated Program Banks in consultation with the Clearing Agent. The Clearing Agent will direct and otherwise cause the unaffiliated Program Banks participating in the Expanded Bank Deposit Sweep program to credit interest on their respective deposits at the same rate then being credited by the affiliated Program Banks. We, the Clearing Agent, and others will receive compensation from Program Banks in connection with the Cash Sweep Program, as set forth under "Benefits to Our Firm and Others." The rate will be based upon account type and with certain exceptions the total household value of assets in your account(s) with us such that clients in higher asset tiers will generally receive higher interest rates. The total household value will include any balances in the Bank Deposit Sweep Programs, as well as all other assets listed in your account statements. The grouping of accounts into a household can be performed by your investment professional based on account eligibility and family relationships. In general, a household may contain all of your personal accounts as well as the accounts of your spouse or domestic partner, dependents, and wholly-owned businesses. Retirement and Advisory accounts in the Bank Deposit Sweep Programs may receive a tier rate that is generally higher than that paid to other account types. Tiers and interest rates on different tiers may change from time to time at our Clearing Agent's discretion. Please contact your investment professional at the number on your account statement to find out more about house holding and to ensure all eligible accounts are grouped in a household

Neither the Clearing Agent nor any of the Program Banks are under any obligation to provide the highest rates available in the marketplace. Higher rates may be available outside of the Cash Sweep Program. By making the Cash Sweep Program available, the Clearing Agent assumes no obligation to seek or negotiate interest rates in excess of any reasonable rate of interest the affiliated Program Banks are willing to credit. In the Bank Deposit Sweep Programs, lower rates are more financially beneficial to us and others, including the Clearing Agent, as well as Wells Fargo & Company and its affiliates, including the Affiliated Banks and their respective personnel. By comparison, a Money Market Fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the fund's investment objective, which can be found in the fund's prospectus. (Money Market Fund rates are, however, affected by the fees applicable to the particular class of shares made available through the Cash Sweep Program.) As a result, the current rate of return on each Cash Sweep Vehicle will vary over time and there is no guarantee that the return on any particular Cash Sweep Vehicle will remain higher than the others over any given period.

The Cash Sweep Vehicle for your account should not be viewed as a long-term investment option. If you desire, as part of an investment strategy or otherwise, to maintain a cash position in your account for other than a short period of time and/or are seeking the highest yields currently available in the market for your cash balances, please contact your financial professional to discuss investment options that may be available outside of the Cash Sweep Program to help maximize your return potential consistent with your investment objectives, liquidity needs, and risk tolerance. Please note, however, that available cash accumulating in your account will not be automatically swept into any investment you purchase outside of the Cash Sweep Program.

#### **Your Responsibility to Monitor Your Cash Sweep Vehicle**

As returns on the Cash Sweep Vehicles, your personal financial circumstances, and other factors change, it may be in your financial interest to change your Cash Sweep Vehicle (if another option is available for your account type) or invest cash balances in products offered outside of the Cash Sweep Program consistent with your investment objectives and risk tolerance. We do not have any duty to monitor the Cash Sweep Vehicle for your account or make recommendations about, or changes to, the Cash Sweep Program that might be beneficial to you.

#### **Alternatives to the Cash Sweep Program**

You may elect not to participate in the Cash Sweep Program and/or periodically invest cash balances directly in available money market mutual funds or other products offered as direct investments outside of the Cash Sweep Program by providing instructions to your financial professional. Please note if you elect not to participate in the Cash Sweep Program, accruing cash balances will not earn a rate of return prior to direct investment. In addition, available cash will not be automatically swept into any money market mutual fund or other investment that you purchase outside of the

Cash Sweep Program.

Your financial professional can provide further details and additional information, including a prospectus, for any of the money market mutual funds available for direct investment outside of the Cash Sweep Program. Please read the prospectus carefully before investing. Investments in money market mutual funds are not guaranteed or insured by the FDIC or any other government agency and are not deposits of a bank or bank affiliate. Although retail and U.S. Government money market mutual funds seek to preserve their net asset value at one dollar per share, it is possible to lose money by investing in money market mutual funds.

