



CUSTOMER RELATIONSHIP GUIDE

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This Customer Relationship Guide provides information about the services, business practices, investment and account offerings, and conflicts of Sigma Financial Corporation, Parkland Securities, LLC, and their registered representatives. If you have any questions about the contents of this Customer Relationship Guide, please contact us at 734-663-1611. The information in this document has not been approved or verified by the United States Securities and Exchange Commission, the Financial Industry Regulatory Authority, or any state securities agency or insurance agency.

Additional information about Sigma Financial Corporation and Parkland Securities, LLC is available online at www.finra.org/brokercheck. The searchable CRD number for Sigma Financial Corporation is 14303. The searchable CRD number for Parkland Securities, LLC is 115368.

Sigma Financial Corporation and Parkland Securities, LLC are registered broker-dealers and members of the Financial Industry Regulatory Authority. Registration with the United States Securities and Exchange Commission or any state securities agency, or membership in the Financial Industry Regulatory Authority, does not imply a certain level of skill or training.

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OUR STORY

We have prepared this Customer Relationship Guide to help current and future customers better understand our history, our values, and our business practices. This document is also designed to provide you with important information required by industry regulations, including, but not limited to, material facts relating to the scope and terms of our relationship with customers, such as the capacity in which we are acting, the type and scope of our services, any material limitations on our services, and fees and costs, as well as material facts relating to conflicts of interest that are associated with our recommendations. We hope you will read this Customer Relationship Guide carefully and discuss any questions you may have with your financial professional.

About Us

Sigma Financial Corporation (“Sigma”) and Parkland Securities, LLC (“Parkland,” and together with Sigma, “we,” “our,” or “us”) are comprehensive financial services firms committed to helping investors improve their long-term financial success. We operate in all 50 states along with several U.S. territories. Our headquarters are located at 300 Parkland Plaza, Ann Arbor, Michigan 48103. For more information about the history of Sigma and Parkland, please visit www.sigma4clients.com and www.parkland4clients.com, respectively.

Our Registrations

Sigma and Parkland are each registered with the U.S. Securities and Exchange Commission (the “SEC”) as broker-dealers. Sigma and Parkland are also members of the Financial Industry Regulatory Authority, Inc. (“FINRA”) as well as the Securities Investor Protection Corporation (“SIPC”). Finally, Sigma and Parkland are each registered as insurance agencies with various state insurance regulators. Copies of this Customer Relationship Guide and our Form CRS are available online at www.sigma4clients.com and www.parkland4clients.com.

Our Affiliates

Sigma and Parkland are affiliates under common ownership and control. We are also under common ownership and control with Sigma Planning Corporation (“SPC”). SPC is registered with the SEC as an investment adviser. Copies of SPC’s Form ADV Part 2A brochure and Form CRS are available online at www.spc4clients.com.

Our Financial Professionals

We have over 900 registered representatives throughout the United States and maintain a strong emphasis on individual achievement. With a commitment to personal service, we partner with registered representatives looking to grow their financial service practices in a professional and ethical manner.

Most of our registered representatives are also dually registered with SPC, our investment adviser affiliate, as investment adviser representatives. Such dually registered representatives provide investment advisory services in their capacities as investment adviser representatives of SPC. Similarly, most of our registered representatives are also licensed insurance agents with the ability to recommend and sell insurance contracts (e.g., annuities) and insurance policies or products (e.g., life insurance). Our brokerage services and fees differ from SPC’s investment advisory services and fees, and it is important for you to understand these differences. Free and simple tools are available for you to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisers, and investing.

Depending on your needs and your investment objectives, our representatives may assist you with brokerage services, and our representatives who are dually registered with SPC may assist you with both brokerage services and investment advisory services. There are important differences between brokerage and investment advisory services, including their costs, the services provided, and the rules that govern them. You should carefully consider these differences when deciding which type, or combination of types, of services and accounts are right for you. Summary information regarding the differences between our brokerage services and SPC’s investment advisory services is also available in our Form CRS, which is available online at www.sigma4clients.com and www.parkland4clients.com.

Our Customers

We offer securities and brokerage services to individuals, banks and thrift institutions, retirement plans, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, limited liability companies, partnerships, and other business and legal entities. However, this Customer Relationship Guide is intended for natural persons and their non-professional legal representatives (e.g., a non-professional trustee, executor, conservator, or attorney-in-fact) who use our recommendations primarily for personal, family, or household purposes.

Customer Privacy

We have prepared a Privacy Policy in accordance with Regulation S-P (17 C.F.R. § 248.1 et seq.). Our Privacy Policy describes, in summary fashion, how we handle and protect customers’ personal information. The Privacy Policy is included with our account opening documents and is also publicly available on our websites (www.sigma4clients.com and www.parkland4clients.com).

SCOPE AND TERMS OF OUR RELATIONSHIP WITH YOU

The Type and Scope of Products We Offer and the Services We Provide

We and our registered representatives can recommend and effect securities transactions for you, including buying and selling a wide variety of securities that can be held in a number of different account types, as described below. Our brokerage services include recommendations concerning whether to buy, sell, or hold securities. Our brokerage services also include recommendations of investment strategies involving securities, which includes recommendations of account types, and rollovers or transfers of assets, such as rolling over retirement plan assets into an individual retirement account (“IRA”). In addition, our brokerage services include certain margin account services, where you are extended credit (i.e., a loan) for the purpose of buying securities, and securities-backed lines of credit, where you are extended a revolving line of credit that allows you to borrow money (for purposes other than investing) using securities held in your investment account as collateral. The following information describes these securities and brokerage services in more detail.

Securities

Registered representatives with the appropriate securities and/or insurance licenses can recommend and offer the following types of securities to investors:

- Equities – Common stock traded on exchanges, thinly-traded stocks in the secondary/over-the-counter markets (i.e., “penny stocks”),¹ preferred stock, restricted stock, exchange-traded funds (“ETFs”), rights, warrants, and other equity securities.
- Debt instruments – Corporate bonds, debentures, notes, certificates of deposit, commercial paper, U.S. government debt securities, mortgage-backed securities, municipal bonds, and other fixed-income securities.
- Investment company products – Equity mutual funds, bond mutual funds, alternative mutual funds, money market funds, open-end funds, closed-end funds, index funds, municipal fund securities, unit investment trusts (“UITs”),² mutual funds can be categorized as those that impose sales charges (“loaded mutual funds”) and those that do not (“no-load mutual funds”). A “front-end load” means a sales commission is charged and paid to the broker-dealer and registered representative when you purchase the mutual fund. A back-end load, also known as a “contingent deferred sales charge,” means a fee is charged if you redeem the mutual fund before the end of a specified holding period; the amount of this fee declines gradually during the holding period until eliminated after the end of the holding period.
- Variable insurance products – Variable annuities and variable universal life (“VUL”) insurance policies.
- Alternative investments – Non-traded real estate investment trusts (“REITs”); business development companies (“BDCs”); illiquid partnership investments involving real estate, oil and gas, equipment leasing, cable television, fast food franchising, agriculture, raw land, or alternative energy research/development; and private placements under Regulation D of the Securities Act of 1933.
- Derivatives – Options (only for securities).

Please read below for a description of the types of accounts in which these securities can be held and our related conflicts of interest when recommending securities to investors.

