

**Citizens Securities, Inc.**  
**Regulation Best Interest Disclosure Statement**  
**March 31, 2021**

This Regulation Best Interest (“Reg BI”) Disclosure Statement (“Reg BI Disclosure Statement”) provides information about Citizens Securities, Inc. (“CSI,” “us,” “our,” or “we”), specifically in our capacity as a broker-dealer. CSI is registered with the Securities and Exchange Commission (“SEC”) as a broker-dealer and an investment adviser (“RIA”), and is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). Our goal is to provide you with the information you need to make informed investment decisions. We encourage you to review this information carefully, along with any applicable account agreement(s), disclosure documentation, or other materials you receive from us. We reference various other documents throughout this disclosure, which have either been or will be provided to you, as applicable, based on you establishing a brokerage account, or engaging in certain brokerage investment activities with us. If you would like a copy of any of these documents, please ask us. You should contact us promptly at (800) 942-8300 if you do not fully understand or have questions about the disclosures in this document – or other disclosure documents you receive from us – or the essential facts of your brokerage relationship with us and conflicts of interest we face.

**Overview of this Reg BI Disclosure Statement**

This Reg BI Disclosure Statement provides information regarding the material facts relating to the scope and terms of the brokerage services we offer and the material facts and conflicts of interest that arise through our delivery of brokerage services. This Reg BI Disclosure Statement discusses the material fees and costs that apply to the brokerage services we offer, including the costs of placing and maintaining brokerage accounts with us; the type and scope of services we provide, including any material limitations on the securities or investment strategies involving securities we recommend; the basis for and risks associated with our recommendations; and material facts relating to conflicts of interest associated with our recommendations.

This Reg BI Disclosure Statement is current as of the date above. The most up-to-date version is available at [Reg BI Disclosure Statement](#). 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 elections and the SEC’s requirements. We may amend this document 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 you from time to time including but not limited to your Client Relationship Agreement (“CRA”).

Statements in this document expound on and provide more definitive information on matters discussed in our Form CRS (which is a summary in nature and limited in substance and size by the SEC). The statements made in this document are subject to the more complete terms and conditions of our CRA and other disclosures we provide. This Reg BI Disclosure Statement should be read together with your brokerage agreement and the other disclosures and documents we provide or reference. For additional information regarding CSI and its brokerage services, including disciplinary events, please visit [www.investor.gov](http://www.investor.gov) and [brokercheck.finra.org](http://brokercheck.finra.org), or please see our [Form CRS](#).

and your individual brokerage agreements. You can also refer to your CRA or request information from your CSI Financial Advisor (“FA”).

This Reg BI Disclosure Statement does not apply to advisory services offered by CSI. If you receive investment advisory services from us, those services are subject to the investment advisory agreements you have with us and accompanying disclosures (including Form ADV Part 2A Appendix 1, [Wrap Fee Brochures](#) and [Form CRS](#)).

### **Important Information**

As you read the information in this disclosure, it is important for you to consider and understand the following:

- This disclosure is intended to comply solely with our obligations under Regulation Best Interest (Rule 15c-1 under the Securities and Exchange Act of 1934), and, in certain cases, with other regulatory disclosure requirements.
- This disclosure does not otherwise change, alter or modify our other obligations under the federal securities laws, nor does this disclosure otherwise change, alter or modify the terms and conditions of any agreement(s) you enter into with us.
- Our obligations under Regulation Best Interest apply only when we recommend a type of account, a securities transaction in your brokerage account, an investment strategy involving securities in your brokerage account, or recommend that you roll over or transfer assets from one type of account to another (e.g., a workplace retirement plan account to an IRA). Our obligations under Regulation Best Interest do not extend to other dealings we have with you, including when we execute transactions where we have not made a recommendation, where you deviate from our recommendation(s), how we market securities and our services, or in determining the fees we charge.
- Our obligations under Regulation Best Interest do not extend beyond a particular recommendation, nor do they create an ongoing duty to you, or impose on us any duty to monitor your brokerage account or to monitor specific investments in your brokerage account.

### **Standard of Conduct for Brokerage Recommendations to Retail Customers**

Under the SEC's Regulation Best Interest, when CSI and its associated persons, including your FA, recommend an account type, 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 interests ahead of the interests of the retail customer. 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.

The requirement under Regulation Best Interest that we act in the best interest of the retail customer is limited to when we make a recommendation of an account-type, security or investment strategy involving securities to a retail customer. Neither Regulation Best Interest nor any best interest obligation extends to any other dealings or services we provide, including, without limitation, how we market securities and services, execute trades, the fees that we charge, or our duty to deal fairly with retail customers.