#### **Changes to Cash Sweep Vehicles**

From time to time, the Clearing Agent may modify the Cash Sweep Program, which may result in changing the Cash Sweep Vehicle for your account. If the Clearing Agent makes any change, there is no guarantee that such change will provide an equal or greater rate of return to you during any given period, and the rate of return may be lower. You will receive advance notice of certain changes we may make to the Cash Sweep Program, including changes from one Cash Sweep Vehicle to another, any reductions in the number of Program Banks in either of the Bank Deposit Sweeps, or any reprioritization of the affiliated Banks relative to the unaffiliated Banks under the Expanded Bank Deposit Sweep. Unless you object within the time period specified, you will be treated as approving the change and the Clearing Agent will transfer the balances from your prior Cash Sweep Vehicle into any new Cash Sweep Vehicle.

If you decide to enroll in a new product or service that doesn't offer your current Cash Sweep Vehicle, your new Cash Sweep Vehicle will become the Expanded Bank Deposit Sweep if you are eligible (if not, your Cash Sweep Vehicle will be an available Money Market Fund selected by us) unless you select a different available Cash Sweep Vehicle.

#### **Benefits to Our Firm and Others**

We (in this section, the terms "we," "our," and "us" include the Introducing Firm and, in all instances, the Clearing Agent and its affiliates) receive fees and benefits for services provided in connection with the Cash Sweep Program, and we may choose to make available the Cash Sweep Vehicles that are more profitable to us than other money market mutual funds or bank deposit accounts. A portion of these fees may be paid to your investment professional.

#### **Money Market Funds**

We receive distribution (Rule 12b-1), investment management, service fees and other compensation as a result of sweeping available cash into the Money Market Funds. These fees, which vary depending on the Money Market Fund (and class thereof) used, are paid directly by the Money Market Funds but ultimately borne by you as a shareholder in the fund. Mutual fund companies typically offer multiple share classes with different levels of fees and expenses. When selecting the share class for the Money Market Fund used as a Cash Sweep Vehicle, we do not, in all instances, select the share class with the

lowest fees that is available from the fund company and these decisions are influenced by the additional compensation we receive in connection with your account's Money Market Fund holdings. The use of a more expensive share class of a Money Market Fund as a Cash Sweep Vehicle will negatively impact your overall investment returns.

#### *Expanded Bank Deposit Sweep*

We and the Program Banks benefit financially from cash balances held in the Expanded Bank Deposit Sweep. With respect to the Banks Affiliated with our Clearing Agent, profitability is determined in large part by the difference or "spread" between the interest they pay on deposits, and the interest or other income they earn on loans, investments, and other assets. Higher rates of interest than the rates credited by the Banks affiliated with our Clearing Agent on Expanded Bank Deposit Sweep deposits may be available outside of the Cash Sweep Program. The participation of the Banks affiliated with our Clearing Agent in the Expanded Bank Deposit Sweep is expected to increase their respective deposits and, accordingly, overall profits. This compensation is subject to change, and we may waive all or any part of this fee at any time without notice.

With respect to the Unaffiliated Banks under the Expanded Bank Deposit Sweep Program, the financial benefits available to us may differ as between retirement accounts relative and non-retirement accounts. For retirement accounts (including IRAs), each unaffiliated Program Bank in the Expanded Bank Deposit Sweep program will pay us a uniform fee equal to 79% of the Federal Funds Effective Rate of the average daily total retirement account deposit balances at that unaffiliated Program Bank. Because each unaffiliated Program Bank will pay us the same amount on retirement accounts, we have no incentive to make deposits with any particular unaffiliated Program Bank. In the case of non-retirement accounts, each unaffiliated Program Bank in the Expanded Bank Deposit Sweep Program will pay us an amount not to exceed a percentage (equivalent to Federal Funds Target plus 30 basis points (0.30%)) of the average daily total non-retirement deposit balances at that unaffiliated Program Bank, however the amount of that fee may vary from one unaffiliated Program Bank to the next. This amount includes our fee and interest payable to participating accounts in the Expanded Bank Deposit Sweep.

