

# ARKADIOS CAPITAL PARTNERS, LLC

## Regulation Best Interest Disclosure

This document is intended to provide a brief overview and explanation of important information regarding your brokerage account relationship with Arkadios Capital Partners, LLC, (“AC”) and in general terms, how Arkadios Capital’s affiliate, Arkadios Wealth Advisors (“AW”) and ACG Wealth (“ACG”), can interact with you and Arkadios Capital Partners to provide additional non-brokerage services to your account. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.

As you review this information, we would like to remind you that we are registered with the U.S. Securities and Exchange Commission (SEC) as a broker/dealer, providing brokerage services. Our brokerage services are the primary focus of this document. This document contains important information about the types of services we offer along with general information related to compensation, conflicts of interest, disciplinary action and other reportable legal information. Please carefully review and consider the information in each section below.

### Defined Terms

For purposes of this Arkadios Capital investing document, the terms “AC”, “we,” “us “and “our” refer to Arkadios Capital Partners, a wholly owned subsidiary of Arkadios Holdings, Inc. Arkadios Capital is a broker/dealer registered with the U.S Securities & Exchange Commission (“SEC”), a member of the Financial Industry and Regulatory Authority (“FINRA”) and the Securities Investor Protections Program (“SIPC”) and a licensed insurance agency.

The terms “Account Holder,” “you” and “your” refer to the owner of a brokerage account (“brokerage account” or “account”) held with Arkadios Capital. For joint accounts, these terms refer to all owners, collectively, and individually. For accounts owned by entities, such as trust or business accounts, these terms refer both to the entity and to all beneficial owners of the account and all persons authorized to transact with the account.

Arkadios Capital is an introducing broker/dealer which clears its securities transactions through National Financial Services LLC (“NFS”), an independently owned SEC registered broker/dealer and member of FINRA and SIPC, or such successor clearing firm as we shall choose from time to time. Custody of securities held in your account is maintained with NFS, or in the case of retirement accounts, with its affiliate, Fidelity Management Trust Company. The respective functions allocated between Arkadios Capital and NFS related to Brokerage Accounts are specified in the clearing agreement between Arkadios Capital and NFS and are summarized in the noticed provided to customers by NFS at account opening pursuant to FINRA Rule 4311. In the case of direct relationships with insurance companies, 529 plans and other investment providers, custody of your investments is maintained by you directly with such providers.

The term “AWA” refers to Arkadios Capital Partner’s affiliate, Arkadios Wealth Advisors, another wholly owned subsidiary of Arkadios Holdings and an SEC Registered Investment Adviser. AWA does not provide brokerage services, but by separate contractual agreement with you, AWA can provide investment advisory and non-discretionary and/or discretionary

account management services to your AC account (AWA).<sup>1</sup> The term “ACG” refers to ACG Wealth, which is an affiliated entity of Arkadios Capital, and an SEC Registered Investment Adviser. ACG does not provide brokerage services, but by separate contractual agreement with you, ACG can provide investment advisory and non-discretionary and/or discretionary account management services to your AC account (ACG).<sup>2</sup>

## **A. Your Brokerage Relationship with Arkadios Capital**

Arkadios Capital offers full-service brokerage services and products to retail customers<sup>3</sup>. In acting as your broker/dealer, Arkadios Capital and its account representatives are acting as your agent. Under applicable laws, rules and regulations, when making investment recommendations to retail customers, Arkadios Capital and other securities brokers have a duty to act in your best interest. Acting in your best interest, however, is not the equivalent of acting in a traditional fiduciary relationship and when acting in their capacities as your securities and insurance broker, Arkadios Capital and its account representatives have conflicts of interest with respect to their investment recommendations and other relationships with you and other companies such as mutual funds and other investment providers we represent. All recommendations regarding purchases or sales in your brokerage account will be made by your Arkadios Capital representative in a broker/dealer capacity only. Brokerage accounts are different from advisory accounts.

You will pay AC and/or your AC representative for services AC provides to you in your brokerage account through sales commissions and payments AC receives from third parties. Based on the nature of your investments, AC receives direct or indirect compensation in connection with the services AC provides to you.

Please see the materials which follow as well as the additional material referenced in this document for additional information or ask your account representative to answer any questions you may have concerning our obligation to make investment recommendations in your best interest and/or our conflicts of interest in making such recommendations.

Your brokerage relationship with AC is a transactional relationship and unless all parties expressly agree otherwise in writing:

- I. Arkadios Capital and its account representatives shall have no discretionary authority to buy, sell, or otherwise transact with regard to investments or other assets held in your brokerage account (or otherwise directly with an investment provider; and
- II. After each transaction in your brokerage account (or directly with an investment provider) made by your or any other agent who is authorized to transact in your account is completed, we shall not have any continuing or ongoing obligation to review or make recommendations unless agreed upon by you, for the investment of securities, cash, annuities, insurance

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<sup>1</sup> Please review Arkadios Wealth Advisors terms and conditions and associated Program materials for a full description of AWA’s investment advisory services, including each Program’s terms, fees and expenses. A copy of AWA’s ADV is available upon request.