Recommendations do not include, without limitation, marketing materials, educational materials, statements of philosophy and investment principles, descriptions of strategies and risks, and some generic advice. You should understand that, as a broker-dealer, we have significant conflicts of interest when we make a recommendation of a securities transaction or investment strategy involving securities, or of opening a brokerage account, including that we are compensated based on the sale of securities to you and recommend securities that we own in our inventory, that are sponsored or managed by our affiliates, and that pay additional, oftentimes significant, compensation to us. These conflicts of interest are described in greater detail below, as well as in other documents such as our CRA, our General Product Disclosure Overview

attached as Appendix B, prospectuses of funds managed by our affiliates and other product disclosures, trade confirmations, and account statements.

Your FA may verbally provide you additional information related to the products and services offered through CSI, including any material limitations on the securities or investment strategies that your FA recommends, as well as your FA'S investment philosophy, and any conflicts of interest that may be unique to your FA.

## **Capacity**

Any recommendations regarding your brokerage account are made in a broker-dealer capacity. When we recommend a type of account, a securities transaction or investment strategy involving securities in your brokerage account, or recommend that you roll over or transfer assets from one type of account to another, we act in our capacity as broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, you should understand that when we act in a brokerage capacity, no recommendation that we make is intended to, nor should you consider it, to form the primary basis for your investment decision(s). You agree you will exercise your own independent judgment in determining whether to act on our recommendations, and you must approve each transaction prior to execution. We are not your investment adviser or fiduciary unless we have expressly agreed in writing to act in such a capacity with you and then you are bound by the investment advisory agreement you enter into with us. If you would like to receive ongoing advice or have us act as a fiduciary with regard to your account, please talk to your FA about the advisory services available through CSI. Further, we do not provide legal or tax advice, so you should also consider engaging the services of a professional estate planner, lawyer and tax advisor, as needed. In particular, we encourage you to speak with a tax professional or tax advisor regarding tax considerations or tax implications of your brokerage activity. While we may discuss such matters with you from time to time, such discussions are not to be deemed or considered professional tax or legal advice or services, and you must make any tax or legal decisions with your own tax or legal advisors.

## **CSI's Brokerage Services**

The primary service we offer you in a brokerage relationship is the execution of transactions for your account. We also provide other incidental services such as custody of your assets, research reports, and recommendations to buy, sell or hold assets depending on what type of brokerage account you establish.

When you establish a brokerage account with us, you have the ability to buy, sell and hold investments in your account. You may either open (1) a brokerage account serviced by a CSI FA or (2) a self-directed brokerage account, where you invest independently and online. Both types of accounts are discussed in further detail below. Whether you establish a self-directed account or a brokerage account serviced by a CSI FA, we execute purchases and sales on your behalf, as directed by you. In addition, we serve as the introducing broker to advisory accounts within our advisory programs.

- **Brokerage Account Serviced by a CSI FA:** When you receive brokerage services through a dedicated relationship with a CSI FA or team of FAs, also referred to as a full-service brokerage relationship, your FA works with you to understand your investment needs, goals and expectations, based on your unique investor profile. You have the ability to interact with your FA directly. When working with a CSI FA, you have the option to meet face-to-face and have access to a broad range of investment products and services available on our brokerage platform. Please note that our FAs do not recommend the purchase of certain securities, such as individual stocks. These investments are available for customers to purchase within a brokerage account, however, on an unsolicited basis

only. Although you may receive recommendations from your FA, you are responsible for the investment decisions in your account.

- **Self-Directed Brokerage Account:** If you establish a self-directed brokerage account with CSI, we will not provide you advice or investment recommendations. Instead, a self-directed brokerage account gives you the flexibility and convenience of managing your investments on your terms. You are responsible for the investment decisions you make in your self-directed brokerage account. Through this account, you can purchase and sell a wide variety of securities and other investment products. Without the assistance of an FA, however, you will not be able to purchase investments held outside of our clearing firm, such as annuities, or be able to readily access information on our current structured products offerings. Please note that with a self-directed account, you may call CSI's call center where you can speak to FAs about your account.

**Margin Accounts:** CSI offers margin brokerage accounts to certain approved customers in limited situations. In a margin brokerage account, you must eventually pay for your purchases in full, but you can borrow funds at the time of purchase to cover all or a part of your transaction. This is generally referred to as a "margin loan." If you choose to take a margin loan, you will open a margin account with National Financial Services LLC ("NFS"). The portion of the purchase price you borrow is secured by securities in your account, also referred to as "collateral." You may request additional collateral in the form of marginable securities or cash in your sole discretion. 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. Your margin brokerage account can also be used to borrow against eligible securities. Given that a margin brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, you must execute a separate Margin Account Agreement with us and NFS before engaging in margin brokerage activity. You should carefully review your Margin Disclosure Statement and Margin Account Agreement, and contact us at (800) 942-8300 or contact your FA if you have any questions.