¹ As noted below, registered representatives only offer penny stocks on an unsolicited basis.

² UITs are typically offered in a single public offering and hold a fixed portfolio of securities for a specific period of time, after which the UIT terminates and the proceeds are distributed to UIT investors.

Insurance Products

Registered representatives with the appropriate insurance licenses can recommend and offer fixed annuities and equity-indexed annuities to investors through us solely in our capacity as insurance agencies. Please read below for a description of our conflicts of interest when recommending insurance products.

Account Types

We are introducing broker-dealers and do not custody assets or investments. Consequently, when purchasing securities or insurance products that our registered representatives recommend, investors ordinarily have one or more options regarding where their investments are held:

1. Brokerage account – Investors who wish to open a brokerage account can do so with our clearing firm, National Financial Services LLC (“NFS”). Aside from variable insurance products, all of the securities mentioned above, with the exception of certain illiquid alternative investments, can be held in a brokerage account
2. Direct account – Instead of a brokerage account, in many cases mutual funds and alternative investments can also be purchased and held directly in an account with the mutual fund or alternative investment product issuer. Accounts held in this manner are sometimes referred to as “direct-sold,” “check and application,” “application way,” or “direct application” business.

3. Insurance company – VUL insurance policies and fixed, equity-indexed, and variable annuity contracts are direct-sold, and therefore the invested funds are held directly with the issuing insurance company. Similar to brokerage and direct accounts, such policies and contracts are assigned unique identification numbers by the insurance company.

The following table summarizes the account types that are generally available to natural person investors and their non-professional legal representatives with each of these three options:

ACCOUNT TYPE	BROKERAGE ACCOUNT	DIRECT ACCOUNT	INSURANCE COMPANY
Individual Nonqualified Account	X	X	X
Joint Account (Tenants in Common or Joint Tenants with Right of Survivorship)	X	X	X
Conservatorship/Guardianship	X	X	X
UTMA/UGMA	X	X	X
Traditional IRA or Roth IRA	X	X	X
Retirement Plan Participant Account ³ (SEP IRA, SIMPLE IRA, Solo 401(k) Plan ⁴)	X	X	
Self-Directed Retirement Plan Account ⁵	X		
529 Savings Plans or Coverdell Education Savings Account ⁶	X	X	
Health Savings Account	X	X	

³ The information and disclosures provided in this Customer Relationship Guide are not intended for workplace retirement plans or their representatives or service providers. However, they are intended for a plan representative who (i) decides service arrangements for a workplace retirement plan; (ii) is a sole proprietor or other self-employed individual who will participate in the plan; and (iii) receives recommendations directly from a registered representative primarily for personal, family, or household purposes.

⁴ Also known as a “Self-Employed 401(k)” or “Individual 401(k),” a “Solo 401(k)” is a qualified retirement plan for employers with no full-time employees other than the business owner(s) and their spouse(s).

⁵ Some retirement plans permit participants to open self-directed brokerage accounts. With such accounts, participants can access a wide array of securities instead of just a limited selection of mutual funds.

⁶ In the case of 529 savings plans and Coverdell Education Savings Accounts, all direct accounts we offer are limited to mutual fund holdings.

Before deciding whether to open an account with us, you should discuss our account options with your registered representative to decide which account type best fits your financial goals.

Advisory vs. Brokerage

The following are important factors to consider when deciding whether to work with a financial professional in either an advisory relationship or brokerage capacity:

AN ADVISORY RELATIONSHIP MAY BE APPROPRIATE IF...	A BROKERAGE RELATIONSHIP MAY BE APPROPRIATE IF...
You want a financial professional to professionally manage your investment portfolio, placing trades on your behalf without having to consult you.	You prefer to consider recommendations and make your own investment decisions with a financial professional executing your trade orders.
You need a fiduciary partner to provide ongoing investment advice in your best interests.	You prefer occasional notifications and explanations of investments in your best interest, with no ongoing obligations.
You want to work with a financial professional, paying a fee consistent with your assets under management, which is not tied to the number or type of account transactions.	You prefer a pay-as-you-go model in which you pay transactional commissions on trades you select rather than periodic and ongoing fees.

Sometimes, an advisory relationship may be more expensive than brokerage services, while in other cases, a brokerage relationship may cost more. Depending on your situation and your needs, these factors may help you determine the appropriate relationship to choose for your investments.

Tax Impact

Any tax information provided in this Customer Relationship Guide is not intended or written to be used, and cannot be used, by any investors to avoid any federal or state tax penalty that may be imposed upon the investor. This material is provided for informational purposes only and should not be construed as tax advice. Please consult your tax advisor or CPA.

You should understand that short-term transactions in a nonqualified account can result in short-term gains or losses under state and federal tax law. However, unless your financial professional specifically discloses otherwise, tax efficiency is not a primary consideration in making recommendations. Regardless of account size or any other factors, we strongly recommend

that investors frequently consult with a qualified tax advisor or CPA for assistance with tax efficiency and to ensure compliance with applicable tax laws and IRS regulations.

Margin Accounts

With a cash account, an investor must pay the full amount for securities purchased. An investor using a cash account is not allowed to borrow funds from the broker-dealer in order to pay for transactions in the account.

In contrast, a margin account is a type of brokerage account in which the broker-dealer lends the investor cash to purchase securities, using the account assets as collateral. Margin increases an investor's purchasing power, but also exposes the investor to the potential for larger losses. In volatile markets, investors who put up an initial margin payment for a stock may, from time to time, be required to provide additional cash or securities if the price of the stock falls (a "margin call").

Purchasing securities on margin is available in NFS brokerage accounts. Investors must first sign a separate margin agreement with NFS and must have an appropriate risk tolerance. A description of our related conflicts of interest due to compensation we receive from margin borrowing is provided below.

Securities-Backed Lines of Credit

A securities-backed line of credit ("SBLOC") is a loan set up as a revolving line of credit that allows you to borrow money using securities held in your investment account as collateral. With an SBLOC, you can continue to trade and buy and sell securities in your pledged account. An SBLOC requires you to make monthly interest-only payments, and the loan remains outstanding until you repay it. You can repay some (or all) of the outstanding principal at any time, then borrow again later.

The SBLOC contract you sign with the lender specifies the maximum amount you may borrow, and you agree to use your investment account assets as collateral. If the value of your securities declines to an amount where it is no longer sufficient to support your line of credit, you will receive a "maintenance call" notifying you that you must post additional collateral or repay the loan within a specified period. If you are unable to add additional collateral to your account or repay the loan with readily available cash, the firm can liquidate your securities and keep the cash to satisfy the maintenance call. To qualify for an SBLOC, it is typically required that both the market value of your portfolio assets and your initial withdrawal on an SBLOC meet certain minimum requirements. In general, securities that are eligible to serve as collateral for an SBLOC include stocks, bonds, and mutual funds held in fully paid-for, cash accounts. The maximum credit limit for an SBLOC typically is based on the quantity and type of underlying collateral in your account and is determined by assigning an advance rate to your eligible securities according to underwriting criteria.

SBLOCs are non-purpose loans, which means you may not use the proceeds to purchase or trade securities. However, money from an SBLOC can be used to finance other expenses.

