

# Guide to Brokerage Services

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**Investment and insurance products and services including annuities are:  
NOT A DEPOSIT • NOT FDIC INSURED • MAY LOSE VALUE • NOT BANK GUARANTEED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**

2 See important disclosures on page 16.

### INTRODUCTION

U.S. Bancorp Advisors LLC (“we” or “USBA” or “Firm”) wants to play an important role in helping you (“you” or “client”) invest toward your goals. Part of that role includes providing information you need to make informed investment decisions. This disclosure is provided in connection with recommendations we make to you with respect to your brokerage accounts with us. It contains important information to address the scope and terms of our relationship with you, including the capacity in which we are acting, the type and scope of our services, material limitations on our services, the fees and costs associated with your account, investment expenses, and the conflicts of interest that exist for the Firm and/or for our Financial Advisors (“FAs”).

USBA is a subsidiary of U.S. Bancorp and an affiliate of U.S. Bank, National Association (“U.S. Bank” or “the Bank”). USBA is registered with the U.S. Securities and Exchange Commission (“SEC”) as a broker-dealer and an investment adviser and is a member firm of the Financial Industry Regulatory Authority, Inc. (“FINRA”) ([finra.org](http://finra.org)) and the Securities Investor Protection Corporation ([sipc.org](http://sipc.org)). Brokerage and investment advisory services and fees differ and it is important for you to understand the differences. Free and simple tools are available to research firms and financial professionals at [investor.gov/crs](http://investor.gov/crs), which also provides educational materials about broker-dealers, investment advisers, and investing.

As a USBA client, you have access to a broad scope of services and resources, whether we serve you as a broker-dealer or an investment adviser, or refer you to our affiliate, U.S. Bank, for banking or trust services. We also offer insurance products through our insurance agency, USBA Insurance Services. Clients may purchase many of our products and services in either transaction-based accounts (i.e., brokerage accounts), fee-based accounts (i.e., investment advisory accounts/managed accounts), or a combination of both.

### HOW TO USE THIS GUIDE

USBA’s Guide to Brokerage Services (“Guide” or “Disclosure”) provides you with general information for our brokerage services to help you understand the details of your account and the products you purchase. They include an overview of the benefits, risks, and costs of the account or product. This Guide will be provided to you

when you open an account with us, when we provide a recommendation to you, or when you decide to act on one of our recommendations. For a copy of the Guide, please contact your FA or call Client Services at 800-634-1100.

Please note that this Guide solely addresses brokerage services and products including how our FAs make recommendations to you in a broker-dealer capacity. For more information about the services that we provide in our investment advisory capacity, please ask for a copy of our *Form ADV Part 2A (Managed Account Solutions Brochure)* and our *Form ADV Part 2A – Appendix 1 (Personal Portfolio Solutions Brochure)*. Both brochures are also available online at <https://adviserinfo.sec.gov>.

### CAPACITY IN WHICH WE SERVE

When we act in our capacity as a broker-dealer, we do not serve in a fiduciary capacity, but rather as an agent, under the client protection and other rules of FINRA and the SEC, including the requirement that any recommendations must be suitable, which was modified by the SEC’s Regulation Best Interest (“Regulation Best Interest”), as noted below. When we act in our capacity as a broker-dealer, we are subject to the Securities Act of 1933, the Securities Exchange Act of 1934, as amended, the rules of self-regulatory organizations, such as FINRA, and applicable state laws. All broker-dealers who provide a recommendation of securities or investment strategies containing securities to retail clients must comply with Regulation Best Interest.

When we act as a broker-dealer of securities, including variable insurance products, or when we recommend investment strategies in connection with your account, we will facilitate the execution of transactions based upon your instructions. USBA does not offer discretionary brokerage accounts and does not have discretionary authority to buy and/or sell investments for you. Each trade within a brokerage account is facilitated upon the client’s instruction. As such, you as the client (and not USBA or the FA) will make individual buy, sell, and hold decisions. We are acting as your agent without any investment discretion.

All recommendations made by your FA regarding your brokerage account will be made in a broker-dealer capacity, and all recommendations regarding your managed account will be made in an investment advisory capacity. This would also include what type of account to open (brokerage vs. managed/investment advisory). When your FA makes a

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recommendation to you, your FA will clearly tell you verbally in which capacity he/she is acting. Depending on your needs and your investment objectives, we may assist you with brokerage services, investment advisory services, or both. There are important differences between brokerage and investment advisory services, including their costs, the services we provide, 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. Information regarding the differences between our brokerage and investment advisory services is also available in our *Customer Relationship Summary (Form CRS)* disclosure, which is available at [www.usbank.com/usbancorp-advisors/terms](http://www.usbank.com/usbancorp-advisors/terms).

### **MATERIAL LIMITATIONS ON OUR INVESTMENT RECOMMENDATIONS**

- USBA and its FAs offer and recommend investment products only from certain firms (our approved “Product Partners”) with which USBA or its clearing broker has entered into an agreement. Other firms, including our affiliate U.S. Bancorp Investments, Inc., may offer products and services not available through USBA, or the same or similar investment products and services at a higher or lower cost.
- The scope of products and services offered by our FAs may also be more limited than generally available through USBA, based on their securities registration, insurance licensing, training or branch office policy restrictions. You may ask a USBA FA about the securities or services he or she is registered, licensed, or qualified to sell, and their ability to service investments transferring to USBA from another firm.
- USBA and its FAs do not offer recommendations on general securities like common stock or ETFs. We are also limited to recommending only Class A shares of mutual funds in our brokerage accounts, with the exception of certain money market mutual funds that are not Class A shares, and retirement funds which include offerings of specific retirement share classes chosen by the Plan Sponsor. However, clients may execute or direct us to purchase or sell securities on an unsolicited basis.