In addition, we will receive fees and compensation of up to two percent (2%) from the Affiliated Banks and/or their affiliates based on the average monthly deposit balances in the Expanded Bank Deposit Sweep (computed on an annualized basis). This compensation is subject to change, and we may waive all or any part of this fee at any time without notice. In addition, certain of our employees, including financial professionals, may receive incentive compensation based in part on new assets in the Expanded Bank Deposit Sweep or the profitability of the Expanded Bank Deposit Sweep for the Affiliated Banks and their joint parent company, Wells Fargo & Company.

Under the Expanded Bank Deposit Sweep, Clearing Agent pays an unaffiliated third-party administrator a fee for its services. This

fee includes an asset-based fee, which will vary based on deposit balances at the unaffiliated Program Banks. The Clearing Agent does not pay the third-party administrator on deposits held in the Affiliated Banks. Thus, the profitability of the Expanded Bank Deposit Sweep is based in part on deposit balances, which may be greater depending on the size of the overall deposit balances in the Expanded Bank Deposit Sweep.

We and the Program Banks may pay rates of interest on the Expanded Bank Deposit Sweep that are lower than prevailing market interest rates. Clearing Agent has a conflict of interest because it influences both what it pays you in interest and what it and its employees receive in compensation on the Expanded Bank Deposit Sweep. However, as noted, the process is different for retirement accounts, including IRAs. Retirement accounts participating in the Expanded Bank Deposit Sweep will receive the same rate on deposits on unaffiliated Program Banks as is set on Affiliated Banks, and the amount of fees received on unaffiliated Program Banks is uniform across all unaffiliated Program Banks; this feature will not be changed without advance notice to you.

#### *Standard Bank Deposit Sweep*

We and the Affiliated Banks, benefit financially from cash balances held in the Standard Bank Deposit Sweep. As with other depository institutions, the profitability of the Affiliated Banks is determined in large part by the difference or "spread" between the interest they pay on deposit accounts, such as the Standard Bank Deposit Sweep, and the interest or other income they earn on loans, investments, and other assets. As noted above, higher rates of interest than the rates credited by the Affiliated Banks on Standard Bank Deposit Sweep deposits may be available outside of the Cash Sweep Program. Clearing Agent has a conflict of interest because it influences both what it pays you in interest and what it and its employees receive in compensation on the Standard Bank Deposit Sweep. The participation of the Affiliated Banks in the Standard Bank Deposit Sweep is expected to increase their respective deposits and, accordingly, overall profits.

We may receive fees and compensation of up to two percent (2%) from the Affiliated Banks and/or their affiliates based on the average monthly deposit balances in the Standard Bank Deposit Sweep (computed on an annualized basis). This compensation is subject to change, and we may waive all or any part of this fee at any time without notice. In addition, certain of our employees, including financial professionals, may receive incentive compensation based in part on new assets in the Standard Bank Deposit Sweep or the profitability of the Standard Bank Deposit Sweep for the Affiliated Banks and their joint parent company, Wells Fargo & Company.

As a result of the fees and benefits described above, the Standard Bank Deposit Sweep will be more profitable to the Clearing Agent than the Expanded Bank Deposit Sweep, which means the Clearing Agent will receive a greater benefit if you select the Standard Bank Deposit Sweep as your Cash Sweep Vehicle.

#### *Other Benefits to Clearing Agent*

Clearing Agent shall also receive a benefit by retaining any interest earned (generally at the Federal Funds rate) on cash balances awaiting disbursement or prior to such balances being swept into your Cash Sweep Vehicle.

#### **SIPC Insurance**

The Securities Investor Protection Corporation ("SIPC") protects customers of its members against the custodial risk to clients of securities brokerage firms in the event such firms become insolvent. Unlike FDIC insurance, SIPC does not insure against the failure of a security, the quality of investments, or declines in the value of investments. Instead, SIPC protects each client's securities (which include Money Market Funds) and cash held in a client's brokerage account at an insolvent brokerage firm by replacing missing securities and cash of up to \$500,000 per client, including \$250,000 for claims for cash. In addition to SIPC, the Clearing Agent maintains a program of additional insurance coverage, at no cost to you, through London Underwriters (led by Lloyd's of London Syndicates), referred to here as "Lloyd's." For clients who have received the full SIPC payout limit, the Clearing Agent's policy with Lloyd's provides additional coverage above the SIPC limits for any missing securities and cash in client brokerage accounts up to a Clearing Agent aggregate limit of \$1 billion (including up to \$1.9 million for cash per client). This account protection package does not cover losses resulting from declines in the market value of your investments. For more information on SIPC coverage, please see the explanatory brochure at [www.sipc.org](http://www.sipc.org) or call 202-371-8300. For more information about Lloyd's, please visit [www.lloyds.com](http://www.lloyds.com).