Retirement Plan Rollovers

We facilitate investors rolling over money from employer-sponsored retirement plans (e.g., 401(k) or 403(b) plans) into IRAs, including Traditional IRAs and Roth IRAs (together, "IRA rollovers"). A description of our related conflicts of interest when recommending IRA rollovers is provided below.

Financial Advice That Is Solely Incidental

Any advice we or our financial professionals, acting in their capacity as our registered representatives, provide as to the value and characteristics of securities, or as to the advisability of transacting in securities, is solely incidental to, and is only offered in connection with, our primary business of effecting securities transactions.

Basis for Recommendations

Your financial professional will begin by working directly with you to evaluate and assess your "investment profile" through a combination of data-gathering, electronic correspondence, document review, and personal interviews. Your investment profile includes, but is not limited to, your age and life expectancy, other investment holdings, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, number of dependents, and any other information you disclose to us or your financial professional in connection with a recommendation.

Our registered representatives recommend a variety of investments and do not primarily recommend or utilize one specific type of investment over another, as each investor has his or her own unique investment profile. However, as described below, your financial professional's recommendations will be limited to the investments and account types that he or she can offer based on the securities and insurance licenses that he or she holds.

Your investment profile is the fundamental starting point from which your financial professional will make all recommendations. Registered representatives follow a general two-step process when formulating *investment* recommendations. First, a security or product *type*—mutual fund, fixed annuity, UIT, etc.—is identified for the funds to be invested. In addition to considering your investment profile, this determination takes into account other important factors such as cost; the structure, features, liquidity, and potential risks and rewards associated with the security or product type; and any needs, desired outcomes, or highly personalized non-economic requirements that you disclose.

Second, after a security or product type has been selected, one or more *specific* securities or insurance products (e.g., the ABC Growth Fund) approved for sale to customers by us will be recommended for your evaluation. In addition to considering your investment profile, this determination takes into account other important factors such as the investment's initial and subsequent costs; the investment's past performance, volatility, objectives, characteristics and features, liquidity, likely performance in a variety of market and economic conditions, and expected return; the issuer's brand, reputation, manager tenure, business practices, and service levels; minimum initial investment requirements; reasonably available investment alternatives; the recommended investment's place and purpose in your total portfolio holdings and allocations; the expected economic, market, political, and interest rate environments; and any needs, desired outcomes, or highly personalized non-economic requirements that you disclose. In the case of a specific variable annuity contract or VUL insurance policy recommendation, subaccount allocations will also be recommended based on your investment profile.

Relatedly, when formulating recommendations regarding the appropriate *account type* (e.g., advisory or brokerage account, Traditional IRA or Roth IRA), our financial professionals consider the following factors: the services and products provided in the account (e.g., ancillary services provided in conjunction with an account type); the projected costs that you will pay associated with the account; the tax features of the account (if any); alternative account types available; any expected service levels or particular services that you request; anticipated trading levels; your investment profile; and any other relevant factors.

Finally, when determining whether to recommend an *IRA rollover*, our financial professionals consider the following factors in comparing the existing retirement plan account and the IRA: fees and expenses; level of service available; available investment options; ability to take penalty-free withdrawals; application of required minimum distributions; protection from creditors and legal judgments; holdings of employer stock; any special features of the existing account; your investment profile; and any other relevant factors. Similar factors are considered with respect to a recommendation of an in-service loan or any other distribution of proceeds or specific securities from an employer-sponsored retirement plan.

Because of differences in education, licensing, training, and history in the financial services industry, each registered representative will naturally follow his or her own distinct investment approach when making recommendations based on the factors described above. Given the personal nature of customer relationships, your financial professional will orally describe his or her own unique investment approach during the initial process of evaluating and assessing your investment profile.

Investors should understand that we and our registered representatives offer securities, insurance products, and brokerage services to numerous other investors with different investment profiles. Consequently, we and our registered representatives will typically make recommendations or take actions for some investors that differ from the recommendations made or actions taken for other investors. We supervise our registered representatives' activities in this regard to ensure consistency with FINRA rules and the Care Obligation of Regulation Best Interest (17 C.F.R. § 240.15f-1(a)(2)(ii)).

Proxy Voting

We do not vote proxies on behalf of investors for any of the securities held in their accounts. Investors who own shares of common stock or mutual funds are responsible for exercising their rights to vote as shareholders. In most cases, investors will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we will forward these materials directly by mail, unless we have received authorization to communicate by electronic mail, in which case we will forward any electronic solicitation to vote proxies.

Class Action Lawsuits and Bankruptcies

We do not determine if securities held by investors are the subject of a class action lawsuit or whether investors are eligible to participate in class action settlements or litigation, nor do we initiate or participate in litigation to recover damages on their behalf for injuries as a result of actions, misconduct, or negligence by issuers of the securities that investors own. Additionally, we do not determine if securities held by investors are the subject of a bankruptcy petition (or a similar proceeding for the benefit of creditors) or whether investors are eligible to participate in bankruptcy or creditor litigation. We do not provide legal advice or act on behalf of investors with respect to these matters.

Our Capacity

We provide recommendations to investors through our registered representatives who act as our agents.

- If your financial professional is not dually registered as an investment adviser representative of SPC, all recommendations of securities and investment strategies will be made in a broker-dealer capacity unless otherwise expressly stated at the time of recommendation; any such statement will be made orally. Before your financial professional makes a recommendation to you, your financial professional will provide you with an oral disclosure at the outset of your relationship with us if he or she is limited to making recommendations in a broker-dealer capacity only; any such statement will be made orally.
- If your financial professional is dually registered as both a registered representative of Sigma or Parkland, and an investment adviser representative of SPC, all recommendations regarding your brokerage accounts, direct accounts, and variable insurance products will be made in a broker-dealer capacity, and all recommendations regarding your advisory accounts and advisory contracts will be made in an advisory capacity. When your financial professional makes a recommendation to you, he or she will expressly tell you orally which account is being discussed.

Material Fees and Costs Associated With Transactions, Holdings, and Accounts

This section provides information about the material fees and costs associated with your transactions, holdings, and accounts. Because our fees vary depending on the specific transaction or service provided, the information below separately describes the fees and costs associated with your transactions, holdings, and accounts that our registered representatives may recommend separately.

Transactions

We are paid each time you trade in your brokerage account or make a new investment. This payment is typically called a “commission,” but it may also be called a “sales charge” or a “markup.” This kind of payment presents a conflict for us because it creates an incentive to encourage you to trade more frequently and make additional investments.