<sup>2</sup> Please review ACG Wealth’s terms and conditions and associated Program materials for a full description of ACG’s investment advisory services, including each Program’s terms, fees and expenses. A copy of ACG’s ADV is available upon request.

<sup>3</sup> The term “retail customers” refers to natural persons and the individual legal representatives of such natural persons. This term does not apply to institutional accounts (including corporations, partnerships, institutional trust accounts, etc.) and other accounts which are not subject to laws, rules, and regulations applicable only to retail customers. Accounts other than retail customer accounts, however, remain subject to all other applicable laws, rules, and regulations.

policies, guaranteed investment contracts, or any other form of investment held in or through your brokerage account.

### **1. Available Investment Options**

Securities and other investments available to AC brokerage account clients (“our platform”) include all securities listed on U.S exchanges. Mutual funds, annuities, unit investment trusts, 529 plans and certain other unlisted investments available to AC brokerage account clients are limited to investments which are (1) made available to our clients by NFS, (or any successor clearing firm) and (2) other investments whose sponsors or affiliates have contracted directly with us to provide selling agency and other distribution services. The fact that an investment is available on our platform is not any form of investment recommendation. All investments are subject to market risks and fluctuate in value, so that an investor’s shares, when redeemed may be worth more or less than their original cost. Our platform does not include all possible investments.

Commission rates, mutual fund share classes, cash sweep program feature eligibility and other investments available to your AC brokerage account through our platform will vary in accordance with (1) your type of brokerage account relationship with AC, and (2) your account type (IRA or taxable) and (3) your investment advisory relationship (if any) with our affiliated investment advisers, Arkadios Wealth Advisors, and ACG Wealth.

### **2. Full-Service Brokerage Relationship**

In a full-service brokerage relationship, in addition to acting as your agent to complete securities and other investment transactions at your direction and on your behalf, AC and/or your AC account representative will provide you with the investment recommendations and other services which are tailored to your specific investment goals and circumstances.

Full-service brokerage accounts are eligible to invest in listed securities and any mutual fund on our platform which AC makes available to such accounts. Availability of investment will vary over time. AC reserves the right, in its sole discretion, to determine at any time and from time to time and with or without advance notice, which securities, mutual fund shares, mutual fund share classes and other investments it will make available to its client’s full-service brokerage accounts.

### **Cash Brokerage and Margin Brokerage Accounts**

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, National Financial Services (NFS). This is generally referred to as a “margin loan.” The portion of the purchase price that is loaned to you is secured by securities in your account, also referred to as “collateral.” You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes.

Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, our default brokerage option is our cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin

brokerage relationship with us. For more information on our margin brokerage services, contact your financial professional.

### **Incidental Brokerage Services, Recommendations and Account Monitoring**

Within your brokerage account, we may also provide other incidental services recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you.

It is important for you to understand that when our account representative makes a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. You may accept or reject any recommendation. It is also your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. We do not commit to provide on-going monitoring of your brokerage account. We occasionally, and without any formal agreement or obligation, review your brokerage account to determine whether to recommend investments. If you prefer on-going monitoring of your account or investments, you should speak with your account representative about whether an investment advisory relationship is more appropriate for you.

Please also consider that 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.

### **Account Minimums and Activity Requirements**

There is no minimum initial account balance required to open a brokerage account with us. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed. In addition, some types of brokerage accounts have minimum account activity requirements and/or minimum on-going balance requirements that must be maintained, or your brokerage account will be closed. These requirements are detailed in the account agreement(s) you receive when/if you open your brokerage account. You should also understand that our financial professional may have their own minimum account balance requirements for the brokerage accounts they service. For example, a dedicated financial professional may choose to service only those brokerage account clients who satisfy account-specific or total household asset conditions. Minimum asset requirements are disclosed to you orally by your financial professional.

### **3. Investing in Mutual Funds**

Before investing in mutual funds, you should consider the type of mutual fund that is right for you based on your own investment objectives, risk tolerance, time horizon and relative to each strategy's objectives, process, performance and expense structures which vary across funds and fund families. This document is designed to help you make an informed decision about your investment planning. It is important that you read this document, the prospectus, and disclosure documents of any mutual funds you are considering. Please make sure you talk with your Account Representative so he/she can help you fully evaluate your options. This document explains the costs associated with different share classes, compensation cost and discounts that are available to you.

#### **Mutual Fund Fees & Expenses**

Like most investments, there are certain charges associated with mutual funds. The prospectus spells out the charges you pay, including sales charges and annual operating expenses. These charges vary by share class.

#### **Sales Charges**

Sales charges are levied on either front-end or the back end of a mutual fund transaction that includes AC and your AC representative. Front-end charges are levied when you purchase certain classes of shares. Front-end sales charge fees may be charged and paid to us and your financial professional, when you purchase a mutual fund. The front-end sales charge is deducted from the initial investment on certain share classes. Some purchases may qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of transaction and rights of accumulation. In addition, some purchases may qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account. You should contact your financial professional to determine if you are eligible for sales charge waivers.