**Brokerage Account Monitoring and Investment Monitoring:** In a brokerage relationship, you make the ultimate decisions about your brokerage account investments. ***We will not monitor your brokerage account assets or make any investment decisions for you. You are responsible for monitoring your brokerage accounts and its investments.*** CSI does not provide any ongoing or periodic review, follow-up or monitoring of your brokerage account investments for you even if we have made a recommendation as to investments in your brokerage account. We do not agree to provide any ongoing monitoring of your brokerage accounts. We will only implement investment transactions when you direct us to do so. If you prefer on-going monitoring of your investments, you should speak with a FA about whether an advisory relationship with us is appropriate for you.

We have no obligation to update statements made, or information provided, with respect to a previous recommendation, nor are we responsible for your decision to modify or delay the implementation of our recommendation. You should carefully review your trade confirmations and monthly statements and contact us at (800) 942-8300 or contact your FA with any questions.

**Account Minimums:** Depending on the type of brokerage account selected and/or the products in your account, we require an initial and ongoing minimum account size and/or minimum investment. You may either open a brokerage account serviced by an FA or a self-directed account, where you would invest independently and online. The brokerage account minimum investment is \$50,000 to work with a designated branch-based FA. Self-directed brokerage accounts may be opened for less than \$50,000. Please note that you may contact CSI's Call Center at (800) 942-8300 to discuss your account with an FA.

## Understanding Risk

While we will take reasonable care in developing and making recommendations to you, investing in securities involves risk, and you may lose money, including your entire investment capital. The investment performance and the success of any investment strategy or particular investment is never guaranteed, and the value of your investments will fluctuate due to market conditions and other factors. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Our FAs may recommend a wide array of investment strategies and investments. As such, the specific types of risks that you will be exposed to will vary depending on investment strategies and individual investments that are chosen. You should consider that some investments involve more risk than other investments. Higher-risk investments have the potential for higher returns but also for significant losses. The lower 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 we encourage you to avoid higher-risk investments, as these investments pose the potential for significant losses. Before making any investment decision, it is your responsibility to fully understand the investment and the associated risks. Please consult any available offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you, or help you to find them. Further, for certain products we recommend, you will receive additional product disclosure documents that contain additional risk and related disclosure details. We do not offer any guarantees that any investment recommendations will be profitable. Moreover, you should note that past performance is not a guarantee of future results.

## Basis for a Recommendation

When making a brokerage recommendation, we begin by gaining an understanding of your financial situation, investment objectives and goals, and tolerance for investment risk. This is commonly known as your investment profile and includes information that you disclose to us such as your income, age, number of dependents, net worth, liquid net worth, investment experience, investment preference, and time horizon. Your investor profile information provides us with a framework for evaluating which of the investment strategies and individual securities to recommend to you. You should understand that there is no single “best” investment for any particular situation. You make the ultimate decision whether to follow our recommendations to buy, sell, or hold securities in your account, and it is your responsibility to notify us of any changes to your investor profile.

## Fees, Costs and Related Conflicts

Overview: In a brokerage relationship, you will pay us a transaction-based fee on each purchase or sale made in your account (see Appendix A – Commission and Fee Schedule). When we act as your broker, we and our FAs earn more, depending on the types, frequency and amounts of your trading activity. We are compensated by the commissions and fees you pay us. We also receive payments from third-parties, including the issuers, sponsors and market centers of the investment products in which you invest. This creates an incentive for us to recommend that you:

- Invest in investment products that result in greater compensation to us (including products and services provided by us and our affiliates);

- Maintain cash balances in the bank sweep products (including the BDSP at our affiliated bank); and
- Trade more frequently and in larger amounts.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. You have the option to purchase investment products that we recommend through other broker-dealers, and it may cost you more or less to do so.

With certain investments such as variable annuities, which are offered through our broker-dealer, you may have to pay fees such as “surrender charges” if you sell the investment before a certain date. In addition to the commissions for brokerage transactions, you will pay other fee types, including account maintenance fees. You will also bear a proportionate share of an investment product’s expenses that are embedded in the price of the investment product.

We and our registered representatives earn commissions for the securities and/or insurance products recommended to you which you buy or sell. Commissions earned by product are as follows:

- Mutual Funds: A share 0%-5.5% based on breakpoints and 25-30 bps trail based on fund.
- Variable Annuities: 0-7 year options 1%-5.5% and 10 bps to 100 bps trail.
- Fixed & Indexed Annuities: 3-9 year 1.5%-7.5% and 10 bps to 50 bps trail.
- Structured Notes: 2-10 year 2-4%.
- Market Linked CDs: 2-7 year 2-4%.

For a detailed description of the fees and costs associated with specific products and brokerage activities, please refer to the Commission and Fee Schedule attached as Appendix A.