The fees and costs that apply to your transactions depend on the security and account type involved in the transaction:

- Loaded mutual funds – As noted above, loaded mutual funds are those that impose sales charges (also known as “sales loads” or “sales commissions”). We receive a portion of this sales charge for our efforts and the efforts of our registered representatives in selling shares of the mutual fund. Each loaded mutual fund share class has its own unique load structure. The sales charge has the effect of reducing the initial amount of your investment. Specific information regarding the load structure of a mutual fund and share class recommended by your financial professional is available in the mutual fund’s prospectus. For loaded mutual funds purchased in a direct account,⁷ your financial professional will provide you with a copy of the prospectus prior to purchasing the mutual fund. For loaded funds purchased in a brokerage account, our clearing firm will send you a copy of the prospectus after you purchase the mutual fund.
- UITs – UITs impose sales charges, and each UIT has its own unique load structure. We receive a portion of this sales charge for our efforts and the efforts of our registered representatives in selling shares of the UIT. The sales charge has the effect of reducing the initial amount of your investment. Specific information regarding the load structure of a UIT recommended by your financial professional is available in the UIT’s prospectus. For UITs purchased in a direct account, your financial professional will provide you with a copy of the prospectus prior to purchasing the UIT. For UITs purchased in a brokerage account, our clearing firm will send you a copy of the prospectus after you purchase the UIT.
- Alternative investments – When you purchase an alternative investment, you will be charged a sales commission that is paid to the broker-dealer and registered representative after you purchase the security. The sales commission has the effect of reducing the initial amount of your investment. Specific information regarding the sales commission and other fees of an alternative investment recommended by your financial professional is available in the investment’s prospectus or private placement memorandum (“PPM”). Your financial professional will provide you with a copy of the prospectus or PPM prior to purchasing the alternative investment.
- Insurance companies – When you purchase a VUL insurance policy or a fixed, equity-indexed, or variable annuity contract, your financial professional will receive a sales commission and/or ongoing trail commissions, although this compensation does not reduce the amount of your initial investment. Instead, when you invest in one of these insurance products, withdrawals that exceed annual penalty-free limits will be subject to a contingent deferred sales charge for a certain number of years (the “surrender period”); this fee declines gradually over the course of the surrender period until eliminated after the end of the surrender period. For variable annuities, each share class has its own unique contingent deferred sales charge schedule. Specific information regarding the sales commission, contingent deferred sales charge schedule, and other fees of a VUL policy or variable annuity contract recommended by your financial professional is available in the prospectus. Your financial professional will provide you with a copy of the prospectus prior to purchasing the VUL policy or variable annuity contract. Fixed and equity-indexed annuities also come with various contingent deferred sales charge schedules. Specific information regarding the sales commission, contingent deferred sales charge schedule, and other fees of a fixed or equity-indexed annuity contract recommended by your financial professional is available in the specimen policy or contract, the buyer’s guide (if available), and the final policy or contract you will receive during the free look period.
- Brokerage accounts – With the exception of loaded mutual funds, loaded UITs, and alternative investments (i.e., products sold by prospectus or PPM that pay a predetermined sales commission), when you purchase, sell, liquidate, or redeem securities in a brokerage account, including equities, ETFs, debt instruments, options, no-load UITs, or no-load mutual funds, your representative has the option of charging you a commission for the transaction. Commissions are subject to maximum limits that vary by security type, the amount of principal involved in the transaction, and limits imposed by issuers.⁸ While there are also ticket charges and execution charges associated with most of your trades, your financial professional is responsible for paying these costs.⁹ As a result, your financial professional’s net commission is equal to the following:

$$\text{Net Commission} = \text{Gross Commission} - (\text{Ticket Charges} + \text{Execution Charges})$$

Finally, with the exception of mutual fund and UIT redemptions, you will also be charged a nominal service fee for each trade in your brokerage account. For current information regarding maximum commission formulas, execution charges, ticket charges, and service fees, please review the Commission Schedule that is available on our websites (www.sigma4clients.com and www.parkland4clients.com) or upon request. Your total transaction costs for a trade will be disclosed on the confirmation that you receive from our clearing firm after the trade occurs.

⁷ This information also applies to loaded mutual funds purchased in connection with 529 savings plans (i.e., “municipal fund securities”) and Coverdell Education Savings Accounts.

⁸ In the case of fixed income securities, the “commission” takes the form of a markup or markdown. Because we do not hold inventory, we process bond trades through our riskless account with NFS. For example, if you wish to purchase a bond, we simultaneously purchase the bond in our riskless account from a bond distributor and sell the bond to you with the markup or markdown. For CDs and Treasury securities, the commission typically ranges from 0% to 2%. For other debt securities, the markup or markdown will be disclosed in dollar and percentage terms on the confirmation that you receive from our clearing firm.

⁹ A representative’s responsibility to pay ticket charges for certain securities (e.g., UITs) may be waived with approval from our executives, especially for new representatives in order to match the more favorable conditions at their prior broker-dealer.

Holdings

Investment company products, including mutual funds, ETFs, closed-end funds, and UITs, come with ongoing internal fees and expenses. These fees and expenses include, but are not limited to, platform fees, trail commissions, management fees, sub-transfer agency fees, administrative fees, shareholder servicing fees, distribution fees, and 12b-1 fees.¹⁰ Specific information regarding the internal fees and expenses of an investment company product recommended by your financial professional is available in the prospectus. For investment company products purchased in a direct account,¹¹ your financial professional will provide you with a copy of the prospectus prior to purchasing the product. For investment company products purchased in a brokerage account, our clearing firm will send you a copy of the prospectus after you purchase the product.

VUL policies and fixed, equity-indexed, and variable annuities also come with ongoing internal fees and expenses. These fees and expenses include, but are not limited to, management fees, subaccount expenses, administrative fees, mortality and expense (“M&E”) risk fees, participation rates, rate caps, spread/asset/margin fees, and fees for optional riders or benefits, as well as surrender charges in the event of early surrender. Specific information regarding the internal fees and expenses of a VUL policy or variable annuity contract recommended by your financial professional is available in the prospectus. Your financial professional will provide you with a copy of the prospectus prior to purchasing the VUL policy or variable annuity contract. Specific information regarding the internal fees and expenses of a fixed or equity-indexed annuity contract recommended by your financial professional is available in the specimen policy or contract, the buyer’s guide (if available), and the final policy or contract you will receive during the free look period.

Sponsors of alternative investments also use customer funds to pay fees to the dealer manager and to pay marketing reallowance fees and due diligence fees to broker-dealers that sell their products. These fees have the effect of reducing the value of your investment over time. Specific information regarding the fees of an alternative investment recommended by your financial professional is available in the investment’s prospectus or PPM. Your financial professional will provide you with a copy of the prospectus or PPM prior to purchasing the alternative investment.

¹⁰ “12b-1 fees” are authorized by Rule 12b-1 of the Investment Company Act of 1940, which permits a fund to pay distribution fees out of fund assets if the fund has adopted a plan (“12b-1 plan”) authorizing their payment. 12b-1 fees are paid by a mutual fund out of fund assets to cover distribution expenses and sometimes shareholder service expenses. “Distribution fees” include fees paid for marketing and selling fund shares, such as compensating broker-dealers and registered representatives who sell fund shares, and paying for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. Some 12b-1 plans also authorize and include “shareholder service fees,” which are fees paid to persons to respond to investor inquiries and provide investors with information about their investments.

¹¹ This information also applies to loaded mutual funds purchased in connection with 529 savings plans (i.e., “municipal fund securities”) and Coverdell Education Savings Accounts.

Accounts

We are introducing broker-dealers and do not custody customer assets or securities. Instead, your assets will be held by an outside or third-party custodian.

For NFS brokerage accounts, there are annual maintenance and termination fees for IRAs, account inactivity fees, account transfer fees, annual valuation and custody fees for alternative investments, and various miscellaneous fees for services (e.g., IRS 990-T reporting, safekeeping, debit cards, wire transfers, stop payment orders, margin extensions, overnight deliveries). For current information, please carefully review the Miscellaneous Fee Schedule that is available on our websites (www.sigma4clients.com and www.parkland4clients.com) or upon request. As disclosed below, we have marked up some of these fees, which presents a conflict of interest.