We encourage you to be informed, stay informed, and ask questions regarding the products and services you own, or are thinking of buying or selling. It is our purpose to ensure you are being treated fairly and ethically, are paying a fair price for the products and services you purchase or sell and receive

information that is easy to understand. Ask your FA or visit [usbank.com/usbancorp-advisors](http://usbank.com/usbancorp-advisors) for additional information.

### **NO ACCOUNT MONITORING**

Unless we state otherwise in writing, it is your responsibility to monitor your brokerage account and its investments. You need to review your trade confirmations and statements for inaccuracies and promptly notify us of any concerns or questions you may have. We will only implement investment transactions in your brokerage account when you direct us to do so. You make the ultimate decision about your brokerage account investments. We have no obligation to update statements made, or information provided, with respect to a previous recommendation.

If you are concerned about the performance of your investments or whether your asset allocation is appropriate to meeting your goals, you should promptly notify your FA and consider whether making changes to your portfolio is warranted. Please keep us informed of any changes that could affect your investment profile, including changes to your financial situation, investment time horizon or level of risk you are willing to accept.

### **APPLICABLE STANDARDS**

Under Regulation Best Interest, when we recommend a security or an investment strategy involving a security as a broker-dealer to a retail customer, we must act in your best interest at the time the recommendation is made, without placing our financial or other interest ahead of your interest. You are a retail customer under Regulation Best Interest if you are a natural person or a legal representative of a natural person who receives and uses a securities recommendation primarily for personal, family, or household purposes.

Regulation Best Interest and the best interest obligation do not apply to activities and services that we provide other than securities recommendations to retail customers, such as when we execute transactions where we have not made a recommendation, where you deviate from our recommendations, how we market securities and our services, in determining the fees we charge, educational materials, statements of philosophy and investment principles, descriptions of strategies and risks, generic advice or recommendations that are not personalized for you, or to any recommendations or services that are provided to someone other than a brokerage retail customer.

### TYPES OF FINANCIAL ADVISORS AND SERVICES

There are several ways to access our brokerage services. Each service model offers unique ways in which you can interact with us:

- **Broker-Assisted** – This model allows you to work with your FA who will make recommendations and only act upon your instruction to conduct securities transactions such as buying or selling of securities within your brokerage account. Broker-Assisted trading is provided through your FA or you may place trades by calling Client Services at 800-634-1100.
- **Online Trading** – You can also transact securities directly in your brokerage account utilizing our online services. Such transactions are self-directed by you, the client, without a recommendation from either USBA or our FA.
- **Investment Center** – Our Investment Center is a team-based model serving self-directed clients. The FAs in our Investment Center are available exclusively by phone and can recommend a limited product set.

Please refer to our *U.S. Bancorp Advisors Fee Schedule, Disclosures, and Services Agreements* for a full description of fees charged for broker-assisted and online trades.

### INFORMATION ABOUT RECOMMENDATIONS

We provide brokerage recommendations to you regarding your investments based on your individual needs and the information you provide to us. We do this through collaborative discussions with you, in which your financial and personal circumstances, unique goals, and objectives are discussed. During this process, we will help you identify and consider your investment objectives, risk tolerance, sources of income, anticipated contributions and withdrawals, and liquidity needs, as well as other factors.

Our FAs have access to a variety of tools that help them determine a personalized approach using products available on our platform. Generally, we believe that a sound investment strategy includes a long-term approach and diversification among asset classes to manage risk. However, we evaluate each client's situation individually, which may result in a different approach from other clients. We customize the approach to meet your unique needs.

During our relationship with you, we make recommendations regarding securities, transactions, strategies and holdings which are more fully described below:

**General Securities Recommendations:** We can recommend a variety of investment products to you. For example, some of the investment products we offer fall into the following categories: annuities, mutual funds, fixed income securities, insurance, money market funds, and unit investment trusts ("UITs"). In the event that you decide to purchase a product, you will receive specific details related to that product. Most products are sold with a product acknowledgment that you will receive prior to purchase. For other investments, information will be included in your account opening documentation.

Additional disclosure documents with information about the security or product will be provided to you. Depending on the type of document, you will either receive these from your FA or they will be sent to you. These include offering documents, prospectuses, trade confirmations, periodic account statements or USBA's product acknowledgments as applicable.

While we take reasonable care in developing and making recommendations to you, investments in securities and other investments involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that the recommended investment and/or strategy will perform as anticipated. Each type of security has its own unique risks, including market risk, liquidity risk, concentration risk, credit or default risk and inflation risk. See the prospectus or offering statement for information regarding specific risks associated with products. These will be provided to you during the sales process.

**Account-Type Recommendations:** We may also recommend that you open or convert your brokerage account to an investment advisory account. We want you to be aware that an investment advisory account can result in higher costs to you than the traditional commission-based brokerage account. Before opening an advisory account or converting from your brokerage account to an investment advisory account, you should consult the Client Relationship Summary to review potential benefits and limitations of both account types, including the overall cost of both and your fee-type preferences. Recommendations to convert to, or open, an advisory account are made in our capacity as a registered investment adviser.