Back-end charges or contingent deferred sales charges ("CDSC") are levied when you sell certain classes of shares. However, back-end charges decline over time, so you pay less or nothing at all in sales charges as you hold your shares for longer period of time. This charge typically exists only on share classes that do not have a front-end sales charge. CDSCs are not charged when you purchase a mutual fund. A CDSC is not passed on to your financial professional. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the mutual fund in the prospectus. Fees and expenses disclosed in the mutual fund's prospectus are charged against the investment values of the mutual fund. When choosing a mutual fund, you want to ask about sales charges and take the type of charge into consideration based on your investment goals.

#### **Operating Expenses**

Fund operating expenses include management fees, SEC Rule 12b-1 fees<sup>4</sup>, the costs of shareholder communications and other expenses. Operating expenses are deducted from the fund's assets, reducing investment returns, although they are not charged as an additional fee separate from the mutual fund's internal expenses. Operating expenses vary by fund, fund family, investment objective, and share class such that higher operating costs correspondingly reduce the mutual fund investment returns. The fund's prospectus will provide you with a record of the funds expense ratio, so that you can compare the expense costs of various funds.

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<sup>4</sup>The fund company takes 12b-1 fees out of the fund's assets each year for marketing and distribution expenses, which includes compensation to AC and its account representatives, as set forth in the mutual fund's prospectus.

## **Classes of Shares**

**Class A Shares** generally carry front-end sales charges. These are deducted from your initial investment. The front-end charge can range from 0.00% to 5.75%. A shares typically charge annual 12b-1 fees of 0.25%.

- **Breakpoint Discounts:** Most Class A shares offer breakpoint discounts for large investments, so that the larger your investment in a fund, the lower the sales charge percentage applied to the investment. Many mutual fund groups count holdings in related accounts toward this breakpoint. This privilege is referred to as “rights of accumulation.”
- **Letters of Intent:** Some mutual funds will grant breakpoint discounts at a lower investment level if the investor signs a letter of intent claiming an intention to invest a specified amount in the fund over a specified period of time. Each fund’s rules about rights of accumulation and letter of intent differ, so be sure to ask your AC representative about a fund family’s rules before investing so you can take steps to qualify for any available discounts.

**Class B shares** do not generally carry front-end sales charges, but their operating expenses are typically higher than those of A shares. B shares normally impose a contingent deferred (back-end) sales charge (CDSC). The CDSC is typically reduced each year and is usually eliminated if you hold your shares for seven to eight years. In most cases, Class B shares convert to A shares at this point.

**Class C Shares** do not generally carry a front-end sales charges and generally impose a lower CDSC, often 1 percent for a year. C shares typically charge an annual 12b-1 fee of 0.50% to 1%. In most cases there is also a CDSC.

## **Sales Charges, 12B-1 fees and Other Compensation & Conflicts of Interest**

Some funds carry higher sales charges or operating expenses than others. This creates an incentive for AC representatives to sell certain funds because the higher the sales charge and/or operating expenses level will result in a higher compensation amount to the AC representative. AC mitigates this conflict of interest by disclosing it to clients and by supervising AC representatives’ investment recommendations. However, AC cannot eliminate this conflict as it is inherent in the business model of a typical securities broker to be compensated in connection with its brokerage services.

## **Other Mutual Fund Share Classes**

Additionally, there are other share classes of funds including but not limited to no load funds, institutional share classes, or retirement share classes we make available to our clients through our clearing firm, NFS. Some mutual funds discounts, fee waivers or different share classes are not available at AC and are available only if you purchase directly from the mutual fund company, or its distributor or through financial intermediaries other than Arkadios Capital. AC does not recommend shares classes of mutual funds to its clients other than as set forth above.

Institutional share classes, which do not charge (or waive) sales loads and 12b-1 fees are offered to AC only to clients who also have separately contracted to engage in an ongoing investment advisory relationship with AWA or ACG, our affiliated Registered Investment Advisers, or to certain customers

whose investments separately satisfy applicable minimum investment amounts set forth in the prospectus.

### **Arkadios Capital and your Account Representative's Compensation**

Mutual Fund share class available for purchase in connection with an Arkadios Capital full-service brokerage relationship are limited to Class A shares, Class C shares and other similar share classes which compensate AC and your AC account representative. 12B-1 fees and shareholder service fees charged to the operating expenses of each mutual fund and are indirectly paid by you through the mutual funds' internal expense ratio. These charges increase the mutual funds expenses and correspondingly reduce your investment returns associated with such investments.

Arkadios Capital receives payments for shareholder services, and other services provided to some, but not all, mutual fund families. Your AC representative receives a portion of the compensation received by Arkadios Capital. Your AC representative's compensation is generally based on a compensation formula applies to the front-end sales charge described in the fund's prospectus for A shares, or to the selling fee or sales concession for C shares. The fund family administers these fees/payments. Ongoing payments on mutual funds (known as residuals or trails) that are set by the fund family are also paid to AC Representatives. Arkadios Capital does not accept 12B-1 fees on qualified accounts (retirement accounts). The 12B-1 fees received on retirement accounts by AC are credited back to each client's retirement plan.