For direct accounts, product issuers are free to select the custodian of their choosing. Depending on the custodian selected, your account may be subject to account minimum balance requirements; miscellaneous fees for various account services; ongoing account maintenance and inactivity fees; and account opening, transfer, and closing fees. For information regarding the fees you will pay related to your direct account, please carefully review the account application and agreement prior to opening your direct account.

For IRAs, your account fees can also include administrative, set-up, recordkeeping, valuation, and custodial fees. Before making an IRA rollover decision, you should consider how much you are currently paying for your plan and compare that cost to the fees and expenses of a new plan or IRA. For more information about IRA fees and expenses, please carefully review the IRA application and agreement prior to opening your IRA.

Material Limitations on Securities and Investment Strategies

In addition to our clearing agreement with NFS, through which investors have brokerage account access to thousands of equity securities, debt securities, options, and other investments, we have executed direct selling agreements with numerous mutual fund companies, insurance companies, and alternative investment dealer-managers. Nevertheless, registered representatives are subject to the following limitations when making recommendations:

- Registered representatives who do not hold a Series 7 license cannot offer or recommend a full array of securities. For example, a registered representative with only a Series 6 license (and the appropriate insurance producer licenses) is limited to recommending the following securities: mutual funds (closed-end funds on the initial offering only); variable annuities and VUL insurance policies; UITs; and municipal fund securities (e.g., 529 savings plans).
- Registered representatives who are not insurance licensed cannot offer or recommend VUL insurance policies or fixed, equity-indexed, or variable annuities.
- Registered representatives who are not licensed as investment adviser representatives cannot offer or recommend investment advisory accounts, products, or services. Licensure as an investment adviser representative ordinarily requires a Series 65 or Series 66 license, or one of several professional designations accepted by securities regulators in lieu of these licenses.
- Registered representatives are limited to offering and recommending only those securities and insurance products that we have approved for sale to customers.
- We generally prohibit the offer, sale, or recommendation of the following: insurance products issued by insurance companies rated below B+ by A. M. Best¹²; structured products; interval funds; leveraged or inverse ETFs; penny stocks (unless unsolicited); cryptocurrencies; rare coins; binary options; collateralized mortgage obligations; structured settlements; viatical settlements; and IRC § 1031 exchanges under Regulation D of the Securities Act of 1933.

We do not offer proprietary products. Also, we do not make initial public offerings available only to certain investors, nor do we limit our retail brokerage platform to investments or products that provide revenue sharing.

¹² We have approved for sale to customers certain insurance products issued by several unrated fraternal benefit societies.

Account Monitoring

Neither we nor your financial professional will monitor any of your accounts, contracts, or policies for which Sigma or Parkland is listed as the broker-dealer or agency of record. Although your financial professional may voluntarily choose to review the holdings in your accounts, or the allocations selected for your insurance contracts or policies, this is solely for purposes of determining whether to provide a recommendation and will not result in any implicit hold recommendations or any duty, obligation, or agreement to monitor your accounts, contracts, or policies.

Account Balance Requirements

We do not impose any dollar thresholds or other requirements for investors to open an account, establish a relationship, or maintain an existing account, such as a minimum account size or minimum investment amount. We also do not impose any low account balance fees.

However, insurance companies, direct account custodians, and NFS (for brokerage accounts) are permitted to impose their own low account balance fees as well as dollar thresholds or other requirements for investors to open an account, establish a relationship, or maintain an existing account. Additional restrictions and requirements also apply for brokerage accounts in which investors wish to trade options or penny stocks, purchase securities on margin, or use their account assets as collateral in connection with an SBLOC. These requirements, as applicable, are customarily disclosed in the following documents:

- For insurance products, these requirements are disclosed in the insurance policy or contract, the account opening documents and account agreements, and/or the prospectus (in the case of variable annuities and VUL policies).
- For direct accounts, these requirements are disclosed in the prospectus (or PPM) and/or the account opening documents and account agreements.
- For NFS brokerage accounts, these requirements are disclosed in the account opening documents, account agreements, and specific disclosure documents (for options, penny stocks, margin, and SBLOCs).

Risks Associated with Our Recommendations

The risk disclosures provided below are of a general nature and only address general risks of investing. Further information about the risks associated with specific types of securities, investment strategies, and insurance products is available from other sources, such as relevant offering documents (e.g., a prospectus or PPM) that are made available to you and which you should review before investing.

General Risks of Investing

While we will take reasonable care in developing and making recommendations to you, investing in securities involves risk of loss that you should be prepared to bear. We do not represent, warrant, promise, or guarantee that our services, recommendations, or methods of analysis can or will successfully predict future investment results, identify market tops or bottoms, or insulate you from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Prices of securities will fluctuate, and securities may even become valueless. You should carefully read all of the relevant offering documents and information, including the prospectus (or PPM), before investing.

All investments involve risk, and investment performance can never be guaranteed or predicted with any certainty. Past performance is in no way indicative of future performance or success. Account values can fluctuate—perhaps significantly—due to market conditions, manager performance, and economic and other factors. The use of any benchmark or index in connection with investment management services is no guarantee that the performance of your investments will experience the same results as the index or benchmark. It is not possible to invest directly in an index.

Investment strategies that involve the frequent buying and selling of securities in an effort to capture significant gains and avoid significant losses during volatile market conditions can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes. Asset allocation and diversification do not ensure a profit or guarantee against loss; they are methods used to help manage risk. Dollar-cost averaging does not ensure a profit, nor does it protect against a loss in declining markets. Dollar-cost averaging involves continuous investment in securities regardless of fluctuating price levels, and if practicing dollar-cost averaging you should consider your ability to continue purchases in periods of high prices.

MATERIAL FACTS RELATING TO CONFLICTS OF INTEREST ASSOCIATED WITH OUR RECOMMENDATIONS

We have identified certain conflicts of interest that relate to the recommendations we and our registered representatives make. A conflict arises when an interest (such as an economic benefit) might incline us or a registered representative, consciously or unconsciously, to make a recommendation that is not disinterested. The section below discloses material facts relating to these conflicts so that you are able to make an informed decision regarding any recommendation a registered representative provides you.