In addition to recommending a brokerage account or an investment advisory account to you, we may recommend a specific type of account, such as a retirement account,

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an educational account or a specialty account. Each of these account types offers different features, products or services, which, in turn, can affect the costs associated with the account.

Retirement accounts can include, for example, an IRA, a Roth IRA or a SEP-IRA. Educational accounts can include a 529 College Savings Plan. Specialty accounts can include a margin account or an option account. Additional information about these account types will be provided to you by your FA or by contacting Client Services at 800-634-1100.

### **Retirement Plan Rollover and Distribution**

**Recommendations:** USBA and your FA are able to provide either general information and education to you about the factors to consider when deciding whether to move retirement assets to USBA or we provide a recommendation that you move your retirement assets to USBA. If we provide you with a recommendation to roll assets out of an employer plan, you understand and agree that our analysis of the costs and services to your retirement plan, as compared to the costs and services USBA provides, depends on the information you provide to us. You are responsible for updating us promptly if your investment objectives, risk tolerance and financial circumstances change.

Please keep in mind that a rollover is not your only option. Before deciding to act on this recommendation, be sure to consider potential benefits and limitations of all options. Please ask your FA regarding your rollover options and refer to the *Qualified Plan Rollover – Factors to Consider* disclosure in the *U.S. Bancorp Advisors Fee Schedule, Disclosures, and Services Agreements*. While we do not charge a fee for rolling over and opening an IRA with us, you will incur various fees associated with our brokerage accounts and services, as well as investment expenses (as discussed in this Guide).

Another resource to understand fees and other information is the Annual Fee Disclosure Notice (“Notice”) of your qualified plan. Plan sponsors are required to provide you with this Notice. Use this Notice to compare the fees charged by the qualified plan with the fees that USBA charges for investments. The Notice will also provide investment-related performance data. By comparing the performance of the funds in the qualified plan with the performance of the investment recommendations we provide to you for an IRA, you can decide if a rollover is appropriate for you. You should contact the sponsor of your plan if you have any questions about the qualified plan fees.

### **ACKNOWLEDGMENT OF FIDUCIARY RESPONSIBILITY FOR ADVICE ON IRA ROLLOVERS AND RETIREMENT PLAN ACCOUNTS**

When it comes to retirement and other qualified accounts including individual retirement accounts (IRAs), workplace retirement plans (like 401(k) plans), SEPs, and other similar accounts collectively referred to in this disclosure as (“Retirement Accounts”) fiduciary status is highly technical and dependent on the service you choose. The retirement laws, i.e., ERISA and the Internal Revenue Code, significantly limit the types of products and services we can offer and provide when we agree to act as a fiduciary to your Retirement Accounts. When we provide investment advice to you regarding your Retirement Accounts, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing Retirement Accounts. The way we make money creates certain conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule’s provisions, when providing certain investment recommendations, we must also:

- Meet a professional standard of care (give prudent advice);
- Not put our financial interests ahead of yours (give loyal advice);
- Avoid misleading statements about our conflicts of interest, fees and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about our conflicts of interest.

### **FEES AND COSTS**

USBA does not require an account minimum to open a brokerage account. However, you may be charged an Annual Custody Fee for Inactive Account if your brokerage account does not have trading activity or margin interest within the preceding 12 months. USBA reserves the right to waive the minimum balance charge for certain accounts. For additional information regarding the Annual Custody Fee, please refer to the *U.S. Bancorp Advisors Fee Schedule, Disclosures, and Services Agreements*. Certain product types may require a minimum purchase amount in order to execute the transaction. Please refer to the specific product offering documents for additional details.

**Transaction Costs:** When our recommendation results in a transaction in your brokerage account, you will incur fees and costs typically called a “commission,” “sales charge,” “markup,” or “markdown”. Transaction costs are typically paid upfront and often based on the amount of assets invested. The type and amount of compensation you pay USBA for brokerage services provided to you varies depending on the investment you select, the size or amount of the transaction, and if you use a FA or broker assistance or simply transact on your own online. You will find information about these costs in the *U.S. Bancorp Advisors Fee Schedule, Disclosures, and Services Agreements*, U.S. Bancorp Advisors product acknowledgments, prospectuses, offering documents, or insurance contracts. After completion of the transaction, you will be sent a trade confirmation showing the specific fees and costs associated with your individual transaction. Unlike securities and products that charge a commission or impose a sales charge, such as equities and mutual funds, fixed-income securities incur a markup (for purchases) or markdown (for sales) in a brokerage account. A markup or markdown is an amount added to the purchase price (or deducted from the sale price) that you pay (or receive) when we transact with other broker-dealers to execute your transaction. This amount is embedded in the amount you pay or receive. You will be provided with the trade confirmation after you complete the transaction. This will be delivered either by mail or electronically, consistent with your delivery preference election.

**Service Costs:** In addition to transaction fees and costs, you may incur fees or costs for specific services related to your account, such as a wire transfer fee, annual account fee, account termination fee, ACAT fee, margin fee, research fee, and custodial fees. More information about these account-level fees is available in the *U.S. Bancorp Advisors Fee Schedule, Disclosures, and Services Agreements*.

**Investment Costs:** In addition to the fees you pay to us, most investments (other than stocks, bonds and certificates of deposit) have internal fees. These internal fees are charged by the product, the product sponsor or their affiliates and are generally used to cover the product’s expenses. The fees are deducted from the value (or are reflected in its purchase price) and will impact performance. You will be subject to these fees if you hold a product that charges them. More information is detailed in the prospectus or offering statement.