Since monies in the Bank Deposit Sweep Programs are held at banks, they are NOT covered by SIPC or Lloyd's. They are instead covered by FDIC insurance. Please see the section entitled FDIC Insurance Coverage below.

#### **Additional Information Regarding the Bank Deposit Sweep Programs**

##### **Introduction**

The Standard Bank Deposit Sweep consists of interest-bearing deposit accounts at two or more Affiliated Banks, each a depository institution regulated by bank regulatory agencies under various federal banking laws and regulations. If you have selected the Standard Bank Deposit Sweep as your Cash Sweep Vehicle, available cash balances in your account are automatically deposited into the Standard Bank Deposit Sweep.

The Expanded Bank Deposit Sweep consists of interest-bearing deposit accounts at affiliated and unaffiliated Program Banks, each a depository institution regulated by bank regulatory agencies under various federal banking laws and regulations. If you have selected the Expanded Bank Deposit Sweep as your Cash Sweep Vehicle, available cash balances in your account are automatically deposited into the Expanded Bank Deposit Sweep.

## Deposits

In the Standard Bank Deposit Sweep, the uninvested cash balances in your brokerage account will be deposited at one or more bank deposit accounts maintained at the Affiliated Banks. In the Expanded Bank Deposit Sweep, the uninvested cash balances in your brokerage account will be deposited at one or more bank deposit accounts maintained at the affiliated and unaffiliated Program Banks, although we will give priority to the Affiliated Banks. In the Bank Deposit Sweep Programs no evidence of ownership, such as a passbook or certificate, will be issued to you and deposits in the Bank Deposit Sweep Programs may be made in the name of the Clearing Agent (or its agents) for the benefit of our clients. However, your brokerage account statement will reflect all deposits, withdrawals, Program Bank deposit balance(s), and applicable interest rate.

In the Standard Bank Deposit Sweep, deposits from each account will be made initially at Wells Fargo Bank, N.A. up to \$248,000, and then any available cash in excess of \$248,000 will be deposited at one or more additional Affiliated Banks. In the Standard Bank Deposit Sweep, cash in excess of \$496,000 (when two Affiliated Banks are used) will be swept to Wells Fargo Bank, N.A. and will be uninsured. In the Expanded Bank Deposit Sweep, deposits from each account will be made initially at Wells Fargo Bank, N.A. up to \$248,000, and then any available cash in excess of \$248,000 will be deposited up to \$248,000 at each other Program Bank. The Clearing Agent will, however, give priority to one or more additional Affiliated Banks in the Expanded Bank Deposit Sweep. As a result, the ordering of the sweep is always Affiliated Banks first, and then unaffiliated Program Banks. In the Expanded Bank Deposit Sweep, cash in excess of \$1,240,000 will be swept to Wells Fargo Bank, N.A. and will be uninsured. Sweep deposit limits are set below the FDIC insurance limits to allow for accrued interest on the deposit accounts at the Affiliated Banks and unaffiliated banks. Deposits for joint accounts, revocable and irrevocable trust accounts are subject to operational limitations and the amount of FDIC insurance coverage afforded may be less than the FDIC insurance coverage available under FDIC rules.

For single, custodial, and IRA and ESA accounts, any deposits in the Standard Bank Deposit Sweep that exceed \$496,000 (when two Affiliated Banks are used) will be deposited at Wells Fargo Bank, N.A. and will not be FDIC insured. In the Expanded Bank Deposit Sweep, any deposits that exceed \$1,240,000 will be deposited at Wells Fargo Bank, N.A. and will not be FDIC insured.