## Product-Specific Disclosures

For an overview and general description of certain of the product types we offer, please refer to our General Product Overview, attached as Appendix B to this Disclosure Statement. Please note that this disclosure information is further supported and supplemented by various other disclosures that we also provide to you from time to time. The additional types of disclosure documents we provide include, but are not limited to the following:

- **Offering Documents** – When you purchase certain investments, such as mutual funds, you will receive offering materials such as a prospectus, Statement of Additional Information (SAI) or other product sponsor-provided materials. The timing and manner of delivery of these documents is generally prescribed by regulation and varies by product.
- **Product Specific Disclosure** – For certain products we recommend (e.g., mutual funds), your FA, at or prior to the recommendation, will provide you a disclosure statement specific to that type of investment developed by us. This statement will typically contain additional information regarding product features, cost and related information. When applicable, such statements are provided at the firm recommendation of certain product types, but will not be provided at or prior to subsequent recommendations of the same type of product.

- **Trade Confirmation** – When you execute a trade with us, we will send you a trade confirmation at or prior to the completion of your transaction. The trade confirmation includes detailed information including security, trade date, settlement date, amount and other trade related information required under applicable law. Additionally, for certain products, your trade confirmation will include other fee, cost and conflict disclosure information.

We encourage you to review and consider the product-specific information in Appendix B along with additional disclosures we provide you.

## Conflicts of Interest

Regulation Best Interest defines a conflict of interest associated with a recommendation as “an interest that might incline a broker, dealer, or a natural person who is an associated person of a broker or dealer—consciously or unconsciously—to make a recommendation that is not disinterested.”

When CSI or your FA provides you with a recommendation regarding account type, or securities or investment strategies involving securities, CSI and the FA have to act in your best interest at the time a recommendation is made, without putting their interest ahead of yours. At the same time, the way CSI and your FA make money and otherwise conduct business creates conflicts with your interests. Where possible, CSI has taken steps to mitigate or eliminate material conflicts of interest associated with recommendations regarding certain account types, and securities and investment strategies involving securities.

As a general matter, conflicts of interest exist when we provide brokerage services to you. Conflicts are typically the result of compensation structures and other financial arrangements between us, our FAs, our clients and third parties, as well as our and our affiliates’ roles in the financial markets. We offer a broad range of investment services and products and we receive various forms of compensation from our clients, affiliates and unaffiliated products sponsors and investment advisers, and other third parties as described below. The compensation that we and our FAs receive from you varies based upon the product or services you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation to us. While our conflicts of interest have been disclosed throughout this document, below you will find additional information.

### Conflicts Related to Compensation:

*Trading.* You will pay a fee on each purchase or sale made in your account, and therefore you will be charged more when there are more trades in your account. Therefore, we have an incentive to encourage you to trade more frequently and in greater volumes. We or our associated persons may buy or sell securities identical to or different than those recommended to you for our personal accounts. In addition, any related person(s) may have an interest or position in a certain security(ies), which may also be recommended to you.

*Proprietary Products.* CSI and its affiliates receive additional compensation from products we issue, sponsor or manage, known as proprietary products. Our brokerage services include CSI’s Proprietary Bank Deposit Sweep Program (“BDSP”), offered to customers as the core account investment vehicle for available cash balances in your account. Customers can provide consent, through your individual brokerage account opening agreements, to use the BDSP. If you participate in the BDSP, available cash in your account will be deposited or “swept” through the BDSP into interest-bearing FDIC-insured deposit accounts at Citizens Bank, N.A. (the “Bank”), an affiliate of CSI, until the balance is invested by you or otherwise needed to satisfy obligations arising in connection with your account. The BDSP is subject to the terms and conditions agreed upon when you open a brokerage account. Prior to receipt of the individual brokerage account

opening agreements, cash deposited in your account and not otherwise invested, will be held as a free credit balance and not placed in the BDSP until written consent is provided to participate in the BDSP. While any cash remains in free credit balance, we will retain any interest earned on assets awaiting investment or disbursement. You understand and agree that this interest (generally referred to as “float”) will be retained by us as additional compensation for the provision of services with respect to the account. The amount of this benefit is based on the prevailing market rates on overnight investments. Except for retirement accounts, while any cash remains in free credit balance, you will not earn any interest on such balances. The BDSP creates financial benefits for CSI, the Bank, and National Financial Services LLC (“NFS”), which is CSI’s clearing broker and also serves as the Custodian for the BDSP. CSI will receive a credit from the Bank in connection with the BDSP.

*Third-Party Payments.* In some cases, we, our employees, and affiliated companies will also receive fees and compensation in addition to the fees paid directly by you, including from mutual funds or similar funds, third-party providers, and affiliates. These fees include 12b-1 distribution fees, shareholder servicing fees, administrative service fees and similar fees. We also receive payments from third-parties to support product marketing and training for our FAs. Third party payments we receive can be 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 in a particular product or with a particular product sponsor). Where CSI receives payments from third parties when we recommend or sell certain investments, we have an incentive to recommend those investments over other investments that do not result in CSI receiving third-party payments.