**Equities:** Equities are typically ownership positions (stock) in a publicly traded company, or other financial instruments that are considered to be “securities,” such as exchange traded funds (“ETFs”). For equities and other exchange-traded securities (such as ETFs) transacted through USBA, the commission rate is determined by the dollar amount of the investment plus a flat fee. The commission rate varies between 0.09% and 1.7% and does not include the flat fee, which may be up to \$154 per transaction. USBA does not solicit or recommend equities or ETFs in your brokerage account(s); however, we are able to transact these securities on behalf of our clients on an unsolicited basis.

**Mutual Funds:** A mutual fund is a type of investment company that pools money collected from many investors to invest in securities such as stocks, bonds, money market instruments, and other alternative asset classes and permits daily redemptions. Mutual funds are managed by professional money managers who seek to achieve the fund’s investment objectives through the use of asset allocation, diversification, and rebalancing strategies.

In our brokerage accounts, we are limited to recommending only Class A shares of mutual funds with the exception of certain money market mutual funds that are not Class A shares, and retirement funds which include offerings of specific retirement share classes chosen by the Plan Sponsor. However, clients may execute or direct us to purchase or sell securities on an unsolicited basis. Fees are charged based on breakpoints, which can vary by fund company. Most mutual funds available through us require that you pay a sales commission plus an annual fee associated with operating the fund. Although we do not allow our financial advisors to solicit Class B or C shares, these shares classes can be purchased on an unsolicited basis and contain a deferred sales charge based on a specific time period. These deferred sales charges are designed to recoup the cost of creating and maintaining the mutual fund for a specific time period in the event the mutual fund is sold prior to the specific time period associated with the share class. These ongoing fees and expenses are typically charged daily as a percentage of your investments. You pay these fees and expenses indirectly, as they are deducted from your investments on an ongoing basis.

Please refer to the mutual fund company’s website and/or fund prospectus for information on the particular fund you are purchasing. Information provided will include sales charges (the amount of commission you are charged to

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purchase the mutual fund), management fees (the internal cost the manager charges the mutual fund to provide their investment management), and investment objective, which is the financial objective of the mutual fund based on its principal investment strategy or management style. USBA earns a commission (referred to as a sales charge or a front-end load) on the purchase amount for Class A shares. The front-end load can generally go up to 5.75% but will vary by fund company, the type of fund, and the purchase amount. USBA also earns a trail commission, generally between 0.25% and 1.00% of the fund's net assets held by USBA clients, annually.

**Unit Investment Trust:** A UIT is another type of investment company that offers a fixed portfolio, which generally consists of stocks, bonds, or other assets that are offered as redeemable units to investors for a specific period of time. Typical UITs are composed of portfolios made up of equity securities (for capital appreciation) or fixed income bonds (for income generation). UITs differ from mutual funds in that UITs do not have an investment adviser providing ongoing management of the fixed portfolio. USBA earns a commission, generally up to 3.95%, which varies depending on the term and the type of UIT purchased.

**Variable Annuity:** An annuity is a contract between the account holder and a life insurance company. Variable annuities ("VAs") are typically designed to help meet investment and income objectives for retirement. The contract offers tax-deferred growth through a range of investment options. These investments are subject to the market fluctuations of the underlying investment options and possible loss of principal. Variable annuities have a "surrender period," which is a period of time that typically lasts five to eight years after a contract is issued. A "surrender charge" typically applies during the surrender period when a policyholder cancels or withdraws funds in excess of an amount that may be allowed by the contract. The surrender fee will reduce the return of the investment and the value of the annuity. Surrender charges typically decrease over the surrender period. All VAs available through USBA contain surrender periods. Another provision offered by insurance companies is an optional rider that can be added to the annuity for a cost. For additional information regarding VAs, please review the specific insurance company's prospectus regarding that annuity's costs and features. USBA earns a commission for selling a VA and can earn a maximum upfront commission of 5.5% and a trail commission of 0.25% to 1.0% from year 2 forward.

For most variable annuity products available through USBA, you will pay contract charges which include mortality and expense ("M&E") fees and charges set by the insurance company. M&E charges are a fixed fee that varies by policy. In addition to M&E fees, the insurance company charges an annual administration fee to cover recordkeeping, account services, and basic management associated with the annuity contract. This is typically a flat fee and can be waived if the annuity contract is above a certain dollar amount. As mentioned in the section below regarding direct compensation, riders are an optional provision feature of an annuity contract. These features could provide a death benefit payout, or income stream payout, or a living benefit to enhance the overall benefits of the annuity contract. Each specific rider has a cost associated with the feature, and the more riders that are added to an annuity contract, the more expensive the annuity ultimately can become. Lastly, the selection of sub-accounts available within an annuity contract is determined by agreement between the insurance company and the fund company. These sub-accounts offer the annuity contract holder diversification by offering the ability to choose between or among various types of investment options. Diversification does not guarantee a profit or insure against a loss.

**Registered Index Linked Annuity:** A registered index-linked annuity ("RILA") references the performance of a particular market index to calculate both gains and losses, but the annuity does not directly invest in the markets. Instead, the contract offers tax-deferred growth opportunities by tracking the performance of a market index. A RILA is a cross between a fixed indexed annuity and a variable annuity. RILAs available through USBA have surrender charges. For additional information regarding RILAs, please review the specific insurance company prospectus regarding that annuity's costs and features. USBA earns a commission for selling a RILA and can earn a maximum upfront commission of 4.5% and a trail commission of 0.25% to 1.0% from year 2 forward.