For joint accounts, the Bank Deposit Sweep Programs can recognize accounts with only two joint owners. As a result, in the Standard Bank Deposit Sweep, deposits for joint accounts, regardless of the number of joint owners, will be made only up to \$496,000 initially at Wells Fargo Bank, N.A. and then any available cash in excess of \$496,000 will be deposited at each additional Affiliated Bank, up to \$496,000 per Affiliated Bank. Cash in excess of \$992,000 (when two Affiliated Banks are used) will be swept to

Wells Fargo Bank, N.A. and may be uninsured. In the Expanded Bank Deposit Sweep, deposits from joint accounts, regardless of the number of joint owners, will be made only up to \$496,000 initially at Wells Fargo Bank, N.A. and then any available cash in excess of \$496,000 will be deposited up to \$496,000 at each other Program Bank, which may include one or more additional Affiliated Banks. The Clearing Agent will, however, give priority to any additional Affiliated Banks in the Expanded Bank Deposit Sweep. Any deposits that exceed \$2,480,000 will be deposited at Wells Fargo Bank, N.A. and may not be FDIC insured.

For revocable and irrevocable trust accounts in the Bank Deposit Sweep Programs, regardless of the number of owners and beneficiaries, deposits are made initially only up to \$248,000 at Wells Fargo Bank, N.A. In the Standard Bank Deposit Sweep, any available cash in excess of \$248,000 will be deposited at one or more additional Affiliated Banks. Cash in excess of \$496,000 (when two Affiliated Banks are used) will be swept to Wells Fargo Bank, N.A. and may be uninsured. In the Expanded Bank Deposit Sweep, any available cash in excess of \$248,000 will be deposited up to \$248,000 at each other Program Bank. The Clearing Agent will, however, give priority to any additional Affiliated Banks in the Expanded Bank Deposit Sweep. Any deposits that exceed \$1,240,000 will be deposited at Wells Fargo Bank, N.A. and may not be FDIC insured.

Cash intended for deposit into the Bank Deposit Sweep Programs must be deposited through your brokerage account and cannot be placed directly by you into a Program Bank. Only balances transferred by the Clearing Agent will be eligible for inclusion in the Bank Deposit Sweep Programs. Deposits by you into Program Banks, outside of the Bank Deposit Sweep Programs, may adversely affect the FDIC coverage of your funds.

## Withdrawals

Monies on deposit at the Program Banks will be automatically withdrawn from the bank deposit accounts in the event of a debit in your brokerage account or, on settlement date, to pay for securities purchased for or sold to your brokerage account. Debits may also be created by writing a check on your brokerage account, making payments via online bill payment service, withdrawing funds through your debit card, or to pay other liabilities owed to us. Checks, ACH payments, debit cards, ATM withdrawals, direct deposits, credits, and other transactions and items for your brokerage account are processed through that account rather than through the bank deposit accounts. The Clearing Agent will debit and credit your bank deposits to accommodate this processing.

## FDIC Insurance Coverage

Balances on deposit in the Bank Deposit Sweep Programs, together with any other of your deposits at the Program Banks, are insured by the FDIC, an independent agency of the U.S. government, up to a maximum amount in accordance with the rules of the FDIC. Deposits (including principal and interest) at each of the Program Banks are eligible for federal deposit insurance up to

\$250,000. Different ownership categories of accounts are separately insured. Please see the "Deposit Insurance - General Information" section below for further information.

If you have other deposits at the Program Banks outside of the Bank Deposit Sweep Programs, you must aggregate all such deposits with your Bank Deposit Sweep Program balance for purposes of determining FDIC coverage. If your total funds on deposit at any Program Bank exceed the applicable FDIC insurance limit, the FDIC will not insure your funds in excess of the limit. **Please note that you, and not the Clearing Agent or brokerage firm, are responsible for monitoring the total amount of your deposits at the Program Banks in order to determine the extent of FDIC insurance coverage available. If you expect to have total deposits at the Program Banks, including balances through the Standard Bank Deposit Sweep or Expanded Bank Deposit Sweep, that exceed FDIC insurance coverage limits, you should carefully consider whether you should arrange for the direct investment of amounts exceeding such coverage.**

In the event that federal deposit insurance payments become necessary, payments of principal plus unpaid and accrued interest will be made to you by the FDIC. However, there is no specific time period during which the FDIC must make insurance payments available. Furthermore, you may be required to provide certain documentation to the FDIC before insurance payments are made.

