



# Huntleigh Securities Corporation Regulation Best Interest Disclosure

**July 2023**

This guide summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. 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. We also have an affiliated SEC-registered investment advisor, Huntleigh Advisors, Inc., which provides investment advisory services. Our brokerage services are the primary focus of this guide. For more information on investment advisory services and how they differ from brokerage, please review the Huntleigh Customer Relationship Summary (or Form CRS) available at <https://www.hntlgh.com/files/107545/HSC-Form-CRS.pdf>. Our Form CRS 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.

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## Brokerage services

When you establish a brokerage account with us, you have the ability to buy, sell and hold investments within your account. The primary service we provide is our trading capability. We execute purchases and sales on your behalf, and as directed by you. In a brokerage services relationship we can trade with you for our own account, for an affiliate or for another client, and we can earn a profit on those trades. The capacity in which we act is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

### 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, First Clearing<sup>1</sup>. 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 an account representative or refer to our Margin Disclosure & Statement of Interest Charges available at <https://www.hntlgh.com/files/107545/Margin-Disclosure-Statement-of-Interest-Charges.pdf>.

### **Brokerage Account Types**

We offer many different brokerage account types including individual and joint accounts, custodial accounts, Delivery Versus Payment (DVP) accounts, estate and trust accounts, partnership accounts, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s). You should refer to our account agreement(s) for more information concerning available account types or speak with an account representative.

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

Within your brokerage account, we may also provide other incidental services such as research reports, and 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 representatives make 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. If you prefer on-going monitoring of your account or investments, you should speak with an account representative about whether an advisory services 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.

### **Clearing Services**

We have entered into an agreement with First Clearing (also referred to herein as “clearing firm”) to carry your account and provide certain back office functions. We and First Clearing share responsibilities with respect to your account as set forth in the Designation of Responsibilities that was delivered to you upon opening of your account. Please refer to the Designation of Responsibilities for more information on how such responsibilities have been allocated between us.

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<sup>1</sup> First Clearing is a tradename used by Wells Fargo Clearing Services, LLC.

## Understanding Risk

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Further, some investments involve more risk than other investments. Higher-risk investments may have the potential for higher returns but also for greater losses. The higher your “risk tolerance,” meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more you may decide to invest in higher-risk investments offering the potential for greater returns. We align risk tolerances with investment needs to offer you different investment objectives from which to choose (see below). You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs.

Investment goals typically have different time horizons and different income and growth objectives. Generally, investment goals are on a spectrum, with “Income” investors typically holding the smallest percentage of higher-risk investments, followed by “Growth and Income” investors holding *some* higher-risk investments, and finally “Growth” investors holding a significant portion of their portfolio in higher-risk investments. Risk tolerance also varies, and we measure it on a continuum that increases from “Conservative” to “Moderate” to “Aggressive,” and finally “Trading and Speculation.” See the chart below for details.

Investment Objective	Investment Objective Description	Risk Tolerance	Risk Tolerance Definition
Income	Income portfolios emphasize current income with minimal consideration for capital appreciation and usually have less exposure to more volatile growth assets.	Conservative	Conservative Income investors generally assume lower risk, but may still experience losses or have lower expected income returns.
		Moderate	Moderate Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest income returns.
		Aggressive	Aggressive Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.
Growth & Income	Growth and Income portfolios emphasize a blend of current income and capital appreciation and usually have some exposure to more volatile growth assets.	Conservative	Conservative Growth and Income investors generally assume a lower amount of risk, but may still experience losses or have lower expected returns.
		Moderate	Moderate Growth and Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest returns.
		Aggressive	Aggressive Growth and Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.
Growth	Growth portfolios emphasize capital appreciation with minimal consideration for current income and usually have significant exposure to more volatile growth assets.	Conservative	Conservative Growth investors generally assume a lower amount of risk, but may still experience increased losses or have lower expected growth returns.
		Moderate	Moderate Growth investors are willing to accept a modest level of risk that may result in significant losses in exchange for the potential to receive higher returns.
		Aggressive	Aggressive Growth investors seek a higher level of returns and are willing to accept a high level of risk that may result in more significant losses.
Trading and Speculation	Trading and Speculation investors seek out a maximum return through a broad range of investment strategies which generally involve a high level of risk, including the potential for unlimited loss of investment capital.		

Our recommendations are based in part on your risk tolerance and investment objective as outlined above. We encourage you to carefully consider your investment objective and risk tolerance before investing.