**Variable Universal Life Insurance:** Variable universal life insurance ("VUL") is a type of permanent life insurance that offers a death benefit combined with a cash value component. The cash value component can be allocated to a variety of sub-accounts that are market sensitive and can produce positive returns in an up market along with negative returns in a down market. The cost of insurance varies based on the client's age, sex, risk class, and insurance amount applied for. Clients can obtain more cost



information by contacting their FA and also reviewing the prospectus. USBA earns a commission for selling VULs and can earn up to a maximum of 80% of the first year's target premium, plus an annual trailer payment that is typically between 0% and 2%.

While the upfront commission amounts to 80% of the first-year target premium, this amount is based upon an annual premium paid by the client that is equal to or exceeds the commission target premium. In the event the client pays the premium on a monthly basis, the commission is then paid in monthly installments until the first-year target commission premium is satisfied. The annual trailer payment is also limited to the specific product duration. For additional clarification regarding specific products, please refer to the specific product prospectus.

**Fixed Income Securities:** Fixed income securities refer to investment in debt issued by corporations, municipal entities, the federal government, and other quasi-government agencies. Fixed income securities, more commonly referred to as bonds, are investments that pay investors periodic coupon payments (fixed interest or dividends) until the security's maturity date. At the maturity date, the issuer pays the principal amount (face value) to the investor and redeems the debt issue. Transactions in fixed income securities, such as corporate bonds, money market securities, certificates of deposit, mortgage-backed securities, municipal bonds, U.S. Treasuries, and U.S. Agency securities, may be marked up between 0.01% and 2.9% for purchase orders and marked down between 0% and 1.5% for sell orders. USBA earns revenue from the markup or markdown.

**Market-Linked Certificate of Deposits:** USBA also offers MLCDs issued by third-party banks. MLCDs are different from traditional bank CDs in that they are structured and embed a derivative feature allowing them to gain access to the stock or bond market to which they are linked. MLCDs are a type of structured product which is more complex and contains more features than general securities or traditional bank CDs. MLCDs involve greater risks, including a potential cap on returns, and possible adverse tax consequences. MLCDs are structured deposit products issued and managed by various FDIC-insured banking institutions ("Issuing Banks"). MLCDs are NOT insured, backed, or guaranteed by SIPC, USBA, or U.S. Bank. MLCDs may be in the form of a master certificate held by the Depository Trust Company. Each MLCD constitutes a direct obligation

of the Issuing Bank. Please refer to the third-party bank's MLCD's Disclosure Statement and applicable Disclosure Supplement for additional information, which can be found on the Market-Linked Certificate of Deposit Disclosure Acknowledgment form. USBA will receive up to 3.5% in its role as placement agent for the investment.

For more information about the fees, commission, or sales charge applicable to products and services we offer, please refer to the respective prospectus, offering document, or the *U.S. Bancorp Advisors Commission & Fee Schedule, Disclosures, and Service Agreements* provided in connection with the investment. These are available through your FA or by calling us at 800-634-1100. In addition, certain brokerage-related and administrative fees may apply to your account if assets are held in custody at National Financial Services LLC ("NFS"), an unaffiliated broker-dealer providing custody and clearing services for us.

### **MATERIAL FACTS REGARDING CONFLICTS OF INTEREST**

The nature of the brokerage business creates inherent conflicts of interest. Conflicts of interest are not unique to USBA. Information regarding conflicts of interest at U.S. Bancorp Advisors is summarized below.

**Financial Advisor Compensation:** The manner in which our FAs at USBA are compensated results in material conflicts of interest. FAs are paid compensation based upon the amount of revenue the FAs generate for us, our affiliates and related entities. FAs are paid a percentage of that revenue, which increases as the amount of revenue generated increases (also known as the Financial Advisor's Compensation Grid or "Compensation Grid"). A FA's compensation rate in the Compensation Grid is based on a rolling six months of net revenue (FA generated gross revenue less certain adjustments). The amount of revenue also varies based on the type of products sold. Products that are sold include equities, fixed-income securities, packaged products such as mutual funds, unit investment trusts, annuities and insurance products. FAs may also have the opportunity to earn ongoing commission payouts (trailers) on certain eligible accounts and/or products where USBA receives ongoing service fees. The Compensation Grid is reviewed and approved at least annually.

FAs may be eligible to receive incentives or other types of compensation if they reach certain production levels or other targets, and they may also be eligible for one-time

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or ongoing bonuses based on a combination of factors, including their annual revenues, length of service with USBA, product mix, and net new assets under management from both current and new clients. FAs are eligible to receive a portion of the revenue created by investment and insurance sales to clients referred by a licensed banker (also known as referral-only registered representative) who possesses active securities and/or insurance licenses with U.S. Bancorp Investments. As a result, FAs and other employees have an incentive to recommend certain products over others and to recommend a high volume of investment product purchases.

To mitigate these conflicts, USBA has established policies, procedures and risk-based supervision to review product recommendations. FAs compensation is limited per transaction for certain packaged products such as annuities, mutual fund, and 529 plan transactions.

**Proprietary Products:** As a feature of your USBA brokerage account, a proprietary sweep program is offered through U.S. Bank which is referred to as the Bank Deposit Sweep Program.