If you have additional questions about FDIC insurance, please contact your financial professional. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one capacity. You may also obtain publicly available information by contacting the FDIC, Office of Consumer Affairs, by letter (550 17th Street, N.W., Washington, D.C. 20429), by phone (877-275-3342 or 800-925-4618 (TDD)), or by accessing the FDIC website at [www.fdic.gov](http://www.fdic.gov).

## Differences between the Bank Deposit Sweep Programs and Money Market Funds

The Money Market Funds available as Cash Sweep Vehicles are registered with the SEC pursuant to the Investment Company Act of 1940. The Bank Deposit Sweep Programs consist of interest-bearing deposit accounts at the Program Banks, each regulated by bank regulatory agencies under various federal banking laws and regulations. Deposits in the Bank Deposit Sweep Programs are eligible for FDIC insurance as described above. The retail and U.S. Government Money Market Funds purchase high quality, short-term securities in seeking to maintain their net asset value of one dollar per share. A stable net asset value is not guaranteed and you could experience a loss of principal investing in these Money Market Funds. Funds invested in a Money Market Fund are not guaranteed or insured by the FDIC or any other government agency and are not deposits of a bank or bank affiliate, including the Program Banks. Although Money Market Funds seek to preserve the value of your investment at \$1.00 per share; it is possible to lose money investing in a Money Market Fund.

## Changes to Program Banks

From time to time we or the Clearing Agent may announce changes to the Bank Deposit Sweep Programs that include adding, deleting, replacing or changing the sequence of Program Banks, which may result in increasing or decreasing the overall FDIC insurance available through the Bank Deposit Sweep Programs. In the event of certain changes, including changes from one Cash Sweep Vehicle to another, any reductions in the number of Program Banks in either of the Bank Deposit Sweeps or any reprioritization of the affiliated Banks relative to the unaffiliated Banks under the Expanded Bank Deposit Sweep, you will be notified in advance of the change if it affects your account. If you object to a change we announce, you may take action within the notice period to discontinue your account's use of the affected sweep option. Otherwise, you will be deemed to have provided your consent to the change. If a Program Bank no longer makes the Standard Bank Deposit Sweep or Expanded Bank Deposit Sweep available, you may establish a direct depository relationship with that bank, if the bank is accepting such relationships and subject to its policies and procedures with respect to maintaining deposit accounts. If you do not wish to establish a direct relationship with the bank, your funds will be transferred to another available Program Bank. The consequences of maintaining a direct depository relationship with a Program Bank are discussed below under "Relationship with Us". We may notify you of any of these changes by means of a letter, an entry on your brokerage account statement, an entry on a trade confirmation, or by other means.

## Information about the Program Banks

The Program Banks are regulated by bank regulatory agencies under various federal banking laws and regulations. The Affiliated Banks are wholly-owned subsidiaries of Wells Fargo & Company, the fourth largest bank holding company in the United States based on assets. Clearing Agent is a nonbank affiliate of the Affiliated Banks and Wells Fargo & Company. Additional information regarding the Affiliated Banks and Wells Fargo & Company is available at [www.wellsfargo.com](http://www.wellsfargo.com). The list of Program Banks is available at [wellsfargoclearingservicesllc.com/disclosures/cash-sweep-program](http://wellsfargoclearingservicesllc.com/disclosures/cash-sweep-program) or by contacting your investment professional.

Deposits in the Bank Deposit Sweep Programs are obligations of each Program Bank where the monies are deposited and are not obligations of our firm or guaranteed by Wells Fargo & Company or any of its other affiliates. Neither our firm, Wells Fargo & Company, nor the Clearing Agent guarantees in any way the financial condition of the Program Banks, nor are they responsible for any insured or uninsured portion of any deposits with the Program Banks.