### **Conflicts of Interest Related to Mutual Funds**

The compensation Arkadios Capital and its Representatives receive in connection with brokerage account investments in certain mutual funds and share classes creates a conflict of interest and incentive for AC to not offer certain mutual funds and share classes to its clients which do not offer similar compensation to AC. AC mitigates this conflict of interest by disclosing it to its clients, but cannot eliminate this conflict as it is inherent in the business model of a typical securities broker/dealer to be compensated in connection with its mutual fund distribution and brokerage services. Except with respect to purchases of share classes which do not compensate NFS and/or AC for distribution expenses, AC does not charge a transaction fee or commission in connection with mutual fund investments.

### **Arkadios Wealth Advisors/ACG Wealth Managed Investment Advisory Accounts**

In the case of Investment Advisory Accounts managed by AWA or ACG, where available by AWA /ACG clients on the AC platform, accounts held in AC brokerage accounts are invested in institutional share classes which do not pay AC sales loads or ongoing 12b-1 fees. In the event non-12b-1 share classes of applicable mutual funds are not available, AC credits the affected customer accounts with any 12b-1 fees receives in connection with AWA/ACG investment advisory accounts.

### **Exchange of Institutional Class other Lower Cost of Mutual Funds Shares for Class A, Class C or Similar Share Classes upon Charge in your Relationship with AC or AWA**

AC brokerage accounts and AWA/ACG Investment Advisory Programs provide you with access to mutual fund share classes that may not be available for purchase in each account. In the event, (1) your investment advisory agreement with our affiliates, AWA or ACG, governing your asset-based investment advisory fee program account with AWA/ACG is terminated and you transition your holdings to a full service brokerage account, AC has the right, int its sole discretion, and without prior notice to you, to exchange your advisory class shares to brokerage account mutual fund shares due to advisory shares are ineligible share classes in brokerage accounts.

Eligible share classes have different and generally higher expenses than ineligible share classes. While any such exchange will not be a taxable event and will not be subject to sales loads or commissions, all future purchase transactions in the applicable fund will be subject sales loads and other fees and commissions as detailed in the prospectus. Please note this exchange provision will not apply to ineligible share classes of mutual funds that are purchased in AWA/ACG investment advisory program retirement plan accounts even if the AWA/ACG fee-based investment advisory program agreement is terminated.

#### **4. Investing in Annuities**

This section is designed to help you make an informed decision as to whether an annuity is the right investment for you/ You should read this information carefully and in conjunction with the policy documents, disclosure materials and/or prospectus of any annuity you are considering. You should also talk to your AC Account Representative, who can help you evaluate your options.

An annuity is a contract issued by a life insurance company that provides or more investment choices and allows your money to grow tax deferred until it is withdrawn. In return for the premiums you pay, the issuing insurance company pledges to return your funds in the future-including earnings if occurred<sup>5</sup> or make a series of guaranteed period payments (called annuitization) to you or anyone else you specify. Annuities can be purchased by making a single payment or by making a series of payments over time. Guarantees, including interest rates and subsequent income payouts are backed by the claims-paying ability of the issuing company.

You can access the money you invest in an annuity by (a) surrendering your contract, (b) making one or more partial withdrawals, (c) electing to receive partial periodic payments. Since annuities are a tax-deferred investment, withdrawing funds generally have tax consequences. Withdrawals from annuities are taxed as ordinary income, which can be a higher rate than other investment products, and surrenders or withdrawals prior to 59 ½ , unless otherwise provided by the federal tax code will incur a 10% IRS tax penalty in addition to federal income tax and possible state and local governments. In addition, most annuity contracts include surrender charges for early withdrawals (see surrender charges below).

#### **Annuity Fees & Expenses**

Like most investments, there are certain charges and fees associated with annuities. The policy documents, disclosure materials, and/or prospectus of each annuity will describe the charges you pay, including annual operating expenses.

#### **Surrender Charges**

Surrender charges are assessed for early withdrawals since annuities are designed for long term investing. Surrender charges are usually calculated as a percentage of the purchase payment withdrawn and decline gradually over the surrender charge period. Surrender charges can range from as high as 8% in year one. The surrender charge generally decreases over a period of time. Additional purchase payments usually begin a new surrender charge period applicable to those payments, so new purchase payments will in most cases extend the surrender charge period on your investments beyond the original surrender charge period established at the purchase date. Most annuities allow you to withdraw a part of your account value each year without paying a surrender

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<sup>5</sup> Annuities can have either fixed or variable features. Variable annuities are subject to risk, which means the value of your investment could decrease below or increase above the initial investment.



charge. In addition, many annuities allow you to withdraw all or part of your account value without paying a surrender charge if certain life events occur. The availability of a waiver of surrender charges in case of such events and the requirement for eligibility will depend on the individual annuity contract.