**Bank Deposit Sweep Program for Brokerage Accounts:** The Bank Deposit Sweep Program (“BDSP” or also referred to in your account statement as the ‘Consumer Deposit Sweep Program’ or the ‘Business Deposit Sweep Program’) is a core account investment vehicle used to hold your cash balance while awaiting investment. The cash balance in your brokerage account(s) will be automatically deposited or “swept” into interest-bearing BDSP deposit accounts at U.S. Bank that may be eligible for insurance by the Federal Deposit Insurance Corporation (“FDIC”) up to applicable limits. BDSP is the default core sweep option for USBA brokerage account(s). The BDSP creates financial benefits for USBA and U.S. Bank, our affiliate, and NFS. USBA will receive a fee from U.S. Bank in connection with the BDSP. We will also pay a fee to NFS. The revenue generated by USBA may be greater than revenues generated by sweep options at other brokerage firms and may be greater than other core account investment vehicles available to you or possible core account investment vehicles that we have used in the past or may consider using in the future. For additional details regarding the BDSP, please review the *U.S. Bancorp Advisors Fee Schedule, Disclosures, and Services Agreements*—specifically *Section C, the Bank Deposit Sweep Program (BDSP<sup>SM</sup>) Disclosure Statement for Brokerage Accounts*.

In addition to the BDSP, USBA enables clients to use their USBA brokerage accounts for collateral loan purposes through U.S. Bank. USBA does not receive compensation for facilitating a collateral loan from U.S. Bank.

**Third-Party Payments:** USBA receives additional compensation from certain mutual fund companies and other products based on our client assets held in such mutual fund or other product in the form of 12b-1 fees, dealer concessions, and volume discount. The receipt of this compensation creates a conflict for us to offer and encourage sales of mutual funds and products that result in us receiving greater compensation over those that result in less compensation. FAs receive a portion of the 12b-1 fees credited to their Compensation Grids. As such, FAs have a conflict to recommend that you purchase and hold mutual funds that pay greater 12b-1 fees over those with lower 12b-1 fees. We mitigate these conflicts generally by not sharing this compensation (other than 12b-1 fees) with our FAs, disclosing them to you, and by establishing policies, procedures and risk-based supervision to review product recommendations.

#### *12b-1 Fees*

These fees are charged to you by certain mutual fund companies to pay USBA and other broker-dealers for promotion, distribution and marketing expenses. The fees are deducted from your investment in the mutual fund. The amount of 12b-1 fees is disclosed in the fund’s prospectus and is generally between 0.25% and 1% of the fund’s net assets held by USBA clients, annually. These are shared with your FA and increase his or her compensation during the time in which a client holds an investment in such fund.

#### *Volume Discount*

NFS provides clearing and custody services for our brokerage accounts. NFS charges us a fee to provide transaction execution, clearance, settlement, custody, and other related services in your account. Referred to as a volume discount or volume concession, NFS reduces the transaction fees charged to us as our trade volume increases and reaches predetermined thresholds.

**Revenue Sharing Payments:** We have agreements with certain firms, referred to as Product Partners, that provide financial support to us. We use these amounts to support the marketing of products, training, and education of our FAs about such products, and for other purposes.

This financial support includes revenue sharing arrangements such as:

1. Payment of up to 0.30% from certain Product Partners based on the total purchase amount from sponsors of mutual funds, UITs, and/or annuity carriers; and
2. Payment that our affiliate, U.S. Bancorp Investments Inc. (USBI), receives from certain Product Partners that cover expenses such as travel, hotel and meals for USBA FAs and other investment professionals.

Not all Product Partners provide revenue sharing payments to us. Revenue sharing payments are not shared with your FA. Revenue sharing payments create a conflict for us to offer and encourage sales of product of Product Partners that result in us receiving greater revenue sharing payments over those that result in lower revenue sharing payments (or no revenue sharing payments).

These revenue-sharing payments are in addition to other payments such as commissions, sales concessions, and 12b-1 fees. (Information about a mutual fund's, UIT's, or variable annuity's fees and expenses may be found in the fee table located in the product prospectus.) These revenue-sharing payments are not made directly by the client, but are paid by a fund's distributor, investment adviser, or other related entity. USBA evaluates sponsors and their investment products for inclusion on the product sponsor list using criteria that include investment performance and style, wholesaling, marketing and operational support, and amount of assets under management. USBA does not consider the receipt of fund portfolio brokerage commissions as a factor in the selection of product sponsors. Also, USBA does not receive directed brokerage compensation or offer any differential cash compensation from any fund, UIT, or annuity company.

We mitigate these conflicts by not sharing revenue sharing payments with FAs, disclosing them to you, and establishing policies, procedures and risk-based supervision to review product recommendations.

For a current list of mutual fund and annuity Product Partners approved at USBA, please visit [usbank.com/usbankcorp-advisors/terms](http://usbank.com/usbankcorp-advisors/terms), contact your USBA FA, or call us at 800-634-1100. USBA also earns a small percentage of its revenue from NFS, such as Margin Debit Interest, Free Credit Interest, and Annual Net Flows Growth Incentive Credits. The revenue received is not passed on to FAs or other USBA sales personnel.