Compensation from Customers

We and our registered representatives receive the following types of compensation that investors will pay, either directly or indirectly, as a result of purchasing or holding a security or insurance product that we recommend, trading a security in a brokerage account, or receiving a miscellaneous service in connection with an NFS brokerage account:

- Sales commission – The sales commissions (or “sales loads” or “sales charges”) discussed above in the “Material Fees and Costs” section are a source of our compensation. We and our registered representatives will receive a sales commission (also known as a “sales charge” or “load” for certain securities) when you purchase a loaded mutual fund,¹³ UIT, alternative investment, VUL policy, or fixed, equity-indexed, or variable annuity. More information is provided above in the “Material Fees and Costs” section.
- Trail commissions – The trail commissions discussed above in the “Material Fees and Costs” section are a source of our compensation. We and our registered representatives will receive ongoing trail commissions when you purchase a VUL policy or a fixed or equity-indexed annuity. Depending on the share class of mutual fund, variable annuity, or alternative investment you purchase, we and our registered representatives will also receive ongoing trail commissions from the sale of these securities. More information is provided above in the “Material Fees and Costs” section.
- Shareholder servicing fees, distribution fees, and 12b-1 fees – The shareholder servicing fees, distribution fees, and 12b-1 fees discussed above in the “Material Fees and Costs” section are a source of our compensation. We and our registered representatives will receive distribution fees as well as ongoing shareholder servicing fees and 12b-1 fees if you purchase a mutual fund share class with these internal fees and expenses, either in a direct account or a brokerage account. More information is provided above in the “Material Fees and Costs” section.
- Brokerage account trade commissions – The brokerage account trade commissions discussed above in the “Material Fees and Costs” section are a source of our compensation. Registered representatives can charge you a commission, a portion of which we retain, for brokerage account trades involving the purchase, sale, liquidation, or redemption of securities (other than loaded mutual funds, loaded UITs, and alternative investments), subject to maximum limits. More information is provided above in the “Material Fees and Costs” section.
- Markups to miscellaneous service fees – There are various miscellaneous fees for services like safekeeping, debit cards, wire transfers, stop payment orders, margin extensions, and overnight deliveries. These fees are disclosed on the Miscellaneous Fee Schedule available on our websites (www.sigma4clients.com and www.parkland4clients.com) or upon request. As disclosed below in the “Clearing Firm” subsection, we have marked up certain miscellaneous fees and retain this revenue without sharing it with registered representatives. This means you will pay more for these miscellaneous services than NFS ordinary charges.

These compensation structures create incentives that result in several conflicts of interest. First, because sales commissions, trail commissions, and internal fees and expenses (such as shareholder servicing fees, distribution fees, and 12b-1 fees) differ across securities and product types, registered representatives have an incentive to recommend certain investments over other investments for which they receive less compensation. Second, because registered representatives can charge a commission for brokerage account trades, they have an incentive to encourage you to trade more and purchase additional investments that result in additional revenue (e.g., they have an incentive to “churn” your account and increase their compensation through excessive trading). Finally, to increase our revenue, we have an incentive to encourage customers to utilize the miscellaneous brokerage account services that we have marked up.

¹³ This applies to loaded mutual funds purchased in connection with 529 savings plans (i.e., “municipal fund securities”) and Coverdell Education Savings Accounts.

Mutual Fund Share Classes

As explained above, mutual funds are available in different share classes, each with its own unique fee structure that is described in the prospectus. When recommending a mutual fund, registered representatives have a financial incentive to increase their compensation by recommending a share class other than the lowest cost share class. You are under no obligation, contractually or otherwise, to buy or sell mutual funds through us.

Ticket and Execution Charges

As explained above, there are ticket charges and execution charges associated with most of your brokerage account trades, and your financial professional is responsible for paying these costs. However, certain ETFs and no-load mutual funds are exempt from these charges. As a result, registered representatives have a financial incentive to recommend securities that do not incur these charges over those that do. You are under no obligation, contractually or otherwise, to trade securities through us.

Annuities and VUL Policies

Financial professionals have a conflict of interest that incentivizes them: (i) to recommend contracts or policies that include optional benefit features, which generally will entail additional fees on top of the base fee associated with the contract or policy depending on the particular optional benefit feature; (ii) to encourage contract or policy owners to select investment options with relatively higher fees; and (iii) to offer the owner a new contract or policy in place of the one that he or she already owns. You are under no obligation, contractually or otherwise, to buy or sell annuities or VUL policies through us.

Alternative Investments

Under the terms of our selling agreements, sponsors of alternative investments and dealer managers pay us marketing reallowance fees, dealer manager fees, and due diligence fees. This compensation creates a conflict of interest by incentivizing us to favor or approve for sale to customers those alternative investments that will result in us receiving greater marketing reallowance, dealer manager, and due diligence fees. However, this conflict is not passed on to financial professionals, as they do not receive any portion of these fees.

Unit Investment Trusts

Interests in any particular UIT are often sold with multiple fee structures. For instance, UITs are often offered with one fee structure intended for broker-dealer customers and another structure intended for investors who will hold the UIT in a fee-based advisory account. The broker-dealer fee structure includes significant sales charges that are not charged to purchasers under the fee-based account structure. Most of these sales charges are ultimately paid to the registered representative and broker-dealer that execute the trade. Because many registered representatives are dually registered with SPC, we are disclosing that such registered representatives have a financial incentive to recommend purchases of UIT interests under the fee structure that generates the most revenue for themselves. You are under no obligation, contractually or otherwise, to buy or sell UITs through us or our affiliates.

Rollover Recommendations

Your financial professional’s recommendation to roll over retirement plan assets to an IRA will typically result in your financial professional and us earning commissions and other compensation as a result thereof. Conversely, a recommendation to leave your plan assets with your old employer or roll the assets to a plan sponsored by your new employer will likely result in little or no compensation for your financial professional or us. As a result, even if the recommendation is sound, your financial professional has an incentive to recommend that you move money from your employer-sponsored retirement plan into an IRA, as the move will financially benefit your financial professional. You are under no obligation, contractually or otherwise, to move assets to an IRA recommended by your financial professional.

Licensing Restrictions

As noted above, registered representatives who do not hold a Series 7 license cannot offer or recommend a full array of securities. Similarly, registered representatives who are not insurance licensed cannot offer or recommend VUL insurance policies or fixed, equity-indexed, or variable annuities. Lastly, registered representatives who are not licensed as investment adviser representatives cannot offer or recommend investment advisory accounts, products, or services. If your financial professional is subject to such a licensing restriction, he or she will be incentivized and subject to a requirement to recommend only the more limited range of products and accounts that he or she is licensed to offer. For example, a registered representative who is not licensed as an investment adviser representative will have an incentive to recommend brokerage accounts in which you will incur transaction costs with each trade, as he or she cannot recommend fee-based advisory accounts. Similarly, a registered representative who only holds a Series 6 license will have an incentive to recommend investment company products, variable annuities, or VUL policies, as he or she cannot recommend any other securities. Your financial professional’s securities and

investment adviser licenses are disclosed on his or her BrokerCheck report (www.finra.org/brokercheck). You are under no obligation, contractually or otherwise, to act upon your financial professional's recommendations or work with an individual who has more limited licenses.

Compensation from Product Sponsors

We have entered into "tier sponsorship" agreements with certain alternative investment, retirement plan, mutual fund, and annuity product sponsors. These revenue-sharing agreements provide the sponsors with certain benefits (e.g., presentation opportunities at our corporate conferences, greater access to our registered representatives through joint marketing opportunities, and education and training our registered representatives) in exchange for paying us a fee that is either flat or variable. If the fee is variable, it is tied to the amount of customer assets we direct to the product sponsor during a specified period of time, or the total amount of customer assets maintained with the product sponsor. These agreements are made between us and the product sponsor, and the resulting compensation is disclosed on our public websites. For more information regarding these tier sponsorship agreements, please review the Revenue Sharing Disclosure posted on our websites (www.sigma4clients.com and www.parkland4clients.com). These arrangements create a conflict of interest by incentivizing us to favor or approve for sale to customers the investments of the product sponsors that agree to pay us such fees. In addition, these arrangements incentivize us to recommend the investments of sponsors that pay us these fees (and especially the investments of sponsors that count toward the variable fee over sponsors that pay us less or none of these fees), and especially the investments of sponsors that pay us variable fees. However, financial professionals do not receive any portion of these fees.

