

# LaSalle St. Securities, LLC

## Regulation Best Interest Disclosure

Regulation Best Interest (“RBI”) § 240.15l-1, requires LaSalle St. Securities, LLC (“LSS”) to disclose in written form information about the brokerage services we offer clients. Below we discuss services as well as conflicts of interest that arise when providing service, particularly when receiving compensation for our work. We encourage you to review this disclosure carefully, along with applicable account agreement(s) and other documentation you receive from us, including our Customer Relationships Summary (“Form CRS”).

LSS is registered with the U.S. Securities and Exchange Commission (“SEC”) as a broker dealer. We are also affiliated with an SEC Registered Investment Adviser, LaSalle St. Investment Advisors, LLC (“LSIA”), a sister company under common control with LSS. Our brokerage services are the primary focus of this disclosure. For more information on investment advisory services of LSIA and how they differ from brokerage services, review Form CRS for both LSIA and LSS, available at [www.lasallest.com](http://www.lasallest.com). These documents contain important information about the types of services both firms offer, along with specific information related to compensation, conflicts of interest, disciplinary action and other information. Useful information about LSS is also available at this site.

### A. Our Brokerage Services

A brokerage account allows you to buy, sell and hold securities, including options, in an account. We provide trade execution and hold your investments through our clearing firm, National Financial Services, LLC (“NFS”). We offer only nondiscretionary accounts. This means you must approve and direct us to make every trade before it happens. We earn a sales commission for these transactions, computed as a percentage of the value of the trades you make. This is referred to as “transaction-based” compensation. It differs from “fee based,” or “flat/hourly fees” compensation sometimes charged by investment advisors, like LSIA. The capacity in which we act is identified on your trade confirmation.

#### A.1 Cash Brokerage and Margin Brokerage Accounts

We provide brokerage services through either a cash or margin account, depending on eligibility and what you seek. In a cash account, you pay for your purchase when you make a trade. In a margin account, you pay by borrowing a percentage of the purchase price from our clearing firm, NFS, when the trade is executed. The portion of the purchase price loaned is collateralized by securities in your account. The amount you borrow is restricted by margin rules, as well as the value of the collateral. You incur interest costs as a result of your margin trading, similar to a loan. Only certain securities can serve as collateral.

A margin account has eligibility thresholds, unique costs, and regulatory requirements. You must execute a separate agreement before opening one, to make sure you are suitable for margin trading. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement has important information about establishing a margin account.

#### A.2 Types of Brokerage Accounts

We offer various kinds of accounts. These include individual and joint, corporate and limited liability company, custodial, Delivery Versus Payment (“DVP”), estate and trust, partnership, individual retirement, and other types of retirement accounts. You should refer to the account agreement(s) for more information about account types and speak with a representative of LSS if you have further questions, particularly about the best type of account for you.

#### A.3 Incidental Brokerage Services, Recommendations and Account Monitoring

We also provide incidental services for accounts. These may include research and recommendations to buy, sell, or hold investments. When we make a securities or allocation recommendation, investment strategy recommendation, or recommend rolling over assets from your Qualified Retirement Plan (“QRP”) to an Individual Retirement Account (“IRA”), we do so as a broker-dealer. Our fiduciary duty, except

in certain situations involving accounts like those governed by the Employee Retirement Income Security Act of 1974 (“ERISA”), extends only to executing trades for you competently, based on your instructions and any recommendation we make other than accounts grounded by ERISA. A brokerage account does not carry an ongoing fiduciary relationship with you. We are, however, at all times required to act in your best interest, pursuant to RBI, without placing our own financial or other interest ahead of your interest.

When we make brokerage recommendations, the recommendation must be in your best interest. We will consider reasonably available alternatives and your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other information you provide us. You may accept or reject any recommendation. It is your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. We do not provide on-going monitoring of your account.

We may provide you with other resources in connection with your account. This includes educational information, sales and marketing materials, performance reports, asset allocation data, and/or periodic brokerage account reviews, all in connection with recommendations we make. These activities in themselves should not be considered a recommendation to trade or hold any particular securities in your account.

#### **A.4 Clearing Services**

Except as to certain “away” accounts placed directly with third party custodians, we process securities trades through NFS, with whom we have a Clearing Agreement. NFS custodies your assets and provides “back office” functions including trade processing. NFS and LSS share responsibilities with respect to your account as set forth in the Designation of Responsibilities delivered when you open your account.