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 make available to you. 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:

*Trails.* Trails are generally associated with mutual funds and annuities. They are set by the mutual fund company or annuity company and published in the offering. This ongoing compensation is received by us and shared with your FA. 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 have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.

*Service Fees.* You will pay fees for various operational services provided for your brokerage account. These fees are detailed in the Commission and Fee Schedule (Appendix A) at the end of this Disclosure Statement and through information included in your account opening documents and other notifications. Some fees do not apply to all account types and can be waived or discounted. You should speak with a FA and consult your account opening document(s) for details. Also, you should understand that based on the brokerage service model you choose, the same or similar products, accounts and services will vary in the fees and costs you incur.

*Networking Support.* Fund companies that are not traded omnibus are traded on a networked basis, which means our firm submits a separate trade for each individual customer to the Fund companies. Such Fund



companies and/or their affiliates may compensate us for maintaining shareholder information, which the Fund companies would otherwise be required to maintain themselves. We receive networking fees that typically range from \$4 to \$13 per position per year. Not all Fund companies pay networking fees, and networking fees that we receive vary by Fund company, by Fund, and by share class. Any networking fees that Fund companies pay to us are deducted from the Fund's assets, but in some cases may be subsidized, in part, by affiliates or the distributor of the Funds. We do not require our FAs to recommend Funds that pay networking fees and we do not share any networking fees received from Funds with our FAs.

*Revenue Sharing.* Some managers or sponsors of products or other intermediaries, including our clearing firm, share with us the revenue they earn on products we sell, in addition to standard sales commissions and other fees we receive. This is known as revenue sharing. This creates an incentive for us to recommend products where we receive revenue sharing over products for which we do not. None of this compensation received by us is passed on to your FA, even though the revenue may be used for some of the general activities and benefits made available to your FA.

- We have entered into agreements with certain mutual fund and annuity providers to share the cost of training and education of our FAs, conferences and meetings, seminars for current and prospective clients, internal wholesaling, distribution of sales and marketing materials, and for conducting due diligence on the mutual fund providers. Mutual fund and annuity providers may also reimburse us for expense incurred, either directly or indirectly during training and educational conferences and seminars. In addition, the revenue sharing payments may be used to pay for seminars for current and prospective clients. They may also constitute additional compensation to us.
- **Mutual Funds:** The sharing of costs can take the form of compensation made by third-party mutual fund providers (including mutual fund sponsors or distributors) to us in amounts up to .05% on customer assets managed by the mutual fund providers, and up to 0.1% on the sales of mutual fund products to you. These payments are not made directly by you. They are paid by the mutual fund providers or their affiliates.
- **Annuities:** Revenue sharing can take the form of compensation from annuity carriers to us in amounts up to .05% on assets managed by the annuity providers, and up to 0.29% on the sale of annuity products to you. Each of these annuity providers or the entity that markets the annuity contract has also agreed to make revenue sharing payments to us. These revenue sharing payments are separate from the mortality and expense risk charges, administrative fees, contract maintenance fees, applicable sales charges or contingent deferred sales charges, and underlying sub-account expenses disclosed in the contract prospectus and in sub-account prospectus fee tables. Revenue-sharing payments are paid out of the annuity provider's revenues or profits and not from a client's contract value or the assets of a subaccount. However, the annuity provider's revenues or profits may in part be derived from the product fees and expenses described in the prospectus. No portion of these revenue-sharing payments to us is made by means of brokerage commissions generated by the provider, the sub-account investment companies or their affiliates.
- **NFS:** We have a revenue sharing agreement with our clearing broker, NFS, in which we can earn a monthly distribution fee on all Fidelity Money Market Sweep Fund balances (including qualified retirement plans) at an annualized rate of the average net assets (calculated daily) in customers who own shares in the Fidelity Money Market Sweep Fund portfolios.

*Sub-Advisory Activities.* An affiliate of CSI, Citizens Investment Advisors (“CIA”), acts as sub-advisor to a mutual fund, the Aquila Narragansett Tax-Free Income Fund (the “Aquila Fund”). As our affiliate is compensated for its sub-advisory activities, we have an incentive to recommend the Aquila Fund to you.

*Margin Accounts.* We receive interest payments when you carry a margin balance. This interest rate varies based on current interest rates and other factors such as your assets with us and the amount of funds currently being borrowed. Your FA and we have a conflict of interest to recommend for you to borrow at greater amounts. Information on interest rates and how we calculate interest is provided to you when you open a margin account. Your FA is not compensated in connection with any margin extended in a margin account.

#### Financial Advisor Compensation:

FAs are compensated in a variety of ways. Most FAs are compensated, in part, based on the revenue generated from sales of products and services to clients and/or total assets under advisement, including brokerage account activities. In addition, certain top producing FAs may receive non-cash compensation in the form of a trip paid for by Citizens Bank.