### **Cash Sweep Program Feature**

Our brokerage services include a Cash Sweep Program feature. This program permits you to earn a return on uninvested cash balances in your brokerage account by allowing cash balances to be automatically “swept” into a “Cash Sweep Vehicle,” until such balances are otherwise required to satisfy obligations arising in your account. These Cash Sweep Vehicles include interest-bearing deposit accounts, and if permissible, money market mutual funds or such other sweep arrangements made available to you. You will receive additional information concerning the Cash Sweep Program in your account agreement(s). More information about the Cash Sweep Program can be found in the Cash Sweep Program Disclosure Statement available at <https://www.hntlgh.com/files/107545/Cash-Sweep-Program-Disclosure-Statement.pdf>. Please review that Disclosure Statement carefully.

### **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 charged inactivity fees and/or closed. These requirements are detailed in the account agreement(s) you receive when you open your brokerage account. Minimum commission rates will apply to certain brokerage transactions.

## **Brokerage service models and products**

We are a full-service broker-dealer serving individual and institutional clients. We offer a wide range of investments to our clients, including equities, corporate, government, agency and municipal bonds, mutual funds, unit investment trusts (UITs), exchange-traded funds, options, annuities, and a limited number of alternative investments, such as Real Estate Investment Trusts (REITs) and Business Development Corporations (BDCs). We also have the ability to custody fee-based accounts managed by our affiliated registered investment advisors, or other third-party managers.

As a broker-dealer, we provide brokerage accounts and services, rather than investment advisory services. These services include buying and selling securities and offering investment recommendations. With a brokerage account, you will pay a transaction-based fee (commission) when you buy or sell an investment. In an advisory account, you pay a periodic fee, typically in the form of a percentage of your account value, rather than commissions on individual transactions.

## **Brokerage fees and our compensation**

It is important to consider that while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

### **Transaction-Based Fees**

In a brokerage account, you will pay transaction-based fees for trades you decide to enter into, such as buying and selling stocks, bonds, exchange traded products (ETPs), mutual funds, annuity contracts, exercising options and other investment purchases and sales. These transaction-based fees are generally referred to as a “commission,” “mark up,” “sales load,” or a “sales charge.” Transaction-based fees are based on a host of factors, including, but not limited to:

- Underlying product selection
- Your brokerage service model and account type
- Size of your transaction and/or overall value of your account
- Frequency of your trade activity
- Available discounts and/or fee waivers

### **Account and Service Fees**

You will pay fees for various operational services provided to you through your brokerage account. These fees are set at least annually and communicated to you through information included in your account statement and other notifications. These fees do not apply to all account types and may be waived under certain conditions.

Huntleigh and its clearing firm, First Clearing, will charge your account for certain transactions and services which are described and enumerated in your account documents provided to you. These charges can include custodial fees, transaction fees, transfer fees, wire transfers, IRA account fees, inactive fees, margin interest, electronic fund fees and other miscellaneous fees and taxes on brokerage accounts and securities transactions and other related costs and expenses.

You should understand that based on the brokerage service model you choose, the same or similar products, accounts and services may vary in the fees and costs charged to you. For more information concerning our administrative and service fees, please review the Huntleigh Fee Schedule at [https://www.hntlgh.com/files/107545/Fee\\_Schedule\\_2018-09.pdf](https://www.hntlgh.com/files/107545/Fee_Schedule_2018-09.pdf).

### **How We Are Compensated**

We receive direct and indirect compensation in connection with your accounts. Direct compensation is taken directly from the affected account. Indirect compensation is compensation paid in ways other than directly from the account and may impact the value of the associated investments in your account. The sections below describe the compensation that we receive in connection with various investments that may be available to you. In many cases, the descriptions that follow refer to a prospectus or offering documents.

### **Product Compensation**

#### **Commissions on Stocks, Rights, Warrants, Secondary Market Closed End Funds (CEFs) and Exchange Traded Products (ETPs)**

Commissions on trades of stocks, rights, warrants, and other exchange-traded securities vary based on a formula which takes into account the principal amount of the trade and the number of shares traded. Typically, the higher the principal amount, the lower the percentage of principal that is charged as a commission. Commissions on these trades should not exceed 5% of the principal amount, or \$100, whichever is greater. Your account representative can provide you with the commission amount at or before the time of the trade, and may have the ability to discount individual equity trade commissions.