#### **A.5 Understanding Risk**

All investment recommendations and activities involve risk, including the risk of losing your entire principal. Some investments involve more risk than others. Higher-risk investments potentially have higher returns but also greater risk of loss. The higher your “risk tolerance,” the greater the risk of loss in achieving your investment goals. We try to align risk tolerance with investment needs to offer different investment objectives. You should select the investment objective and risk tolerance best aligned with your account and needs.

Our account application requires you tell us about your investment goals as well as your risk tolerance. The following is a brief table that summarizes both investment goals as well as the various levels of risk tolerance:

<b><u>Investment Goal</u></b>	<b><u>Categories of Risk Tolerance</u></b>
<ul style="list-style-type: none"><li>• Preservation of Capital</li><li>• Income</li><li>• Capital Appreciation</li><li>• Speculation</li><li>• Trading Profits</li><li>• Growth and Income</li></ul>	<ul style="list-style-type: none"><li>• Conservative</li><li>• Moderately Conservative</li><li>• Moderate</li><li>• Moderately Aggressive</li><li>• Aggressive</li></ul>

For a complete description and discussion of these concepts, please see the “Suitability” and “Customer Agreement” Sections of our standard account brokerage applications which you can obtain from your LSS registered representative.

Investment goals reviewed in the context of risk tolerance level results in various mixes of higher or lower risk investments. For example, “Income” investors may hold fewer higher-risk investments. “Growth and Income” investors hold a balance of both higher-risk and more conservative lower-risk investments. “Growth” investors often hold the majority of their portfolio in higher-risk investments, often equities. Investors interested in speculation hold large percentages of very high risk investments.

Our recommendations depend on your risk tolerance and investment objective. You must determine your investment objectives and risk tolerance as we make recommendations to you. If your life circumstances, goals,

risk objectives, or risk tolerance changes, so too may the recommendations we make to you, based on these changes.

#### **A.6 Cash Sweep Account Feature**

Our brokerage service provides a Cash Sweep Account feature. This permits you to earn interest on uninvested cash balances and proceeds in your brokerage account by “sweeping” cash balances into an account paying interest. The balance stays in the account until the monies are needed to satisfy other obligations, like new security purchases. The cash sweep vehicles are Fidelity Money Market Funds. Additional information concerning this is described in your account agreement(s).

#### **A.7 Account Minimums and Activity Requirements**

You should understand that our financial professionals may establish their own minimum account balance requirements for accounts they service. These requirements are disclosed to you orally by your LSS financial professional. Some accounts otherwise do have minimum account activity requirements and/or minimum ongoing balance requirements.

### **B. Brokerage Fees and Our Compensation**

A brokerage relationship can be a cost-effective way to invest, but it is not for everyone given the commissions and costs involved. Depending on your investing style, goals and objectives, the frequency of trading, allocation of assets and other factors, a brokerage account may not be the best fit for you when you are considering the overall expense of investing. Please discuss the various kinds of accounts identified above with your LSS registered representative.

#### **B.1 Transaction-Based Commissions for Brokerage Accounts.**

You pay transaction-based commissions when 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 (down),” “sales load,” or a “sales charge,” depending on the circumstances. Transaction-based fees are based on many factors, including, but not limited to:

- Underlying product selection
- Brokerage model and account type
- Size of transaction and/or overall value of account
- Frequency of trade activity
- Available discounts and/or fee waivers
- Postage and handling
- Other incremental costs

#### **B.2 Other Account and Service Costs**

You pay costs for various operational services we provide. These are priced at least annually and communicated through information contained in your account statements and other notifications. These costs do not apply to all account types and can be waived under certain conditions. Before opening an account, you should consider the total amount of expense you will pay for investing through LSS.

Based on the 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 contact your LSS registered representative. The list of customer account fees can also be found on our website at [www.lasallest.com](http://www.lasallest.com). Note also that other broker-dealers may charge more or less than LSS for equivalent services.

#### **B.3 How We are Compensated**

We receive direct and indirect compensation in connection with your accounts. Direct compensation is taken from your account. Indirect compensation is paid in ways other than directly from the account and may impact the value of the account investments. The sections below describe the

compensation 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.