Product sponsors also provide cash and non-cash compensation to us and our registered representatives in three general ways:

- Product sponsors, in their discretion, provide reimbursement, with our prior approval, to registered representatives for the actual cost of meals, food, beverages, and venue rental in connection with investor seminars and customer appreciation events. A registered representative's reimbursed expenses must be reasonable in nature and consistent with industry rules and regulations.
- Product sponsors, in their discretion, provide marketing assistance to registered representatives (e.g., reimbursement for dinner seminars or mailing costs) to assist with the promotion of their products.
- Product sponsors, in their discretion, cover expenses related to training and education for registered representatives, including the expenses of travel and acquiring professional designations. We also occasionally receive payment from product sponsors to subsidize our own internal training programs. Additionally, certain vendors invite us to participate in conferences or online training and also provide us with access to publications that further registered representatives' and employees' skills and knowledge.

These arrangements create a conflict of interest by incentivizing us to favor or approve for sale to customers the investments of product sponsors that agree to pay us such compensation, just as they incentivize financial professionals to recommend the investments of product sponsors that are willing to provide marketing assistance, gifts, meals, entertainment, and travel expense reimbursement. However, in each of these cases, we do not permit any cash or non-cash compensation that is based on the sales of specific securities or specific types of securities within a limited period of time.

Representative Compensation

Registered representative compensation is based on each registered representative's "total production," which is calculated by aggregating his or her annual compensation from (1) selling securities and insurance products through us,¹⁴ and (2) providing advisory services through SPC (if licensed). A registered representative's total production determines his or her payout percentage under our payout grid.¹⁵ By using an escalating payout grid with registered representatives, our goal is to avoid transmitting firm-level conflicts to financial professionals by setting the payout percentage thresholds according to neutral factors. That is, our payout grid is prospective in nature, rather than retrospective, employing gradual increases, and is not tied to how lucrative different investments are for the firm. Payout percentages are determined solely according to total production and without regard to specific investments or categories of investments. However, our escalating payout grid does create conflicts, as it incentivizes your registered representative to recommend more trading, the purchase of additional investments and insurance products, and the increase of assets held in advisory accounts, which all taken together result in your registered representative increasing his or her total production, and, therefore, increasing his or her compensation. This conflict is more significant as your registered representative approaches thresholds that would increase his or her payout percentage. Furthermore, certain registered representatives, including, but not limited to, some home office employees who also work as financial professionals, have negotiated increased and/or permanent payout percentages. These exceptions are granted in the sole discretion of our executives on a case-by-case basis.

In addition, each year, registered representatives whose total production exceeds a predetermined threshold ("top producers") are invited to attend an annual Top Producer Conference event. This multiday conference is typically held at a resort hotel located in a desirable vacation destination, and all costs of travel, lodging, transportation, and meals are paid for by us and our affiliates. While the conference does have an educational component, much of the time is spent on networking and recreational activities, making this conference, at least in part, a reward for top producers. This creates a conflict of interest, as financial professionals have a financial incentive to qualify for the conference by increasing their total production through more trading,

the sale of additional investments and insurance products, and the increase of assets held in advisory accounts. You are under no obligation, contractually or otherwise, to purchase securities or insurance products through us.

¹⁴ Registered representatives with the appropriate insurance licenses can also recommend term life insurance policies to investors. Several insurance companies pay commissions from the sale of these policies directly to us, after which we remit a portion of the commissions to the representative who sold the policy. Although these commissions count towards the representative's total production, they generally do not constitute a significant component of registered representatives' total production with us.

¹⁵ A "payout grid" uses an escalating series of payout percentages according to which the percentage of compensation paid to the registered representative increases at certain predetermined thresholds.

Outside Business Activities

Many registered representatives are involved in other outside business activities ("OBAs") unrelated to their association with us. Depending on the circumstances, your financial professional's OBAs can create conflicts of interest, either because of the additional compensation that the OBAs provide or because of the time that they require. Your financial professional's OBAs, if any, are disclosed on his or her Form U4 and BrokerCheck report (www.finra.org/brokercheck).

Some registered representatives own their own accounting firm, law firm, independent registered investment adviser, or third-party administrator ("TPA") firm. For customers in need of accounting, legal, or TPA services, such representatives often recommend that customers retain these entities for such services. These recommendations present a conflict of interest because such representatives have a financial incentive to recommend the services of their firm to you. If your registered representative owns his or her own firm, this OBA will be disclosed on his or her Form U4 and BrokerCheck report (www.finra.org/brokercheck).¹⁶ The fees for such services are separate and apart from the fees and costs you will pay when purchasing securities or insurance products through us. You are under no obligation to hire or retain any registered representative's affiliated entity, and you may select and use the service providers of your choice.

¹⁶ Additionally, if your financial professional is an investment adviser representative, this OBA should also be disclosed in his or her Form ADV Part 2B brochure supplement.

Loans and Bonuses to Representatives

We offer new registered representatives either a bonus or a forgivable loan in order to help defray their transition expenses. The amount of such bonus or forgivable loan, including whether such compensation will even be offered in the first place, is determined by such factors as the individual's regulatory history, past total production at the prior broker-dealer, and ongoing contractual commitments (e.g., non-solicitation agreements), but is not tied to future production. If a financial professional terminates his or her relationship with us prior to the date specified in the bonus agreement, which is generally a period of one (1) year, he or she ordinarily will be required to repay the entire bonus. If a financial professional terminates his or her relationship with us prior to the date specified in the forgivable loan agreement, which is generally a period of no more than five (5) years, he or she ordinarily will be required to repay a prorated portion of the loan. These repayment obligations create a financial incentive for financial professionals to remain with us for the time period specified in the agreement rather than moving to a new broker-dealer.

We will occasionally offer existing registered representatives a non-forgivable personal loan, at an interest rate that meets or exceeds the Applicable Federal Rate at the time of the loan, in order to assist such individuals with legitimate business matters, such as expanding their financial practices (e.g., purchasing another representative's book of business). The amount and the terms of such non-forgivable loans are determined by such factors as the individual's regulatory history and prior experience with the firm. The obligation to repay this loan creates a financial incentive for the borrowing representative to increase his or her total production through more trading, the sale of additional investments and insurance products, and the increase of assets held in advisory accounts.

Political Contributions

To avoid potential conflicts of interest associated with political contributions, especially with respect to customers that are government or municipal entities, we generally limit our registered representatives' political contributions to the lower de minimis amount under FINRA Rule 2030. Currently, this amount is limited to \$150 for any one official per election. Larger political contributions require special compliance approval.

Succession Planning

We assist our registered representatives by facilitating succession plans that involve transitioning a customer book of business from one financial professional (the "seller") to another (the "buyer"). Such transitions often occur when the seller wishes to retire from the industry and "hand off" his or her customer accounts (or "book of business") to the buyer. By assisting with such succession plans, we can help ensure that customers do not experience an interruption in service and also avoid a potential decrease in our revenue due to customer attrition. Because the seller will reap an additional profit from monetizing his or her customer relationships and will recommend the buyer to customers based upon financial considerations, rather than in a purely disinterested manner, such transitions naturally create a conflict of interest involving potential self-dealing.