USBA and its affiliates have an economic interest in facilitating the purchase or retention of additional services for its clients to the extent that its clients may have an additional need for the products and/or services that are available from USBA or its affiliates. USBA or its affiliates will receive commissions or other types of remuneration for those products and/or services. Please know that comparable products and/or services recommended by USBA or its affiliates may be available at higher or lower fees from other independent service providers that are not affiliated with USBA.

**Educational Event Payments:** USBA and its FAs have certain expenses paid for or reimbursed by one or more Product Partners for various meetings, seminars, or conferences held in the normal course of business or other promotional activities. Such meetings include the following:

**1. Due diligence trips:** These trips or events are sponsored by Product Partners. Product Partners invite one or more of our FAs to attend a training and educational meeting held at their offices, or other nearby location, at which they provide advanced product training. It is customary for our Product Partners to pay for travel, hotel and meals, for what are usually one- or two-day events. Product Partners select representatives to attend using criteria that may include sales of their products by the representatives. USBA preapproves a FA's attendance at a due diligence meeting. Attendance at a due diligence meeting can influence a FA to recommend a Product Partner's products or services.

**2. Client Seminars:** These meetings usually are held at a USBA office or nearby space, where Product Partners will make a presentation to clients and prospective clients discussing important topics, such as the current market environment, investment philosophy and the performance of the product or model managed. Typically, Product Partners will reimburse a FA for certain costs of the meeting, such as a complimentary meal for guests or the cost of the meeting space. USBA must preapprove these seminars and any reimbursement arrangement with the Product Partners. The support for these seminars can influence a FA to recommend a Product Partner's products or services.

We mitigate these conflicts by disclosing them to you, and by establishing policies, procedures and supervision to review, track and approve these types of payments and benefits.

**Gifts and Entertainment Payments (Non-Cash Compensation):** Our FAs periodically attend entertainment

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events or receive meals or other gifts from unaffiliated financial services companies (including Product Providers). As such, our FAs could have an incentive to recommend products and services from those financial services companies. USBA mitigates these conflicts by disclosing them to you and by establishing policies and procedures designed to limit favoring investments of financial services companies that provide these benefits and that limit the value, frequency and nature of these types of incentives.

USBA and its FAs are limited in giving or receiving anything of value, including gratuities where such payment is in connection with the person's business activities. Associates of USBA may not give gifts to or receive gifts from another person in excess of \$100 per calendar year. All gifts received or given must be aggregated for the calendar year to ensure compliance with our internal dollar limit.

From time to time, USBA and its FAs may give or receive business entertainment in connection with conducting business. Business entertainment can contain the following categories:

- Meals
- Hotel accommodations
- Tickets to sporting or other events
- Reasonable education-related seminars or conferences, such as training events or due diligence meetings
- Reimbursement for reasonable business expenses associated with sales functions, including travel

**Distribution and Rollover Recommendations:** As stated under *Retirement Plan Rollover and Distribution Recommendations* section of this Guide, USBA and FAs provide either general information and education to you about factors to consider when deciding whether to move retirement assets to USBA or provide a recommendation that you take a distribution from your Retirement Accounts and roll the distribution amount over to an account at USBA. USBA and our FAs will, in turn, receive compensation for providing such services that we would otherwise not have received if you did not act upon the recommendation. Therefore, USBA and our FAs have an incentive to recommend that you take such a distribution and roll over the proceeds to the account. We mitigate these conflicts by disclosing them to you, and by establishing policies, procedures and risk-based supervision to review product recommendations.

**Referral Incentives:** U.S. Bank may pay its employees and employees of its affiliates, such as USBA, referral

compensation when clients they refer to U.S. Bank establish an account, relationship, or service with U.S. Bank. In addition, U.S. Bank may pay its employees and employees of its affiliates compensation for coordination of the review, recommendation, and integration of suitable products and services relevant to your overall financial situation. An example of this type of compensation is an FA who refers and/or serves as a relationship manager for clients invested in the Bank's managed accounts program within the Personal Trust business at U.S. Bank. Such referrals to the Bank's managed accounts program are made by FAs acting in their capacity as Bank employees, not as USBA FAs.

USBA FAs may refer clients or prospects to U.S. Bancorp Investments, Inc. ("USBI"), an affiliate and an SEC-registered broker-dealer and investment adviser, also member of FINRA. USBI offers certain products and services that are unavailable at USBA, such as private placements, structured notes and other products.

Finally, FAs may also receive revenue created by investment sales to clients referred by a licensed banker (also known as referral-only registered representative) who possesses active securities and/or insurance licenses with U.S. Bancorp Investments. In addition, from time to time, FAs may form an alliance or "partnership" with a USBA Institutional salesperson to more effectively serve USBA clients. The revenue generated from the partnership is split between the FA and the USBA Institutional salesperson. The amounts earned and/or split may change on a periodic basis due to performance measurements or assessments (e.g., a monthly performance matrix or grid).

Please note that while this summary broadly outlines how we currently compensate the majority of our FAs, some FAs may be compensated differently, and we may adjust our compensation policies periodically. In addition to the FAs, you may also work with Client Associates, Investment Center Associates, Call Center Representatives, Regional Sales Managers, or Institutional Brokerage Specialists. These licensed professionals receive compensation by working with you and your FA. Their compensation includes incentive compensation which typically rewards them for revenue earned on products and services recommended to you by your FA.

The compensation of our managers and supervisors is tied to the production levels of branches or regions over which they have managerial or supervisory responsibility.

The tying of managers' and supervisors' compensation to the production of the branches or regions they supervise incentivizes them to spend more time on increasing production levels in a given branch or region than on their supervisory responsibilities.