## Relationship with Us

We will act as your agent in establishing and maintaining the Bank Deposit Sweep Programs, including making deposits to and withdrawals from the Bank Deposit Sweep Programs. Your first deposit into the Standard Bank Deposit Sweep or Expanded Bank Deposit Sweep will constitute your appointment of us as your agent in

connection with the Standard Bank Deposit Sweep or Expanded Bank Sweep. No evidence of ownership, such as a passbook or certificate, will be issued to you and deposits in the Standard Bank Deposit Sweep or Expanded Bank Deposit Sweep may be made in the name of the Clearing Agent, for the benefit of our customers. Accordingly, all transactions involving the Bank Deposit Sweep Programs must be made through us.

If you decide to remove us as your agent with respect to the Bank Deposit Sweep Programs, you may establish a direct depository relationship with a Program Bank, if the bank is accepting such relationships, by requesting to have your deposit relationship established in your name, subject to applicable law and the Program Bank's terms and conditions. If we terminate your use of the Standard Bank Deposit Sweep or Expanded Bank Deposit Sweep, or if you choose to remove us as your agent with respect to the Standard Bank Deposit Sweep or Expanded Bank Deposit Sweep, we will have no further responsibility for automatically crediting your brokerage account with payments made with respect to your accounts with the Program Banks and will not automatically withdraw funds from your accounts with the Program Banks to satisfy debits in your brokerage account.

## Deposit Insurance - General Information

### General Information

Each Program Bank is insured by the FDIC, an independent agency of the U.S. government, up to a maximum amount of \$250,000 (including principal and accrued interest) per depositor in each insurable capacity (e.g., individual or joint) at each Program Bank when aggregated with all other deposits held by you at the same Program Bank in the same capacity. Your funds become eligible for deposit insurance immediately upon placement in the Standard Bank Deposit Sweep or Expanded Bank Sweep. Any deposits that you maintain directly with a Program Bank, or through an intermediary (such as us or another broker), will be aggregated with your Standard Bank Deposit Sweep balances at each Affiliated Bank (or with your Expanded Bank Deposit Sweep balances at each Program Bank) for purposes of FDIC insurance coverage limits.

In the unlikely event that federal deposit insurance payments become necessary, payments of principal plus unpaid and accrued interest will be made to you. There is no specific time period during which the FDIC must make insurance payments available. Furthermore, you may be required to provide certain documentation to the FDIC and the Clearing Agent before insurance payments are made. For example, if you hold deposits as trustee for the benefit of trust participants, you may be required to furnish affidavits and provide indemnities regarding an insurance payment.

The application of FDIC insurance coverage limits by account type is illustrated by several common factual situations discussed below. The illustrations below assume the use of the Expanded Bank Deposit Sweep. To assist you with calculating your aggregated deposits and the associated coverage, the FDIC has

an Electronic Deposit Insurance Estimator available at [www.fdic.gov/edie](http://www.fdic.gov/edie).

**Single Accounts** - Accounts owned by one person, and titled in that person's name only, are added together and the total insured up to \$250,000 at each Program Bank (currently providing a total of up to \$1,250,000 when deposited at all five of the Program Banks). This account category does not include joint accounts, certain trusts, and individual retirement accounts, which are protected in a separate category and discussed below.

**Custodial Accounts** - Funds in accounts held by a custodian (for example, under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act) are not treated as owned by the custodian, but are added to other deposits of the minor and insured up to \$250,000 in the aggregate per Program Bank (currently providing a total of up to \$1,250,000 when deposited at all five of the Program Banks).

**Joint Accounts** - For accounts owned by two or more people, each person's share is insured up to \$250,000 separately at each Program Bank in addition to the \$250,000 allowed on other deposits owned individually in one or more single accounts (currently providing a total of up to \$2,500,000 for accounts with two joint owners when deposited at all five of the Program Banks). The Bank Deposit Sweep Programs can recognize joint accounts with only two joint owners.