#### **Option Transactions**

We incur higher trading costs on option transactions, and pass those costs to the customer. Option commissions are based on the principal amount of the transaction and the number of contracts traded. Options trading can be a risky strategy, and is not suitable for every investor. In addition to market risks, options trading is typically more expensive, and results in a higher cost to equity ratio for the investor, which can negatively impact your returns. Your account representative can provide you with the commission amount at or prior to the time of the trade, and may have the ability to discount individual option trade commissions.

#### **Debt Securities**

For debt securities, including preferred securities and CDs, we typically apply a charge (i.e., markup or commission) of up to 3.75% of the prevailing market price of your secondary market transaction. New issues typically pay us a commission (or concession) which is built into the offering price. Additionally, we may incur gains (or losses) on positions we hold in inventory in response to market movements or other events that impact the value of the securities we own.

#### **Mutual Funds**

We currently offer thousands of mutual funds varying in share class structure and investment style. If you invest in mutual funds, we may receive direct and indirect compensation in connection with such mutual fund investments, as described below.

- **12(b)-1/Shareholder Service Fees**

Annual 12(b)-1 fees, also known as trails, are paid by the fund and paid to us out of fund assets under a distribution and servicing arrangement to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund's behalf. Shareholder servicing fees are paid to respond to investor inquiries and provide investors with information about their investments. These fees are asset-based fees charged by the fund family.

These fees range from 0.00% to 1.00%, but the majority of these fees are below 0.85%. These fees are passed on to us and will in turn be passed on to your account representative as a commission.

- **Front-end Sales Charge Fees/Contingent Deferred Sales Charges (CDSC)**

Front-end sales charge fees are charged and paid to us, including your account representative, when you purchase a fund. The front-end sales charge is deducted from the initial investment on certain share classes. This charge normally ranges from 0.00% to 5.75%. Some purchases 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 qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account. You should contact your account representative if you believe you are eligible for sales charge waivers.

A CDSC (Contingent Deferred Sales Charge) is a charge you pay upon withdrawal of money from a fund prior to the end of the fund's CDSC period. CDSC charges range from 0.00% to 5.50%. CDSC periods can range from zero to seven years. This charge typically exists only on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund, but your account representative will typically receive a commission on the purchase transaction, paid by the mutual fund. The fee charged will depend on the share class purchased by the investor. A CDSC is not passed on to your account representative. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the fund in the fund's prospectus. Fees and expenses disclosed in the fund's prospectus are charged against the investment values of the fund.

When you receive a breakpoint discount on your mutual fund sales charge, your account representative receives a smaller commission. Breakpoint discounts are not offered with B and C share classes. As a result, your account representative may have an incentive to receive more commission by recommending large trades in B or C shares. Likewise, your account representative may also be incented to recommend investments in multiple fund families, wherein he or she would receive higher commissions because you would not be able to take advantage of breakpoint discounts.

- **Revenue Sharing**

Most of our mutual fund revenue is generated from commissions received on purchase transactions. We also receive compensation from mutual funds related to client investments in the form of 12(b)-1 fees as described above. These are revenues which are shared with us by the mutual fund companies.

- **Data Agreements**

We do not have any data agreements with mutual fund companies which provide any revenue to the firm.

For more information on investing in mutual funds, please see:

<https://www.finra.org/investors/insights/mutual-funds>

<https://www.hntlgh.com/files/107545/Mutual-Fund-Breakpoint-Share-Class-Disclosure.pdf> for our Mutual Fund Breakpoint & Share Class Disclosure.

## **Annuities**

Our annuities consist of fixed, indexed, and variable annuities. Under arrangements with insurance companies, we, including your account representative, receive commissions from the insurance companies for the sale of annuities, as well as trail commissions, which are considered indirect compensation. Commissions and trails paid to us vary by product type and by insurance carrier. Specific annuity compensation and expenses are provided to the client through documentation at the time of purchase, including the product prospectus.

For additional information regarding Annuities, please reference the following:

<https://www.sec.gov/fast-answers/answersannuityhtm.html>

<https://www.sec.gov/investor/pubs/sec-guide-to-variable-annuities.pdf>

## **Unit Investment Trusts (UITs)**

Our UITs consist of Equity and Fixed-Income UITs. We, along with your account representatives, are compensated in ways that vary depending on the type and terms of the UIT portfolio selected. The types of fees received by us are described below and are disclosed via the prospectus issued by the UIT provider. Your account representative can



provide you a copy of the most recent prospectus. The UIT provider deducts fees as compensation from the proceeds available for investments for marketing and distribution expenses, which may include compensating us as described in each UIT prospectus.