**B.4 Commission Schedule for Stocks, Rights, Warrants, Secondary Market Closed End Funds (CEFs) and Exchange Traded Products (ETPs)**

The commissions we charge vary from 0% to 4% of the principal volume of the transaction. These are deducted from your account for each transaction. Commissions are also disclosed on your trade confirmation. You should discuss the charges for your transactions with your LSS representative. In addition, fees and costs are also deducted from proceeds of transactions. The amount of these costs are described on the customer account fees on our website, [www.lasallest.com](http://www.lasallest.com).

**B.5 Debt Securities**

For debt securities, including preferred securities and CDs, we apply a variable charge (i.e., markup or markdown) to your secondary market transaction, i.e. securities which are not “new issues.” This charge can range up to 4% but is usually less. We may incur gains or losses on positions held in inventory in response to market movements or events that impact the value of the securities we own. In addition, certain trades are done on an agency basis only, for which we charge only a commission. Please ask your LSS registered representative for more information.

**B.6 Mutual Funds**

We currently offer a range of mutual funds which vary in share class structure, costs and investment style. If you invest in mutual funds, we may receive direct and indirect compensation as a result of your mutual fund investments, as described below, in Section B.6(b).

**B.6(a) Buying Mutual Funds Directly From a Sponsor**

Many mutual funds may be purchased directly from the issuer without using our clearing firm. Depending on the issuer, fees may vary between buying directly or buying through our clearing firm. Please ask your LSS registered representative which purchasing method is best for you.

**B.6(b) 12b-1 / Shareholder Distribution Fees**

We receive 12b-1 fees, also known as trails, based on fund assets from various mutual fund sponsors under a service arrangement to cover distribution expenses and sometimes shareholder service expenses we provide. Shareholder servicing fees are paid us to respond to investor inquiries and provide investors with information about their investments. These fees are asset-based fees charged by the fund family. They range from 0% to 1%. Fees may be passed on to LSS and your financial professional as a service fee.

**B.6(c) Mutual Fund Front-end Sales Charge Fees/Contingent Deferred Sales Charges (CDSC)**

Front-end sales commission, sometimes referred to as a “load,” may be charged and paid to us when you purchase a fund. These front-end sales charges are deducted from the initial investment when you buy certain share classes of mutual funds. This charge normally ranges up to 5.75%. Some purchases qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of transaction you make and any “rights of accumulation,” (purchases made separately over a specified period of time) or Letters of Intent (“LOI”). In addition, some purchases may qualify for a sales charge waiver based on the type of account, and/or certain other qualifications. You should contact your LSS registered representative for further descriptions.

CDSC is a charge you pay when you withdraw money from certain funds prior to the end of the fund’s “CDSC period.” CDSC charges range from 0.00% to 5.50%. CDSC durations can range up to seven years, depending on the fund, and reduces over the duration you hold the fund. This charge typically exists on share classes that do not have a front-end sales charge, i.e. “B” or “C” class funds, rather than “A” class. The CDSC sometimes is referred to as a “back-end load.” CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class you purchase. 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 and will affect the "net asset value" of the fund.

**B.6(d) Revenue Sharing**

From time to time, LSS receives a marketing, transfer cost credit and/or financial support fees from money market funds, cash-management providers, NFS, mutual fund issuers, or variable annuity issuers when it places client funds with such vendors.

**B.7 Annuities**

Annuities may be fixed, index, and/or variable. Under arrangements with annuity companies who issues these contracts, LSS and your financial professional receive commissions for the sale of annuities, as well as trail compensation. This is considered indirect compensation. Commissions and trails paid us vary by product type and may also vary by carrier. For additional information regarding annuities, please refer to the prospectus for the annuity in which you are interested.

**B.8 Market Linked Investment Information**

From time to time LSS may offer market linked products. If you are interested in these products and the costs and fees associated with them, please contact your LSS financial professional.

**B.9 Alternative Investment Information**

LSS may offer so-called "alternative investments." If you are interested in these products and the costs and fees associated with them, please contact your LSS financial professional.

**B.10 Real Estate Investment Trusts**

LSS receives commissions and marketing allowances from entities sponsoring publicly registered but non-traded Real Estate Investment Trusts ("REITs"). The commission paid us is netted against the gross purchase amount you buy of REIT shares, thus reducing your purchasing power. Please review the prospectus for any REIT you decide to purchase. Your LSS registered representative will provide you with the most recent prospectuses.