### **Fixed Annuity Fees & Expenses**

Fixed annuities generally have fees and expenses you should be aware of, in addition to the provisions for surrender charges as previously discussed. These fees and expenses cover the insurance company's costs of issuing and maintaining the annuity contract on an ongoing basis. When the insurance company sets the interest rate to be credited to a fixed annuity, it usually takes into account not only prevailing market interest rates, but also an amount needed to recover its cost and earn a profit. Some fixed annuity contracts include an annual contract fee, which is eligible to be waived on larger account values. AC is paid a commission for selling the fixed annuity to you and the insurance company's costs include paying this commission.

### **Variable Annuity Fees and Expenses**

Variable Annuities also have general fees and expenses, in addition to the provisions for surrender charges discussed above, that you should be aware of. These fees and expenses cover the costs of issuing and maintain the annuity contract on an ongoing basis and have an effect on the value of your account and return of investment. All fees, expenses, and charges for any variable annuity that you are considering are described in the prospectus for that annuity. AC is paid a commission for selling the variable annuity to you and the insurance company's costs include paying this commission. Types of variable annuity fees include mortality and expense charges and administrative fees (M&E&A), an annual account maintenance fee, sub-account expenses including investment advisory fees and fees for special product features and other charges. M&E&A charges typically range from 1.10% to 1.5%. Fees for annual account management range from \$0 up to \$100 annually depending on the assets invested and maintained in a contract. Fees for asset management and subaccount maintenance range from 0.35% to 2%.

### **Variable Annuity Features**

Variable Annuities offered through AC offer many features worth considering. These features may be included as part of your contract or they could be optional riders that you can elect at the time of purchase or in the future. Optional features typically carry an additional annual charge, expressed as an annual percent of either the account value or the benefit base value. You should carefully consider these features before making a selection since often you are not able to change your initial selection at a later date. These features offer additional benefits that can be valuable to you and help you in meeting your investment goals. They do not guarantee against day-to-day market fluctuations and can be affected by the subsequent additions or withdrawals during the accumulation phase of your contract. The guaranteed features like all insurance company guarantees are ultimately subject to the financial ability of the issuing insurer. Variable Annuities are subject to investment risk, which means the value of your investment could decrease below or increase above the initial investment amount.

### **Compensation to Arkadios Capital**

Arkadios Capital and your AC Representative are compensated when you purchase an annuity through AC. This compensation as described below, can vary based on the type of annuity, the issuing insurance company, and the amount invested

- Under the agreement with each insurance company, AC is paid a commission for selling the company's annuity products based on the type of annuity and the amount of your annuity purchase payments. Your AC Representative receives a portion of this payment.
- AC also receives ongoing payments, known as residual or trail commissions, on invested assets that are held in your variable annuity to compensate for ongoing servicing. The insurance company sets these ongoing payments, and AC generally pays a portion of these commissions to your AC Representative.

Annuity commissions are determined by the type of annuity product and the amount the corresponding insurance carrier decides to offer. For AC, such commission amounts range from 1% to 5%, and trail payment amounts range from 0.25% to 1%. Typically, higher paying commission options offer low trail commissions. Conversely, lower paying commission amounts typically offer higher trail commission amounts. Certain annuity contracts offer multiple share class options which can impact pricing and availability of certain insurance benefits.

#### **Arkadios Capital and AC Representatives Annuity Compensation, Conflicts of Interest**

Some insurance companies pay AC and your AC Representative higher compensation than other companies for sales of annuities. This creates an incentive for AC Representatives to sell certain annuities because the recommendation of a particular annuity will result in a higher compensation amount to an AC Representative than the recommendation of another annuity type. AC mitigates this conflict of interest by disclosing it to our clients and by supervising AC Representative's annuity recommendations. However, AC cannot eliminate this conflict of interest as it is inherent in the business model of a typical insurance broker to be compensated with its annuity brokerage services.

#### **5. Investing in a 529 Plan**

A 529 plan is a tax-advantaged savings plan designed to encourage saving for future education costs. Most 529 plans offer investment portfolios consisting of mutual funds or exchange traded funds ("ETFs"). A 529 plan can offer more than one share class to investors and each class has different fees and expenses. Distributions that are used for qualified education expenses are not taxed at the federal level. If you withdraw money for something other than educational expenses, you will owe federal income tax earnings and can face a 10% federal tax penalty. 529 plans offered by each state differ both in features and benefits. Some states offer residents an incentive in their state-sponsored 529 college savings plans by offering state tax benefits. State-tax treatment of college savings plan contributions, earnings and withdrawals vary from state to state. By investing in a plan outside your state of residence, you can potentially lose certain state tax benefits. 529 plans are subject to enrollment, maintenance, administration, and management fees and expenses. The sales charges of our 529 plan offerings range from 0% to 5.75%. The range of 12B-1 fees (shareholder servicing fees) can range from 0% to 1%.

#### **Arkadios Capital and AC Representative 529 Plan Compensation and Conflicts of Interest**

Some 529 sponsors pay AC and you AC Representative higher compensation than other companies for sales of 529 plans. This creates an incentive for AC Representatives to sell certain 529 plans because the recommendation of a particular plan will result in a higher compensation amount to an AC Representative than the recommendation of another similar 529 plan. AC mitigates this conflict of interest by disclosing it to its clients and by supervising AC Representatives recommendations. However, AC cannot eliminate this conflict of interest as it is inherent in the business model of a typical 529 plan.