The firm has selling agreements with a number of UIT sponsors. UITs pay a commission to the account representative when a client purchases the product, and these commissions generally range from 1.25% to 3% of the principal amount invested, depending on the time frame of the trust. UITs typically have maturities ranging from one to five years. Redemptions (sales) prior to maturity may result in additional fees paid by the customer in the form of deferred sales charges, which decline over the holding period. While a secondary market exists for UITs, they are designed to be held to maturity. For complete information on specific UIT fees, charges, risk factors, and other considerations, request and read the prospectus prior to purchase.

For additional information, please see:

<https://www.sec.gov/fast-answers/answersuithtm.html>

### **Market-Linked Investments**

We have the ability to offer our clients investments in market-linked CDs. Expenses and compensation on these investments are determined by the issuer and vary by product. Specific product information, including a discussion of risks and investment considerations, is available in the prospectus, which should be reviewed prior to purchase.

### **Alternative Investments**

While we do not recommend them, we may occasionally make available to our clients investments in a limited number of alternative investments, such as non-traded Real Estate Investment Trusts (REITs), Business Development Corporations (BDCs), and Limited Liability Corporations. These investments are sold by subscription agreement and may have various purchase restrictions. These products are not suitable for all investors, and may be illiquid and subject to other investment risks. The compensation paid to us will vary by product, and will be disclosed in the offering and purchase documents, which should be reviewed carefully before investing.

### **Securities-Based Lending Programs**

Huntleigh Securities Corp. (HSC) and its representatives have conflicts of interest in that we have a financial incentive to recommend the use of securities-based lending products/Securities Backed Loans (“SBLs”) rather than the sale of securities to meet client liquidity needs.

SBL programs use cash and securities in your accounts to serve as collateral for loan proceeds. HSC and its representatives are paid compensation from the proceeds of these loans. HSC’s affiliates indirectly benefit financially from these loans as well. As such, you should understand that this financial arrangement creates a conflict of interest which motivates your representative and HSC to recommend that you borrow money against your cash and securities positions in your account(s), because it will make us money.

Representatives will receive compensation on Priority Credit Line (“PCL”) and other non-purpose SBLs issued through our clearing firm’s affiliate, Wells Fargo Bank. Your representative’s compensation is based on the outstanding debit balance in your account. In addition, your representative’s compensation will be reduced if your interest rate is discounted below a certain level. This creates an incentive for representatives to recommend PCL and other SBL products, as well as an incentive to encourage you to maintain a larger debit balance or maximize the amount of the loan, and to discourage interest rate discounts below a certain level.

The interest you pay for the loan is separate from, and in addition to, other fees you may pay related to the investments used to secure the loan, such as ongoing investment advisory fees, commissions, transaction fees, account fees, and fees for investments such as mutual funds and ETFs, for which HSC and/or our affiliates receive administrative or management fees or other compensation. You should be aware that other financial institutions may offer suitable lending programs with lower interest rates and/or fees, and for which your representative would receive different or no compensation.

The costs, including interest, associated with these loan programs are not included in any program fees or platform fees and will result in additional compensation to your representative and to HSC. The interest charges on your Priority Credit Line or other Securities Backed Loan, combined with commissions, any advisory fees, transaction

fees, and other account fees may exceed the income generated by your pledged account assets and, as a result, the value of your account may decrease.

Further, HSC benefits if you borrow on your loan to meet liquidity needs rather than sell securities or other investments, which would reduce our compensation. When assets are liquidated to re-pay or pay down the loan, HSC and your representative also will benefit if assets that do not have ongoing fees are liquidated prior to, or instead of, assets that provide additional fees or revenues to us (such as products which pay us an ongoing fee, or assets in an affiliate investment advisory account which are subject to advisory fees).

Because we generally make more money from your accounts when your accounts are larger, we benefit if you draw down on your Priority Credit Line or other Securities Backed Loan, which preserves your account size AND generates additional loan-related compensation, rather than sell securities or other investments in your account, which would reduce the assets in your account and our ability to generate revenue, further presenting a conflict of interest for your representative and HSC when addressing your liquidity needs. In addition, where a Priority Credit Line or other Securities Backed Loan is secured by both brokerage and advisory assets, your representative will benefit if your brokerage assets are liquidated prior to or instead of your advisory assets because your representative would be able to maintain advisory account assets subject to the advisory fee.