This compensation varies by the product or service associated with a brokerage recommendation. This creates a conflict as there is an incentive for your FA to recommend those products for which your FA will receive additional compensation. The firm may receive more or less compensation depending on the product you purchase from us. Within each investment type, however, your FA will be paid the same level-based compensation regardless of which specific investment product you select within that investment type. For example, your FA will be paid the same amount if you invest in any of the mutual funds we offer, regardless of which specific fund you select. However, your FA would be paid a different amount if you select a variable annuity instead of a mutual fund. As a result, FAs 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. FAs also have an incentive to provide brokerage recommendations to gather more assets and to increase brokerage trading activity, and to reduce the amount of discounts available to you.

Brokerage accounts, unlike advisory accounts, do not feature an ongoing fee based on assets under management. If you are invested in one of our Managed Account Program accounts, your FA will receive a percentage of the fee you pay to the firm. As a result, your FA is incentivized to transition your brokerage account to an advisory account (Managed Account Program account) to generate ongoing revenue where your brokerage account has minimal activity. Your FA will receive separate compensation from any brokerage transaction they implement on your behalf outside the Managed Account Program. FAs also have an incentive to provide higher levels of service to those clients that generate the most revenue.

FAs have an incentive to recommend you rollover assets from an employee-sponsored retirement plan, such as a 401(k) plan, into an Individual Retirement Account (“IRA”) at CSI instead of recommending you maintain your assets in your qualified retirement plan or pursue other transfer options available to you. If you rollover your assets to an IRA at CSI, we will earn compensation on those assets. You should be aware that such fees and commissions might be higher than those you pay through your plan, and there can be custodial and other maintenance fees.

CSI does not provide new FAs with hiring bonuses. We may, however, provide new FAs with a forgivable loan upon hire. This loan vests over a 5 to 7 year period, with a percentage of the note forgiven each year. CSI does not provide any other transition assistance to new FAs.

#### Conflicts of Interest Summary:

This information is not intended to be an all-inclusive list of conflicts. In addition to this disclosure, conflicts of interest are also disclosed to you in your account agreement(s) and disclosure documents, and other information we deliver to you or otherwise make available to you.

### **Financial Advisor Designations**

Some of our FAs have professional designations or credentials (for example, as accountants, financial planners or lawyers) and are members of related professional organizations. These organizations may have standards of conduct for their members. We are not bound by the standards of any organizations of which our investment professionals are members even if these investment professionals make known their designations or credentials. Rather, your relationship with us is governed by the terms under which you have hired us in the applicable client agreement and the standards of conduct of those regulatory and self-regulatory organizations to which we are subject.

### **ADDITIONAL RESOURCES**

Form CRS

[www.citizensbank.com/assets/CB\\_PDF/FormCRS.pdf](http://www.citizensbank.com/assets/CB_PDF/FormCRS.pdf)

Managed Account Program Wrap Fee Brochures, including: Citizens Custom Select Portfolios, Citizens Integrated Portfolios, and Citizens Advisory Connect™ Program (“Connect”)

[https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd\\_iapd\\_Brochure.aspx?BRCHR\\_VRSN\\_ID=705654](https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=705654)

**Citizens Digital Advice (“SpeciFi”) Wrap Fee Brochures:**

[https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd\\_iapd\\_Brochure.aspx?BRCHR\\_VRSN\\_ID=636580](https://files.adviserinfo.sec.gov/IAPD/Content/Common/crd_iapd_Brochure.aspx?BRCHR_VRSN_ID=636580)

We encourage you to visit [Investor.gov/CRS](http://Investor.gov/CRS) and [brokercheck.finra.org](http://brokercheck.finra.org), which contain free and simple search tools to research our firm and our financial professionals.

### **Contact Us**

You may contact your Financial Advisor or (800) 942 8300 at any time to request a current copy of our [Wrap Fee Brochures](#), our Form CRS Relationship Summary or any other required information.

## APPENDIX A – COMMISSION AND FEE SCHEDULE (EFFECTIVE JULY 1, 2019)

### Commission and Fee Schedule

Effective July 1, 2019

#### Stocks (Representative-assisted Stock Transactions)

Transaction Amount	Commission
\$0 to \$2,500.99	\$29.50 + 1.7% of Principal
\$2,501 to \$6,000.99	\$55.50 + .66% of Principal
\$6,001 to \$22,000.99	\$75.50 + .34% of Principal
\$22,001 to \$50,000.99	\$99.50 + .22% of Principal
\$50,001 to \$500,000.99	\$154.50 + .11% of Principal
\$500,001 +	\$254.00 + .09% of Principal