## **6. Investing in Structured Products Including Market-Linked Investments**

Structured Products are securities derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. The Firm offers both FDIC insured Market-Linked CDs, and Market-Linked Bank Notes. CDs are insured up to \$250,000 per bank/per investor and the notes are only based by the issuing institution and are not FDIC insured. The following risks are associated with the purchase of structured products—credit risk, liquidity risks, price risk, call risk, coupon risks, market risk, and tax considerations. A detailed explanation of these risks can be found in the prospectus and other offering materials.

Fees range from 1-3% depending on the maturity of the product. All fees and costs associated primary offerings are disclosed in the prospectus. To the extent structured products offer differing levels of compensation, to the Firm and your Representative, such recommendations by the AC and your Representative create a conflict of interest. In order to minimize/alleviate this conflict of interest, the Firm discloses this conflict of interest to you and supervises your Representative's recommendations in with respect to structured products.

## **7. Investing in Alternative Investments**

Alternative Investments are securities products such as private placements, private equity funds, hedge funds, venture capital, and real estate funds. Alternative Investments are more complex than traditional investment vehicles. They often have higher fees associated with them and are more volatile than traditional investments such as stocks, bonds and mutual funds. The majority are invested in illiquid investments making them difficult to exit and price on a regular basis.

Our Firm performs due diligence for each type of alternative investment in which our Firm and Account Representatives participate. As part of our due diligence, we perform an analysis of each alternative investment to determine if the investment would be suitable for our clients. As each alternative investment is structured differently, the fees and commissions we earn on each sale are disclosed in the offering documents for the specific investment. These fees can range from 0.0% to 3%, is paid by the Sponsor directly to AC and does not come out of your investment. Your Account Representative is not compensated from this fee. Your Account Representative may receive fees that range from 0.0% to 7% which is paid by the Sponsor. Depending on the product sponsor, sometimes the fee your Account Representative receives may be deducted from your initial investment into the fund. Any ongoing fees or upfront commission paid to us will vary based on the particular interest or share class selected. You should make sure you talk to your Account Representative regarding the fees, expenses and risks prior to investing in an alternative investment.

To the extent alternative investments provide differing levels of compensation to Arkadios Capital and your AC Representative, this creates a conflict of interest as your Account Representative may be incentivized to favor one alternative investment over another. AC discloses this conflict of interest to you and supervises your AC Representative's recommendations with respect to alternative investments to ensure one investment is not favored over another. Additional information is provided in each alternative investment's prospectus or other offering material regarding the fund's structure, fees, expenses and risks. We encourage you to fully read the prospectus or offering material prior to purchasing shares of an alternative investment.

## **8. Investing in Unit Investment Trusts (UITs)**

A unit investment trust is a registered investment vehicle that invests in a fixed portfolio of securities for a predetermined period of time, typically from 12 months to five years. Investors purchase units of a portfolio at a relatively low minimum investment, which represents an undivided ownership interest in the assets contained in the portfolio. UITs differ from mutual funds because they follow a “buy and hold” philosophy, rather than “playing the market.” This means the maturity of the UIT defines the holding period of the securities. UITs can be liquidated on a daily basis at the redemption price, less any possible deferred sales charges, which may be more or less than the original purchase price. UITs are primarily offered in two types: equity and fixed income. Within these types, various investment objectives and risk levels are offered.

UITs are required to redeem units at their net asset value, less any deferred sales charges, which is based upon the current market value of the underlying securities. This price upon redemption may be more or less than the original purchase price. Upon maturity of a UIT, the shareholder has the option to (a) receive the cash value of the units, (b) roll into a new UIT, or (c) receive shares of the underlying securities held in the portfolio if the account meets a certain size requirement and this option is communicated to the Representative at least 30 days prior to maturity. Please read your UIT prospectus to see the details on fees and expenses.

UITs are also offered in the secondary market, which means an investor can redeem the UIT before maturity at the current asset value of each unit. Clients will be subject to the sales charges and expenses as mandated by the prospectus.

### **UIT Costs to the Investor**

The creation, development, and organization fees are generally charges at the end of the initial offering period. They are paid directly from the trust assets and are deducted from the trust’s market value. The operating expenses pay for the portfolio supervision, bookkeeping, administration, evaluation, and other various operating expenses. They are also paid directly from the trust assets and are deducted from the trust’s market value.

### **Compensation to Arkadios Capital**

Arkadios Capital is compensated by the UIT provider’s compensation guidelines which are outlined in the prospectus. However, AC can receive additional compensation for participating in an underwriting of a fixed income UIT. The concession paid by the sponsor to an underwriter is outlined in the prospectus. Each trust will have a specific compensation schedule which will be described in the prospectus. Sales concessions and our compensation will vary with each trust. The sales charge on a UIT can range from 1% to 3%. Your AC Account Representative is paid a portion of this fee, not to exceed set percentages. Longer duration UITs generally have higher sales charges. UIT sponsors pay AC Additional sales compensation based on the overall volume of UIT sales. UIT sponsors set the sales volume eligibility amounts. The “volume concession” ranges from 0-0.175% is defined in the trust’s prospectus and is not passed on to your AC Account Representative. For sales in the secondary markets, your AC Representative is paid a commission on the transaction.