### **Cash Sweep Program/Bank Deposit Sweep/Other Float Compensation**

When you open your brokerage account, you will be notified of several different cash options available to your account. Currently, we select by default the cash sweep option which also provides FDIC insurance to cash positions which are held within applicable FDIC limits. Please note that this selection also currently pays revenue from First Clearing to our firm based on the amount of funds which are held in cash. This can create a conflict of interest to induce us to select the FDIC insured cash sweep program because of the financial benefit it provides to us. However, the cash product selection can be changed by the customer at any time, by simply contacting your account representative. Currently, we select the FDIC-insured cash sweep option from First Clearing for the FDIC insurance and convenience in working with First Clearing. We do not shop “cash alternatives”, such as money market funds held at other fund companies. For more information regarding the cash sweep program, please review the Cash Sweep Program Disclosure Statement at <https://www.hntlgh.com/files/107545/Cash-Sweep-Program-Disclosure-Statement.pdf>.

***Before making an investment decision, please work with your account representative to determine which investment products may be appropriate given your financial situation, investment goals, and risk profile.***

### **Other Compensation**

#### **Margin Trading**

In a margin brokerage account, you may borrow funds against the securities in your account. You may use margin toward the purchase of securities, or to borrow and withdraw funds from your account. This is generally referred to as a “margin loan.” The loan 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. Our clearing firm, First Clearing, loans the funds to you and charges you interest on the loan. First Clearing shares with us a portion of the margin interest it collects from our accounts, which creates an incentive for us to recommend margin accounts. For more information on margin, please see our Margin Disclosure & Statement of Interest Charges at <https://www.hntlgh.com/files/107545/Margin-Disclosure-Statement-of-Interest-Charges.pdf>.

#### **Training and Education**

We work closely with many product and service providers who provide training and education compensation to offset or reimburse us for costs incurred in conducting comprehensive training and educational meetings for our account representatives. These meetings or events are held to educate account representatives on product characteristics, business building ideas, successful sales techniques, suitability as well as various other topics. In addition, certain vendors provide free or discounted research or other vendor products and services, which can assist our account representatives with providing services to the plan.



Likewise, from time to time, product providers will reimburse us for expenses incurred by individual branch offices in connection with conducting training and educational meetings, conferences, or seminars for account representatives and participants. Also, account representatives receive promotional items, meals or entertainment, or other non-cash compensation from product providers. Industry regulations limit noncash compensation from product providers up to \$100 per year for gifts per vendor and \$1,000 per year for meals per vendor.

Although training and education compensation is not related to individual transactions or assets held in client accounts, it is important to understand that, due to the total number of product providers whose products are offered by us, it is not possible for all companies to participate in a single meeting or event. Consequently, those product providers that do participate in training or educational meetings, seminars or other events gain an opportunity to build relationships with account representatives; these relationships could lead to sales of that particular company's products.

### **Operational Fees**

We receive compensation for various operational services provided to you through your brokerage account. These fees include annual fees for certain types of accounts, termination fees, inactive account fees\*, wire fees, securities processing fees, and fees for account research and document retrieval.

\* Accounts are deemed inactive if fewer than 6 trades are billed during the 12-month period July 1 – June 30. Inactive fees are charged in September.

All fees are subject to change, and apply to accounts carried by Huntleigh Securities Corporation and/or K.W. Chambers & Co. The most current fee schedule can be found on our website, at [https://www.hntlgh.com/files/107545/Fee\\_Schedule\\_2018-09.pdf](https://www.hntlgh.com/files/107545/Fee_Schedule_2018-09.pdf).

### **Trade Corrections**

A trade confirmation is produced for every securities transaction and delivered to the client by mail or electronic means. Clients are responsible for reviewing their trade confirmations and should take an active role in monitoring their investments. Sometimes, through a miscommunication or other error, trade mistakes are made and must be corrected. If a trade is corrected, you will receive confirmations documenting the cancellation of the original trade and the correction. Trades resulting in losses are reviewed and resolved on a case by case basis. It is possible that a trade error may result in a profit to the firm.

### **Compensation for Termination of Services**

Other than any contingent deferred sales charge (CDSC) for a fund (as described under the Mutual Funds section above, if applicable), IRA termination fees (when applicable), and account transfer fees, the firm would not receive any additional compensation in connection with the termination of its services. If you have questions or need additional copies, contact your account representative.