**B.11 Unit Investment Trusts (UITs)**

UITs may feature either Equity and/or Fixed-Income investments. We are compensated depending on the type and terms of the UIT portfolio selected. The types of fees we receive are disclosed in the prospectus issued by the UIT provider. Your LSS registered representative will provide a copy of the most recent prospectus before you purchase a UIT. 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.

**B.12 Compensation When Our Services Are Terminated**

Other than any contingent deferred sales charge for a mutual fund (as described under the Mutual Funds section above), IRA termination fees and account transfer fees, the firm does not receive additional compensation in connection with the termination of its services when you close your account.

**C. Conflicts of Interest**

Various conflicts of interest exist when we provide service to you. A conflict of interest or potential conflict of interest develops when we engage in an activity where our interest is materially or potentially could be adverse to your interest. These conflicts do not mean harm to you will occur, but it is important we disclose conflicts because they can affect or bias our recommendations to you. Moreover, regulatory obligations require that we establish, maintain and enforce written policies and procedures reasonably designed to address conflicts of interest associated with any recommendations to you.

Conflicts of interest typically result from payout of compensation and other financial arrangements between us, our clearing firm and other third parties. We offer a broad range of investment services and products and receive various forms of compensation from our clients, non-affiliated product providers, and other third parties. Securities rules allow us to earn this compensation when we provide services. The compensation we receive varies based upon the product or service, which may create a financial incentive for us to recommend investment products and services generating greater compensation.

We take steps to identify and mitigate conflicts of interest if necessary to ensure we act in your best interest when providing recommendations. Below you will find additional information regarding conflicts of interest. This is not intended to be all-inclusive, but generally describes those that are material to your relationship with us. You should refer to various other disclosure documents we have provided you which also address such conflicts. In addition to this disclosure, conflicts of interest are discussed in Form CRS which you can access on our website at [www.lasallest.com](http://www.lasallest.com).

### **C.1 Transaction-based conflicts**

In your account you pay certain commissions to buy and sell investments, including mutual funds, variable annuities, alternative investments, exchange traded funds, equity securities and bonds. When these fees apply, the more transactions you enter into, the more compensation we receive. This creates an incentive for us to recommend that you buy and sell, rather than hold, investments. We may also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or none at all. When we make recommendations to you, please understand you are under no obligation to accept any recommendation.

### **C.2 Markups and markdowns for principal transactions**

When you buy or sell securities in an account, particularly fixed income securities, we may charge a markup (increase) or markdown (decrease) of the price of transactions we execute for you. We are compensated based on the difference between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price (markup), or the difference between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price (markdown). We maintain policies and procedures reasonably designed to ensure compliance with the markup and markdown industry rules.

### **C.3 Account maintenance and other administrative fees and resulting conflicts**

For the services we provide or make available to your brokerage account, we charge certain account maintenance and other administrative fees, including transfer, wire or other miscellaneous fees. Please see our website at [www.lasallest.com](http://www.lasallest.com) for information about these costs and fees. The more the fees we charge, the more we are compensated. This also provides an incentive which creates a conflict of interest for us.

### **C.4 Compensation we receive from third parties create certain conflicts**

Third-party payments we receive may be based on the new sales of investment products. This also incentivizes 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 to recommend you buy and hold investments (or continue to invest through a third-party manager).

The total amount of payments we receive varies. It also varies from the compensation we receive from other products and services we make available. We may 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 when it is not paid by the Product Sponsor and not directly from the cost of the investment product you pay. Types of third-party compensation include:

- **Revenue Sharing.** This can be a distribution and/or marketing fee based on assets under management.