Clearing Firm Relationship with NFS

We entered into a Fully Disclosed Clearing Agreement and a Technology Products and Services Agreement with NFS in August 2011, both of which were updated and amended in January 2019 (together, the "NFS Agreements"). NFS is the sole clearing firm that we utilize for customer brokerage account custodial services. In connection with the NFS Agreements, we negotiated trading cost schedules, account pricing options, and service fees for customer brokerage accounts custodied at NFS. These items were negotiated based upon the current and expected type and amount of business we conduct with NFS.

Under the terms of the NFS Agreements, there are a variety of ways in which we receive cash and non-cash compensation from NFS and customers who open brokerage accounts:

- Gifts, entertainment, lodging, trips, and meals – NFS employees, in their discretion, provide our employees and home office staff with occasional gifts and cover the expense of entertainment, lodging, trips, and meals for events. This is a regular part of our ongoing relationship with NFS. On occasion, NFS also makes direct payments to us for reimbursement of reasonable travel expenses incurred in connection with traveling to NFS-sponsored events. All gifts, entertainment, travel expenses, and meals must be reasonable in value and consistent with industry rules and regulations.
- Computer software – We receive free computer software and related systems support which allow us to better monitor customer accounts maintained at NFS. In particular, NFS pays for and provides us with technology and software in order to enable us (and our registered representatives) to access the NFS brokerage system and streamline our business operations. These systems aid us in providing service to customer accounts and include software that makes available customer account data, facilitates trade execution, facilitates payment of fees from customer accounts, and assists with back office functions such as recordkeeping and reporting.
- Correspondent Business Development Credits – NFS has agreed to provide Sigma and Parkland with Business Development Credits during the years 2018–2022. The amounts of these credits are disclosed in the Revenue Sharing Disclosure posted on our websites (www.sigma4clients.com and www.parkland4clients.com). We use the Business Development Credits in connection with our annual operations and to support our growth initiatives.
- Technology Credits – NFS has agreed to provide Sigma and Parkland with Technology Credits during the years 2020–2022. The amounts of these credits are disclosed in the Revenue Sharing Disclosure posted on our websites (www.sigma4clients.com and www.parkland4clients.com). We use the Technology Credits in connection with technology costs and technology initiatives.
- Non-Fidelity NTF Revenue Sharing – For non-Fidelity mutual funds, NFS has entered into a No Transaction Fee (“NTF”) Revenue-Sharing Program with Sigma and Parkland. As of the date of this disclosure, we receive compensation ranging from 4–10 basis points for balances in excess of \$10 million, but this threshold is subject to change from time to time. More information regarding the compensation we receive is provided in the Revenue Sharing Disclosure posted on our websites (www.sigma4clients.com and www.parkland4clients.com). This compensation is paid to us only if you maintain a certain amount of assets in these funds, and our compensation increases as you allocate more assets to these funds. This incentivizes us to recommend these non-Fidelity NTF funds over other types of mutual funds. You should understand that there are share classes of these non-Fidelity NTF funds and other funds that do not pay us this revenue-sharing compensation. Furthermore, these non-Fidelity NTF funds are generally more expensive because of these revenue-sharing arrangements.
- Money market revenue – We receive a monthly payment on all eligible Fidelity Money Market Sweep Fund balances. This is calculated at an annualized rate of the average net assets (calculated daily) of our customers’ beneficially owned shares in the Capital Reserve Class and Daily Money Class of eligible Fidelity core sweep funds. As of the date of this disclosure, we receive compensation ranging from 25–50 basis points for Capital Reserve Class balances in excess of \$1 million, and compensation ranging from 10–25 basis points for Daily Money Class balances in excess of \$1 million, but these thresholds are subject to change from time to time. More information regarding the compensation we receive is provided in the Revenue Sharing Disclosure posted on our websites (www.sigma4clients.com and www.parkland4clients.com). This compensation is paid to us only if you maintain a certain amount of assets in these funds, and our compensation increases as you allocate more assets to these funds. This incentivizes us to recommend these funds over other types of funds. You should understand that there are share classes of other funds that do not pay us this revenue-sharing compensation.
- Network Bank Deposit Sweep Program – Sigma and Parkland receive a monthly revenue share from this program. Our share is calculated against average daily program assets on deposit at all depository institutions for the given calendar month and depends upon the Targeted Fed Funds Rate. The amount we receive is inclusive of any interest to be passed through to customer accounts (i.e., customer interest). More information regarding the compensation we receive is provided in the Revenue Sharing Disclosure posted on our websites (www.sigma4clients.com and www.parkland4clients.com). Please also refer to NFS’s Bank Deposit Sweep Program Disclosure Document for important information and disclosures regarding this bank sweep program.
- Margin Debit Interest – For investors who use margin, NFS credits us with all of the customer margin interest income in excess of the Targeted Fed Funds Rate plus 150 basis points.
- Free Credit Interest – Customer accounts not electing a sweep option are eligible for credit interest on cash balances. NFS credits us with 80% of the National Financial Credit Rate less any amounts credited to customer accounts.
- Markups to miscellaneous fees – We have marked up some of NFS’s standard miscellaneous account fees disclosed on the Miscellaneous Fee Schedule posted on our websites. NFS collects these fee markups for us and remits them back to us. More information regarding the compensation we receive from miscellaneous account fee markups is provided in the Revenue Sharing Disclosure posted on our websites (www.sigma4clients.com and www.parkland4clients.com).

- Fully Paid Revenue Share – In the event a customer chooses to allow NFS to loan out his or her securities, we retain a portion of the compensation that the customer is entitled to receive from the loan.
- Mutual fund 12b-1 fees – Any 12b-1 fees generated by non-Fidelity mutual funds held in NFS brokerage accounts are passed along to us after NFS receives the 12b-1 fees.
- Transfer Cost Credit Program – NFS will reimburse Sigma and Parkland a portion of the transfer of assets fees and costs that customers incur from other clearing firms or otherwise in connection with the transfer of certain eligible assets to NFS. The Transfer Credit is equal to 0.1% of the value of eligible assets and is capped at \$250,000 per year. Although customers incur these fees and costs, they do not share in the Transfer Credit. The Transfer Credit is intended to reimburse us and new teams of registered representatives for various technology, operational, administrative, and other expenses they incur in connection with the movement of customer accounts to the NFS custodial platform and are customary when broker-dealers select a custodial platform for their representatives and customers.

As a result of these benefits and the cash and non-cash compensation that we receive, we have a significant incentive to maintain our clearing relationship with NFS rather than consider the services of other broker-dealers that do not furnish similar software, systems support, services, or compensation. Furthermore, due to the compensation we can earn in connection with NFS brokerage accounts that we cannot earn in connection with direct-held arrangements, we have an incentive to recommend that customers open NFS brokerage accounts rather than direct accounts and thereafter transfer assets into the brokerage accounts. Also due to this compensation, we have an incentive to recommend that you purchase securities on margin, purchase mutual funds that pay 12b-1 fees rather than those that do not, purchase Fidelity money market funds rather than other money market funds, permit NFS to loan your securities, and utilize services that we have marked up.