## **Conflicts of interest**

Conflicts of interest exist when we provide brokerage services to you. A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our account representatives, our clients and third parties. We offer a broad range of investment services and products and we receive various forms of compensation from our clients, affiliated and non-affiliated product providers and money managers, and other third parties as described above. Securities rules allow for us, our account representatives, and our affiliates to earn compensation when we provide brokerage services to you. However, the compensation that we and our account representatives receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and

services that generate greater compensation to us.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you. Below you will find additional information related to our conflicts of interest. This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship. In addition to this disclosure, conflicts of interest are disclosed to you in your account agreement(s) and disclosure documents, our product guides and other information we make available to you.

## **Compensation We Receive From Clients**

### **Transaction-based conflicts**

In your brokerage account you pay certain fees (commissions and sales charges) in connection with the buying and selling of each investment product, including mutual funds, variable annuities, alternative investments, exchange traded funds, equity securities, and bonds. Where these fees apply, the more transactions you enter into, the more compensation that we and your account representative receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. 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.

### **Markups and markdowns for principal transactions**

When you buy or sell securities in a brokerage account, and in accordance with industry regulations, we typically impose a markup (increase) or markdown (decrease) in the price of transactions we execute on a principal basis. We are compensated based upon the difference (markup) between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price, or the difference (markdown) between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price. We maintain policies and procedures reasonably designed to help ensure compliance with industry markup and markdown rules.

### **Account maintenance and other administrative fees**

For the services we provide or make available to you with respect to your brokerage account, we charge certain account maintenance and other administrative fees, including transfer, wire, or other miscellaneous fees, as described in the fee schedule which is provided to you at account opening, on our website, and periodically as fees change. The higher the fees we charge, the more we are compensated.

## **Compensation We Receive from Third Parties**

Some third-party payments we receive are based on new sales of investment products, creating an incentive for us to recommend you buy and sell, rather than hold, investments. In other cases, these payments are made on an ongoing basis as a percentage of invested assets, creating an incentive for us to recommend that you buy and hold investments (or continue to invest through a third-party manager or advisor).

The total amount of payments we receive varies from product to product, and varies with respect to the third-party investment management products we recommend. It also varies from the compensation we receive in connection with other products and services we may make available to you, including advisory services from our affiliated registered investment advisor, Huntleigh Advisors, Inc. and We have an incentive to recommend investment products and services that generate greater payments to us. This compensation generally represents an expense embedded in the investment products and services that is borne by investors, even where it is not paid by the Product Sponsor and not directly from the investment product or other fees you pay. The types of third-party compensation we receive include:

### **Revenue Sharing**

Revenues from operational fees charged by our clearing firm are generally shared with our firm. This revenue

includes operational account and service fees, and revenues from securities-based loans, cash sweep, money market and margin interest. Fees which are charged to clients by our clearing firm include custodial fees, transaction fees, transfer fees, wire transfers, IRA account fees, inactive fees, margin interest, electronic fund fees and other miscellaneous fees and taxes on brokerage accounts and securities transactions and other related costs and expenses. We also receive compensation from third parties related to client investments, such as 12(b)-1 fees from mutual funds and revenue earned on money market balances.

### **Trail Compensation**

Ongoing compensation from product sponsors is received by us and shared with our account representatives. This compensation (commonly known as trails, service fees, or 12(b)-1 fees in the case of mutual funds) is typically paid from the assets of the investment product under a distribution or servicing arrangement and is calculated as an annual percentage of invested assets. The amount of this compensation varies from product to product. We have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.

### **Additional Compensation from Product Sponsors and Other Third Parties**

We and our account representatives, associates, employees, and agents receive additional compensation from product sponsors and other third parties including:

- Gifts and awards, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospective clients.
- Payment or reimbursement for the costs associated with education or training events that are attended by our employees, agents, and account representatives, and for conferences and events that we sponsor.

**Note:** The amount of these payments is not dependent or related to the level of assets you or any other of our clients invest in or with the product sponsor.

### **Product Share Classes**

Some product sponsors offer multiple structures of the same product (e.g., mutual fund share classes) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are incentivized to make available those share classes or other product structures that will generate the highest compensation to us. For more information on mutual fund share classes, please see our Mutual Fund Breakpoint & Share Class Disclosure, at <https://www.hntlgh.com/files/107545/Mutual-Fund-Breakpoint-Share-Class-Disclosure.pdf>.