### **Arkadios Capital and AC Representatives and Conflicts of Interest**

Some UIT providers pay AC and your AC Account Representative higher compensation than other companies for sales of UITs. This creates an incentive for AC Representatives to sell UITs because the recommendation of a particular UIT will result in a higher compensation amount of an AC

Representative than the recommendation of another similar UIT. AC mitigates this conflict of interest by disclosing it to its clients and supervising the AC Account Representatives recommendations in UITs. AC cannot eliminate the conflict of interest as it is inherent in the business model of a typical securities broker to be compensated in connection with UIT brokerage services.

### **9. Cash Sweep Programs**

Your brokerage account includes a core account that is used for settling transactions and holding free credit balances (“core account”) Your free credit balances of cash are automatically transferred to the Cash Sweep Program. Your un-invested cash balances in your core account will be automatically transferred (“swept”) to an interest-bearing deposit account at a Program Bank and/or other banks and/or money market mutual funds participating in the Sweep Program where it earns a variable rate of interest and is eligible for FDIC insurance. You may elect to opt-out of the cash sweep program in which you need to inform your Account Representative.

The Bank Sweep Program creates financial benefits for AC and NFS. NFS receives fees from each Program Bank in connection with the Program and a portion of these fees may be paid to AC and your Account Representative. The revenue generated by the Program may be greater than revenues generated by sweep options at other brokerage firms, and may be greater than other core account investment vehicles currently available to you or possible core account investment vehicles that we have used in the past or may consider using in the future. The fees AC and your Account Representative receive vary based on the interest rate set by the Federal Reserve Bank. The fees AC and your Account Representative may receive can range between 0.0% to 1%. This creates a conflict of interest for AC and your Account Representative because this creates an incentive for you to invest more cash into the sweep program. AC mitigates this conflict of interest by disclosing it to our clients and supervising the AC Account Representatives recommendations of cash into the cash sweep program.

### **10. Money Market Funds**

The Firm has a revenue sharing arrangement with Federated Investors for the money market funds used for the Firm’s core account cash management services. Under this arrangement, the Firm receives a fixed percentage of all amounts its clients invest in Federated Investors Money Market funds. The maximum aggregate payment that the Firm receives is from Federated Investors money market funds (including an advisor or distributor thereof) ranges from 0.0% to 0.86% annually, depending on the type of fund and share class.

The Firm has also entered into a shareholder services agreement with Fidelity Distributors Corporation and/or its affiliates (‘Fidelity) for the money market mutual funds used for your brokerage account’s core account cash management (sweep) services. Under this arrangement, the Firm receives a fixed percentage of all amounts of its client’s invest in the Fidelity Capital Reserve Class and Daily Money Class Money Market Funds. The maximum aggregate payment that the Firm receives is 0.00% to 0.50% annually, the applicable percentage depending on the fund type and share class.

The Firm’s receipt of this additional compensation from Federated Investors and Fidelity described above creates a conflict of interest on behalf of the Firm. Such additional compensation is not shared with AC Representatives, AC addresses this conflict by (a) disclosing this conflict of interest to our clients, (b) supervising your AC Representatives recommendations, and (c) permitting its clients to select a wide range of cash management and short-term investment options, sweep options, and not

sharing such compensation with AC Representatives. AC also discloses to its clients that its sweep program is a service and not an investment recommendation and that clients may unilaterally eliminate this conflict of interest by withdrawing cash balances from their brokerage accounts transaction core account and investing such funds bank deposits, certificates of deposits, and other money market mutual funds which can offer higher yields and other investment returns .

### **11. Equities, Exchange Traded Funds and Options**

Equity Securities, ETFs and Options are traded on one of the U.S exchanges and the customer is generally charged a commission as set forth in the Firm's commission schedule, which is provided to you at account opening. All commissions charges on equities and options are based on the type of security, liquidity of the security, and size of the order. Where these fees apply, the more transactions you enter into, the more compensation that we and your financial professional receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. Alternatively, in less active accounts, compensation may be higher in an asset-based advisory fee structure, which creates an incentive for us to recommend that format. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all. In order to mitigate this conflict of interest, AC is disclosing this conflict to its clients, and supervises the recommendations of your AC Representative.

### **12. Fixed Income Bonds and Municipal Securities**

Corporate Bonds, Government Bonds and Municipal Bonds are also traded on the U.S exchanges and the customer is charged a fee which is called a "markup or markdown "on the bond purchased. The markup and markdown will be shown on your confirmation as a percentage and dollar amount which reflects the amount you pay. The amount of fees charged on bonds are based on the type of bond, liquidity/availability of the bond, size of the order, and specific bond characteristics. Where these fees apply, the more transactions you enter into, the more compensation that we and your financial professional receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. Alternatively, in less active accounts, compensation may be higher in an asset-based advisory fee structure, which creates an incentive for us to recommend that format. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all. In order to mitigate this conflict of interest, AC is disclosing this conflict to its clients, and supervises the recommendations of your AC Representative.