**Trade Errors:** While providing securities execution services to your account, a trade error may occur for which USBA is responsible. Trades will be adjusted or reversed as needed to put the account in the position that it would have been in as if the error had not occurred. If the trade error results in a gain, the gain will be retained by USBA, but such gain is not given to or shared with any of our FAs. This gain is considered additional compensation to USBA.

**Principal Trading and Execution Practices:** When executing your order in certain types of securities in your brokerage account, including debt, we are permitted to trade with you for our own account or for an affiliate or another client, and may earn a profit on those trades. When we or an affiliate act as principal in buying a security from you or selling a security to you, we earn compensation on the transaction by charging you a markup or markdown from the prevailing market price of the security and collecting a spread for our affiliate's role. This spread is our compensation for taking market risk and making a market in the security. We have adopted policies and procedures that limit transactions for our proprietary accounts and the accounts of our employees. These policies and procedures are designed to prevent, among other things, improper or abusive conduct when there may be a potential conflict with the interests of clients.

**Best Execution:** USBA seeks best execution when executing securities transactions for its clients in accordance with applicable regulatory requirements. As noted above, NFS serves as the executing and clearing broker-dealer for USBA and provides trading execution on behalf of USBA and its clients. USBA is an introducing broker-dealer operating under a fully disclosed clearing agreement with NFS. USBA has only one clearing broker relationship, which is with NFS. NFS executes, clears, and/or will settle securities transactions on behalf of our clients. USBA evaluates the quality of execution for its clients through NFS by the following metrics: (i) National Best Bid/Offer (NBBO) – the best price in the public market for a security at a specific point in time during a given trading day; (ii) Price Improvement – occurs when the client receives an execution at a price lower than the best offer for a buy order

and higher than a best bid for a sell order; (iii) Effective Spread – how well an order was executed in comparison to the NBBO; (iv) Effective/Quoted Ratio – compares the average effective spread with the quoted spread.

**How We Mitigate Potential Conflicts of Interest:** One of the primary ways that USBA mitigates or eliminates conflicts of interest, either identified or perceived, is to identify the interests of our clients by conducting suitability analyses and asking our clients to identify the elements of their investor profile which include, but are not limited to, their investment objectives, risk tolerance, time horizon, knowledge of various investment products and strategies, and financial needs. In doing so, our FAs can present, for the client's review and consideration, investment products and strategies that are more closely aligned to the investor profile and which are in their best interest.

As previously disclosed, USBA strives to mitigate conflicts related to compensation, portfolio management, investment products including insurance, and affiliate relationships by identifying known conflicts and providing investor disclosure. We are diligent through various supervision activities to ensure that we are first and foremost serving the interests of our clients over the interests of another client, interests of USBA, or interests of its affiliates. We serve each client individually based upon their unique investor profile and needs, and we act in the client's best interest.

The Bank has implemented a Code of Conduct throughout the Bank and its affiliates, and each affiliate, based upon its unique business practices and services, has implemented the Bank's Code of Ethics and Business Conduct that demand the highest level of conduct from all associates.

As in most financial institutions today, the practice of cross-selling products and services to a single client is a common occurrence. Clients demand a multitude of products and services from one institution and value the convenience and affordability of the products and services that are made available. This investor convenience serves as a primary conflict of interest as more and more institutions diversify their product offerings and their associated salespersons offer diversified products in multiple capacities—i.e., stockbroker (commissions), investment adviser (fees), and licensed life agent (commissions), to name a few.

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## **ABOUT THIS GUIDE**

You should review this Guide carefully, retain it with your records and refer to it when we provide you with an investment recommendation. If you designate a Trusted Contact Person, please be sure that he or she has a copy of this Guide as well.

This Guide is current as of the date on this document. The most up-to-date version of this Guide is available at [usbank.com/usba-gbs](http://usbank.com/usba-gbs). If we make changes that would require us to send you updated disclosures, we will send them to you by mail or electronically, consistent with your delivery preference elections and the SEC's requirements. We may amend this Guide from time to time, and you will be bound by the amended disclosures if you receive our services after we deliver the amended disclosures to you.

You will also be subject to additional terms, conditions and disclosures in additional agreements, documents and other disclosures we send to you from time to time. This Guide does not otherwise change, alter or modify our other obligations under the federal securities laws, nor does it otherwise change, alter or modify the terms and conditions of any client agreements you enter into with us.

Please promptly contact us in writing if you do not fully understand or have questions about the disclosures in this Guide about the essential facts of our client relationships and the conflicts of interest we face.

## **HOW TO CONTACT US**

If you have any problems, concerns, or complaints regarding your U.S. Bancorp Advisors brokerage account or representative, you can contact us as detailed below.

### **Mail:**

U.S. Bancorp Advisors  
Compliance Department  
P.O. Box 513100  
Los Angeles, CA 90051-1100

### **Phone:**

Client Services is available Monday through Friday, 6 a.m. to 5 p.m. Pacific Time (except Federal holidays). Request to speak with Compliance regarding a customer complaint.

800-634-1100 toll-free within the U.S.

1-518-992-7557 from outside the U.S.

### **Email:**

[USBA.compliance@usbank.com](mailto:USBA.compliance@usbank.com)

For more information about investments available through USBA, visit us at [usbank.com/usbancorp-advisors](http://usbank.com/usbancorp-advisors).

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