### **Payment for Order Flow**

We do not receive any payments or revenue related to trade order flow.

### **Compensation Related to Proprietary Products**

Firms which issue and sell their own proprietary products may receive additional compensation or economic benefits from selling such investments. We do not produce or offer any proprietary investment products.

## **Compensation Related to Our Affiliates**

Huntleigh Securities Corp. (HSC) has two affiliated firms which share some common ownership. Huntleigh Advisors, Inc. (HAI), an SEC-registered investment advisor, and K.W. Chambers & Co. (KWC), an SEC-registered broker-dealer. Because of our affiliated relationships, some expenses are shared between the three companies.

As discussed above, our clearing firm collects fees and revenues from our client accounts, and a portion of this revenue is passed on to our firm. When our affiliated advisor firm recommends their clients use HSC's brokerage services, HSC will earn more revenue. Because of these affiliations, you should assume that money, fees, or charges paid to HSC will also indirectly benefit our affiliated firms, whether or not any revenue is actually shared with those firms. This creates a conflict of interest where our advisory firm may be incented to recommend the services of HSC as the broker-dealer on its clients' accounts. Likewise, a conflict of interest exists when our representatives recommend the services of our affiliates, in that we may indirectly benefit through our common ownership.

## **Compensation Received by Account Representatives**

Account representatives are compensated based on the revenue generated from sales of products and services to clients. This compensation will vary by the product or service associated with a brokerage recommendation. In addition to upfront-transaction based compensation, some products feature on-going residual or “trail” payments. Thus account representatives are incentivized to recommend products that have higher fees as well as those with on-going payments.

An account representative’s payout schedule may be periodically adjusted by us at our discretion. The payout schedule may be reduced when account representatives discount certain client fees and commissions, or when production levels are below minimums established by us from time to time.

As a result, account representatives have an incentive to provide brokerage recommendations that result in selling more investment products and services, as well as investment products and services that carry higher fees. Account representatives also have an incentive to increase brokerage trading activity, and to reduce the amount of discounts available to you.

Account representatives have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they will receive. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest.

Brokerage accounts, unlike advisory accounts, do not feature an on-going fee based on assets under management. Account representatives are incentivized to recommend you transition your brokerage services account to an advisory account to generate on-going revenue where your brokerage account has minimal activity. Further, account representatives are incentivized to recommend you transition your brokerage account to an advisory account after you have already placed purchases resulting in commissions and/or other transaction-based brokerage fees. We have controls established to identify and mitigate this risk. Account representatives also have an incentive to provide higher levels of service to those clients who generate the most fees.

On the other hand, our account representatives may have a conflict of interest in recommending a brokerage account over an advisory account if they believe they can generate more revenue through commissions on account transactions than through an advisory fee. A conflict may also be present if your representative is not licensed as a registered investment advisory representative, and does not recommend an advisory account because he or she would not be able to service or be paid on the account.

Recruitment compensation may be provided to account representatives who join our firm from another financial firm. This compensation, which may vary by account representative, often includes either an upfront or backend award based upon new client assets to the firm and/or revenue generated from such client assets. This creates an incentive for the account representative to recommend the transfer of assets to the firm, including brokerage assets, in order to earn this compensation.

Noncash compensation may be provided to account representatives in the form of credits toward business expense accounts and certain titles. Account representatives may also be compensated in the form of education meetings and recognition trips, subsidized by external vendors and affiliates, such as mutual fund companies, insurance carriers, or money managers. Consequently, product providers that sponsor and/or participate in education meetings and recognition trips gain opportunities to build relations with account representatives, which could lead to sales of such product provider’s products. Account representatives also receive promotional items, meals, entertainment, and other noncash compensation from product providers up to \$100 per year for gifts per vendor and \$1,000 per year for meals per vendor.