**Revocable Trust Accounts** - A revocable trust account indicates an intention that the deposit will belong to one or more named beneficiaries upon the death of the owner(s). A revocable trust can be terminated at the discretion of the owner. There are two types of revocable trusts: **informal trusts**, known as Payable on Death (POD) or "Totten Trusts," and **formal trusts**, known as "living" or "family" trusts. Both informal and formal revocable trusts are insured up to \$250,000 per owner for each beneficiary if the FDIC requirements are met. All deposits that an owner holds in both informal and formal revocable trusts are added together for insurance purposes and the insurance limit is applied to the combined total. A revocable trust account established by a husband and wife that names the husband and wife as sole beneficiaries will be treated as a joint account, and will be aggregated with other joint accounts subject to the rules described above under "Joint Accounts."

**Irrevocable Trust Accounts** - Deposits in an account established pursuant to one or more irrevocable trust agreements created by the same person will be insured for up to \$250,000 per Program Bank for the interest of each beneficiary provided that the beneficiary's interest in the account is non-contingent (i.e., capable of determination without evaluation of contingencies). The deposit insurance of each beneficiary's interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee, or

other beneficiaries. A beneficiary's interest in funds held in irrevocable trust accounts created by the same person will be aggregated and insured up to \$250,000 at each Program Bank.

**Individual Retirement Accounts -**  
Deposits held in Individual Retirement Accounts, including Traditional, Roth, SEP, and SIMPLE IRAs, are eligible for FDIC insurance of up to \$250,000 in the aggregate at a bank (currently providing a total of up to \$1,250,000 when deposited at all five of the Program Banks).

# Wellington Shields & Co., LLC

## Schedule of Fees

Annual account fees will be charged in September and will be based on the type of account you own on June 30, 2020. Listed below are the annual fees associated with each type of account.

Wellington Shields & Co., LLC offers clients many options to have annual fees waived. Please see below, and contact your Registered Representative for more details.

Type of Account	Annual Fee
Investment (standard brokerage) Account	\$100
Individual Retirement Account*	\$ 75
UGMA/UTMA	\$ 45
Advantage**	\$125

*\*Includes Traditional, Spousal, Roth, SEP and SIMPLE IRAs.*

*\*\* Other administrative fees may apply to Advantage (check copies, checkbook orders, ATM fees, additional debit card, etc.).*

**If you meet any of the fee waiver criteria below, your account will not be charged the annual account fee above.**

- Accounts that place six or more billable trades in a period from July 1, 2019 to June 30, 2020 (does not apply to Advantage, IRA or ESA accounts).
- Accounts opened on or after January 1 of the current year - (does not apply to Advantage, IRA, or ESA accounts).
- A household relationship with Wellington Shields & Co., LLC with a market value of \$500,000 or more as of June 30, 2020.
- All accounts that are enrolled in a First Clearing Managed/Fee-based based program OR a Wellington Shields & Co., LLC proprietary Managed/Fee-based based program.
- DVP Accounts
- 529 Plans
- Qualified retirement plan accounts (excluding IRAs)
- Accounts with open-end mutual fund positions of \$100,000 or more.
- Accounts with annuity positions only.

If you have any questions regarding the applicability of these fees, please contact your Registered Representative.

## Schedule of Operational and Service Fees

Exchange/Other Fees	Cost
No Load Mutual Fund Accommodation Fee	Fee Waived
Mutual Fund Liquidation Ticket Charge	Fee Waived
Physical Certificate Issuance	Pass through DTC charges
Direct Registration Service (DRS) Rejection	\$75
Obtaining Physical Certification of a Foreign Security	\$500 per security + out-of-pocket expenses
Rejection of Ineligible Physical Certificates Presented for Deposit	\$50
Replace Certificate Lost by Client	\$100 + out-of-pocket expenses
Safekeeping Fee	\$150 per position annual charge
Outgoing/Express Mail	\$15
Outgoing Wire Transfer - Domestic or Foreign	Fee Waived
Returned Items (Insufficient Funds)	\$20 for Advantage
Stop Payment (Advantage)	\$25
Deposited/Cashed Item Chargeback	\$10
Outgoing Account Transfer	\$175
IRA Termination (Waived for over 70 ½ or death/disability distribution)	\$150

*Wellington Shields & Co. may change this fee schedule at any time. In addition to these fees, please note that certain other operational or other fees or charges may apply. If you have any questions regarding the applicability of these fees, please contact your Registered Representative.*