### **13. Forgivable Loans**

Forgivable Loans are sometimes used as an incentive in the financial services industry for an Account Representative to join Arkadios Capital or one of our affiliates. Normally, they are structured as an initial lump sum loan that is paid to the Representative, with a portion of the loan accrued and forgiven each month until maturity. This repayment period typically covers several years.

AC may provide forgivable loans to Representatives such that if the representative leaves AC or is terminated for cause during the period specified in their written agreement, a portion of the money they received must be paid back to AC. This creates a conflict of interest because it can create a monetary incentive for your Account Representative to stay with our firm until the loan is forgiven (matures).

#### **14. Agency Cross Transactions**

There are instances when the Firm or an affiliate will have an opportunity to act as agent for both buyer and seller in a securities transaction. This is called an “agency cross transaction.” Because the Firm would receive compensation from each party to such an agency cross transaction, there is a conflict of interest. In order to minimize/alleviate the conflict, we disclose this conflict of interest to you and supervises the recommendations of your AC Account Representative. The Firm does not actively engage in agency cross transactions, but the Firm may have an instance in which an agency cross transaction may occur.

#### **15. Brokerage vs. Advisory Relationships**

In Arkadios Capital’s capacity as a broker/dealer, we provide a number of services, including, but not limited to executing security transactions and acting as custodian of your brokerage account. Depending upon the level of investment activity, the commissions charge to your brokerage account can be higher than if you chose to select a fee-based investment advisory program managed by our affiliate, AWA.

Fee based programs typically assume a normal amount of trading activity, and, therefore, under particular circumstances, prolonged periods of inactivity can result in higher compensation than if commissions were paid separately for each transaction. You should consider the value of services provided when making comparison between brokerage and advisory. You should also consider the amount of anticipated trading activity when assessing the overall cost of your investment relationship with the Firm.

To the extent that AC and our AC Representative will receive differing compensation with respect to different advisory and brokerage relationships with the Firm, AC, and our AC Representative have incentives to maximize their respective compensation which creates a conflict of interest. AC addresses this conflict of interest by disclosing it to its clients and supervising your AC’s Representative’s recommendation’s with respect to brokerage or investment advisory relationships.

#### **16. Affiliated Trading**

Arkadios Capital provides fixed income trading and support to its affiliated advisory firms, Arkadios Wealth Advisors and ACG Wealth. AC receives fixed income trades from an investment advisor in which a principal trade will be done in an advisory account. Due to the relationship between AC and its affiliated advisory firms, this creates a conflict of interest as AC may receive additional compensation for executing the trade in an advisory account. Due to this conflict of interest, we will mitigate this conflict by disclosing this conflict to our clients and supervise the recommendations and trading by our AC Account Representative and AWA/ACG Wealth Investment Advisor.

#### **17. Transactions in Your Account**

The recommendation provided to you by your AC Representative can differ from the advice or the timing or nature of action recommended by or taken by other individuals or groups at the Firm and/or its affiliates, whether acting as principal or agent. The Firm and/or affiliate provide investment advice, and execution services for many clients and can but need not, in certain markets, act as principal. Given these different roles, individuals and groups at the Firm and its affiliates are seldom of one view as to an investment strategy and will often pursue differing or conflicting strategies. The Firm and its affiliates perform services for or solicit business from issuers whose securities are recommended by AC Representatives. The Firm and its affiliates are paid fees by registered investment companies or other investment vehicles, including without limitation, fees for

acting as an investment advisor, administrator, custodian and transfer agent. The Firm and its affiliates also act as brokers and principals in certain markets and can do so in transactions with you. Because the Firm would receive compensation from each transaction described in this section, there is a conflict of interest. In order to minimize/alleviate the conflict, we disclose this conflict of interest to you and supervise the recommendations of your AC Account Representative.

#### **18. Financial Advisor Education and Training**

The Firm may receive voluntary monies from several different partner firms that are used for the general education and training of your Account Representative. The participation by partner firms in these educational settings is voluntary and does not constitute an agreement with us to favor the product and services of the participating partner firms. AC may use these funds to host conferences in which the partner firms may participate at the conference in education and training sessions.

Our receipt of these additional monies creates a conflict of interest. In order to minimize/alleviate this conflict of interest, we are disclosing this conflict of interest to you. Your Account Representative does not share in any additional compensation the Firm receives in connection with education and training activities but will participate at such education events.

#### **19. Best Interest Suitability Certification**

At the end of this document, AC and your Account Representative have included a form called the "Best Interest Suitability Certification." Pursuant to industry regulations, our Firm and your Account Representative are required to act in your best interest by ensuring your account, transactions and recommendations are in your best interest. Upon opening an account, we ask that you complete the form, along with your new account form thoroughly, so your Account Representative has a full understanding of your financial needs, goals, and suitability information so he/she can recommend the correct type of account and securities. If you have any questions about the completion of this form, please contact your Account Representative.