## Other Account Representative Activities with Potential Conflicts of Interest

- Account representatives who are transitioning through a succession plan may be incentivized to make brokerage recommendations designed to increase the value of their “book of business” through asset accumulation or brokerage trades that are not in your best interest. Account representatives who receive clients from a retiring account representative may be incentivized to meet growth goals and may make recommendations not in your best interest.
- When your account representative changes firms, he or she may ask you to move your account to the new firm. A good relationship with your broker is surely valuable to you, but it’s not the only factor in determining what’s in your best interest. To help you make an informed decision, you should consider the following:
  - **Could financial incentives create a conflict of interest for your broker?**

In general, you should discuss the reasons your broker decided to change firms. Some firms pay brokers financial incentives when they join, which could include bonuses based on customer assets the broker brings in, incentives for selling in-house products or a higher share of commissions. Similarly, some firms pay financial incentives to retain brokers or customers. While there is nothing wrong with these incentives in either case, they can create a conflict of interest for the broker. Whether you stay or go, you should carefully consider whether your broker’s advice is aligned with your investment strategy and goals.
  - **Can you transfer all your holdings to the new firm? What are the implications and costs if you can’t?**

Some products, such as certain mutual funds and annuities, may not be transferable. If that’s the case, you’ll face an additional decision if you follow your broker to the new firm: whether to liquidate the non-transferable holdings or keep just these holdings at your current firm. Either way, there could be costs to you, such as fees or taxes if you liquidate, or different service fees if you leave some assets at the current firm. Your broker should be able to explain the implications and costs of each scenario.
  - **What costs will you pay—both in the short term and ongoing—if you change firms?**

In addition to liquidation fees or taxes if you sell non-transferable assets, you may have to pay account termination or transfer fees if you close your current account, or account opening fees at the new firm. (Even if the new firm waives its fees as an incentive to transfer, that wouldn’t reduce any transfer or closure costs at your current firm.) Moving forward, the new firm may have a different pricing structure for maintaining your account or making transactions (such as fee-based instead of commissions, or vice versa), which could increase or lower your account costs. Your broker should be able to explain the pricing structure of the new firm and how your ongoing costs would compare.
  - **How do the products at the new firm compare with your current firm?**

Of course, not all firms offer the same products. There may be some types of investments you’ve purchased in the past or are considering for the future that aren’t available at the new firm. If that happens, you should feel comfortable with the products they offer as alternatives. If you tend to keep a lot of cash in your account, ask what investment vehicles are available at the new firm for the cash sweep account and whether the interest rate would have an effect on your return.
  - **What level of service will you have?**

Whether you follow your broker to the new firm or choose another broker at your current firm, consider whether you will have access to the types of service, support and online resources that meet your needs.
- We require that our employees seek prior approval of any outside employment or business activity so that we may ensure that any conflicts of interests in such activities are properly addressed; we periodically monitor

these outside business activities to verify that any conflicts of interest continue to be properly addressed by our firm.

## **Thank you for being a Huntleigh client.**

Huntleigh Securities Corporation endeavors at all times to put the interests of its clients first as part of our responsibilities and obligations as a registered broker dealer.

If you have any questions or concerns regarding your account with us, please discuss with your account representative, or contact our Compliance Department, at (314) 236-2400.

## **Additional Resources**

Huntleigh Securities Corporation Website: [www.hntlgh.com](http://www.hntlgh.com)

The following disclosure documents are available on our website:

Regulatory Disclosures: <https://www.hntlgh.com/Reg-BL7.HTML>

Form CRS: <https://www.hntlgh.com/files/107545/HSC-Form-CRS.pdf>

Regulation Best Interest Disclosure Document: <https://www.hntlgh.com/files/107545/HSC-Regulation-Best-Interest-Comprehensive-Disclosure-2023.pdf>

Margin Disclosure & Statement of Interest Charges: <https://www.hntlgh.com/files/107545/Margin-Disclosure-Statement-of-Interest-Charges.pdf>

Cash Sweep Program Disclosure Statement: <https://www.hntlgh.com/files/107545/Cash-Sweep-Program-Disclosure-Statement.pdf>

Investment Objectives and Risk Tolerance Definitions: <https://www.hntlgh.com/files/107545/Investment-Objective-Definitions.pdf>

Mutual Fund Breakpoint & Share Class Disclosure: <https://www.hntlgh.com/files/107545/Mutual-Fund-Breakpoint-Share-Class-Disclosure.pdf>

Fee Schedule: [https://www.hntlgh.com/files/107545/Fee\\_Schedule\\_2018-09.pdf](https://www.hntlgh.com/files/107545/Fee_Schedule_2018-09.pdf)

FINRA Account Transfer Disclosure: <https://www.hntlgh.com/files/107545/FINRA-Account-Transfer-Disclosure.pdf>

Additional Information from the SEC and FINRA:

<https://www.investor.gov/CRS>

<https://www.finra.org/investors#/>

<https://brokercheck.finra.org/>