#### Automated Phone Stock Transactions

Transaction Amount	Commission
\$0 to \$2,500.99	\$16.00 + .96% of Principal
\$2,501 to \$7,500.99	\$32.00 + .4% of Principal
\$7,501 to \$15,000.99	\$44.00 + .24% of Principal
\$15,001 to \$50,000.99	\$52.00 + .2% of Principal
\$50,001 to \$500,000.99	\$108.00 + .088% of Principal
\$500,001 +	\$188.00 + .072% of Principal

#### Internet Stock Transactions

Transaction Amount	Commission
\$0 to \$2,500.99	\$15.00 + .9% of Principal
\$2,501 to \$7,500.99	\$30.00 + .375% of Principal
\$7,501 to \$15,000.99	\$41.25 + .225% of Principal
\$15,001 to \$50,000.99	\$48.75 + .188% of Principal
\$50,001 to \$500,000.99	\$101.25 + .083% of Principal
\$500,001 +	\$176.25 + .068% of Principal

#### Stocks \$2.00 or Less

Transaction Amount	Commission
All Amounts	\$49.95 + 4.00% of Principal

#### Stock Transactions Minimum/Maximum Charges

**Minimum Charge:** \$.085 per share for the first 1000 shares, plus \$.04 per share thereafter (not to exceed maximum charge; no minimum for stocks below \$5.00)  
**Maximum Charge:** \$54.00 for the first 100 shares, plus \$.55 per share thereafter, or one-half of the principal amount (whichever is less)

- Additional fees may apply to foreign traded securities.
- For purchases we require cleared funds or equity in the account. When selling, we require receipt of cleared stock certificates in advance.

#### Securities (Corporate, U.S. Treasury and Mortgage-backed) And Bonds (Municipal, Zero Municipal and U.S. Government Agency)

All are traded through Citizens Securities, Inc., which may, at its discretion, act as principal or agent. When acting as principal, bonds will be subject to a markup or markdown. When acting as agent, the following schedule will apply: \$40.00 plus \$5.00 per bond. Minimum Commission is \$50.00. There will be a \$50.00 service fee for all U.S. Treasury Auction trades, regardless of size. Additional fees may apply.

### Annual Fee

#### Non-Retirement Accounts, IRAs and Qualified Plans

Account Value	Annual Fee*
\$0 to \$49,999.99	\$75.00 or \$100.00
\$50,000 +	NO FEE

- Accounts are subject to an annual fee which is charged in the fourth quarter, or at account closing. In the event that residual funds are received for a closed account, the account will remain open and be subject to applicable fees and service charges on an ongoing basis.
  - The annual fee is waived for Citizens Securities, Inc. investment accounts with balances of \$50,000 or more as of a valuation date specified each year and disclosed to you by mail at least 30 days prior.
  - The annual fee is also waived based on a total relationship balance of \$250,000 or higher, as of the specified valuation date. Your relationship balance consists of balances in your Citizens Bank deposit accounts and Citizens Investments accounts, which include brokerage, managed money and annuities held with us.
  - Accounts enrolled in electronic statement delivery will incur a \$75.00 annual fee. Accounts receiving paper statements will incur a \$100.00 annual fee. Accounts where the primary account holder is 65 or older will pay \$75.00 regardless of the statement delivery method selected.
- Miscellaneous Fees

Account Termination/Transfer Out Fee*	\$100.00
Research Fee	\$25.00 Per hour (Minimum)
Duplicate Statement	\$5.00 Legal
Return	\$75.00 Per account
Legal Transfer	\$150.00
Mailgrams	\$15.00
No Load Transaction Fee	\$35.00 Overnight
Mail	\$25.00
Physical Reorganizations	\$150.00
Postage / Handling on Equity Trades	\$2.50
Private Placement/ Limited Partnership Fee	\$100.00
Returned Checks	\$30.00
Safe Keeping on Physical Securities	50.00 (Annually)
Small Balance	Up to \$1.00
Stop Payment	\$25.00
Trade and Margin Extensions	\$20.00
Transfer and Ship	\$250.00
Wire Fees	\$25.00

*Any Citizens Securities, Inc. investment account which maintains a balance of \$1.00 or less for more than 30 days will be subject to a small balance fee which will be assessed up to the balance in the account. Qualified accounts are subject to applicable IRS rules, restrictions and limits.*

Commissions, account service fees & annual fees are subject to change without notice.

Please call 1-800-942-8300 for details.

## APPENDIX B

### Citizens Securities, Inc. Regulation BI General Product Overview

The following is intended to be supplemental disclosure regarding the types of investments Citizens Securities, Inc. ("CSI," "us," "our," or "we") may recommend to you. You should also refer to other disclosure information we provide you, including product specific disclosure prepared by us or the product sponsor. Before opening an account with us, you should understand that investing always involves risk, and there is no guarantee that any investment will generate a return or meet its investment objective. If you have questions, please call your Financial Advisor or (800) 942-8300.