- **Trail Compensation.** Ongoing compensation from Product Sponsors may be received by us and shared with our financial professionals. This compensation (commonly known as trails, service fees or Rule 12b-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 may have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.
- **Cash Sweep Accounts.** As discussed above, should you opt to use a cash sweep account feature, the rate of return you receive on assets held in such an account is reduced on account of a revenue sharing agreement LSS has with NFS. Under this agreement, LSS receives a fee calculated at .25% of the assets under management. The receipt of this fee constitutes a conflict of interest for LSS since it incentivizes us to recommend use of the sweep account. The more assets retained in the sweep account, the greater the compensation to LSS. You are not required to use the sweep account feature.
- **Transfer Cost Credits.** We receive certain credits from NFS regarding new assets transferred to LSS. This also incentivizes us to accumulate assets which will enhance such payments to us.
- **Margin Interest.** We receive part of the margin interest you pay our clearing firm, NFS. This incentivizes us to recommend opening a margin account since the interest generated benefits us.
- **Marketing Allowances from REITs.** LSS also receives certain “marketing allowances” from entities promoting or selling certain non-traded public REITs. The receipt of this compensation incentivizes us to recommend purchase of REITs which generate the marketing allowances.

#### **C.5 Additional compensation and services from product sponsors and other third parties**

We work with certain product and service providers who sometimes give training and education compensation to our registered representatives. These offset or reimburse us for costs incurred in conducting comprehensive training and educational meetings for our registered representatives. These events are held to educate us on product characteristics, business building ideas, successful sales techniques, suitability as well as various other topics. For example, we receive certain compensations from one or more mutual funds, variable annuity companies, and REIT sponsors for conferences they sponsor and at which they market their products. Note, the receipt of this consideration is a conflict of interest since it may incentivize us to recommend products of product vendors who provide us such compensation.

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 our registered representatives; these relationships could lead to sales of that particular company’s products over other offerings of Companies who do not participate in these events. This creates a conflict of interest as well.

#### **C.6 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. This also creates a conflict of interest for us. We may be incentivized to make available those share classes or other product structures that could generate higher compensation to us.

#### **C.7 Compensation Received by Financial Professionals**

Registered representatives are compensated in a variety of ways based on the percentage of revenue generated from sales to clients including brokerage account activity and their independent correspondent agreement with LSS. This compensation varies by product or service. In addition to upfront-transaction based compensation, some products feature on-going residual or “trail” payments. Thus, registered representatives are incentivized to recommend products that have higher fees as well as those with ongoing trail payments.

Typically, a registered representative’s payout increases the more you transact activity in your account. As a result, registered representatives have an incentive to provide brokerage recommendations that result in buying and selling more investment products and services.

Registered representatives have an incentive to recommend you rollover assets from a Qualified Retirement Plan (“QRP”) to a brokerage Individual Retirement Account (“IRA”) since this too may increase their compensation. We maintain policies and procedures designed to ensure that rollover recommendations from a QRP are in your best interest.

We provide recruitment compensation to financial professionals joining our firm from another firm. This varies with each relationship and is often either an upfront or backend payment based on new assets brought to the firm or revenue generated from new client assets. This is an incentive for the professional to recommend transfer of assets to our firm, including brokerage assets to receive this compensation.

Registered representatives are also compensated in the form of reimbursement when attending sponsor meetings, LSS conferences, or sometimes in producing and broadcasting on-the-air seminars. These are usually radio programs which are sponsored by a product vendor like a mutual fund company. Registered representatives conduct and/or attend such meetings and trips to obtain education about the products offered for sale, to conduct due diligence on the issuer offering the product, and to build relationships with the product issuer. Portions of these programs may be subsidized by external vendors and affiliates, such as mutual fund companies or insurance carriers. Consequently, product providers that sponsor and/or participate in education meetings and recognition trips gain opportunities to build relations with registered representatives, which could lead to sales of such product provider’s products. Registered representatives may 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.

Financial professionals may have an incentive to provide brokerage recommendations which are based on gathering more assets under management, which also increases brokerage trading activity. This too is a conflict of interest.

#### **D. Other Financial Professional Activity**

Certain of our financial professionals maintain licenses that allow them only to recommend and sell mutual funds and variable annuities (Series 6 license). If you desire to purchase other investments, please alert LSS or your financial professional and we will make arrangements for you to do so. In addition, for certain products like REITs or alternative investments, LSS may recommend only a select group of approved products in these categories. This limits the recommendations our professionals may make to you since they can only recommend approved products. Some of our professionals are licensed with LSS and not with our sister registered investment advisor, LSIA. Such LSS licensed professionals do not offer advisory services. Finally, some of our professionals are licensed as insurance agents through LaSalle St. Insurance Services Inc. Ask your financial professional if you have an interest in such services.