#### MUTUAL FUNDS

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A mutual fund is a pool of money invested for you and other shareholders by an investment company in a variety of instruments, such as stocks, bonds, or government securities. Individual investors own shares of the mutual fund, while the fund (or investment company) owns the underlying investments selected by the fund's investment manager. A mutual fund's fees and expenses have an impact on its investment returns and are also important factors. All mutual funds, including "no-load" funds, incur transaction costs, expenses, and other fees which are passed through by the mutual fund and ultimately paid by the fund shareholders.

Most mutual funds require a minimum initial investment. CSI offers 15 fund families encompassing approximately 920 different mutual funds. As with any investment decision, it is important to consider a number of factors before making an investment in a mutual fund. Not only should you consider the risks and objectives of the fund and match them to your own investment goals and risk tolerance, but you should also understand the costs associated with your investment as well as how CSI and your Financial Advisor may be compensated on that investment. Important information can be found in the fund prospectus, or in other information as may be requested or obtained from the fund, such as the fund's Statement of Additional Information ("SAI").

When we recommend a mutual fund, you will receive a copy of the mutual fund prospectus and any related disclosures. In addition, when you purchase a mutual fund, we will send you a trade confirmation at or prior to completion of your transaction.

CSI charges a commission on mutual funds, ranging from 0%-5.5% a share based on breakpoints, and 25-30 bps trail based on fund. Many mutual funds are not available for purchase in retirement accounts, or only allow specific share classes.

#### Mutual Fund Share Classes

Many funds impose a sales charge at the time of purchase that is paid from and reduces the amount invested, while many others charge a fee at the time the shares are redeemed (sold). These charges are sometimes referred to as "loads." The load will vary from fund company to fund company, and sometimes will vary between funds issued by the same fund company.

When purchasing mutual funds, choosing a share class is an important investment decision. The information below may help you decide which mutual fund share class is appropriate for you based upon your individual financial situation and investment time horizon.

**Class A Shares or Other "Front-End Load" Shares.** Class A shares or other "Front-End Load" shares are typically characterized by a "front-end" sales load. The sales load is a charge paid by the investor. This amount is expressed as a percentage of a fund's public offering price. Sales charges are typically 2.50% - 5.00% for fixed income funds and 5.00% - 5.75% for equity funds. For larger investments, discounts known as "breakpoints" (see below) may reduce the sales charge. Once the sales charge has been deducted, the

remaining amount is invested in the fund. In addition to front-end sales loads, investors in mutual fund Class A shares will pay ongoing expenses levied by the funds, including 12b-1 fees. Class A shares purchased without a sales charge may have a contingent deferred sales charge (“CDSC”) for 12 to 18 months. Some fund companies offer “Front-End Load” share classes other than Class A, most often seen as Class M or Class T shares. Not all investors may qualify for these share classes; these share classes may have higher or lower expenses and sales charges than typical front-end load A share classes.

**Class B Shares or Other “Back-End Loaded” Shares.** Class B shares or other “Back-End Load” shares are typically characterized by a “back-end” sales load, which is paid by the investor when exiting the fund. The most common type of back-end sales load is the CDSC. Typically the amount of the CDSC decreases the longer an investor holds the shares. Class B shares also might convert automatically to a class with a lower 12b-1 fee and no contingent deferred sales load if the investor holds the shares long enough. CSI does not recommend the purchase of Class B fund shares.

**Class C Shares or Other “Level-Load” Shares.** Class C shares or other “Level-Load” Shares generally charge higher internal expenses than Class A shares. Class C shares usually are not assessed a front-end sales charge. Class C shares are typically assessed a charge called a CDSC. CDSC periods usually expire in 12 to 18 months. CDSC’s for Class C shares are usually 1.00%. Investors in Class C shares will pay ongoing expenses levied by the funds, including 12b-1 fees. Some family of funds Class C shares may “convert” to a lower cost share class after a period of time. For those Class C shares that do not “convert,” higher internal expenses continue throughout your ownership of the Class C shares. Among Class A and C shares, Class C shares typically have the highest internal expenses, which could reduce your returns if held over a long period of time relative to Class A shares. However, Class C shares typically have lower internal expenses than Class B shares. Some fund companies offer level-load share classes other than C, most often seen as the “L” share class. Not all investors may qualify for these share classes; these share classes may have higher or lower expenses than typical level-load C share classes. CSI does not recommend the purchase of Class C fund shares.

## Sales Charge Breakpoints

Most mutual funds have reduced sales charges on front-end load shares (usually Class A shares) for investments in the same fund family, if certain investment levels are met. These discounts are called “breakpoints” and vary from fund to fund. The following is a sample sales charge breakpoint chart (please note that this chart is included for illustrative purposes and may not represent the breakpoint structure utilized by any particular fund company):

Amount of Sale/Account Value	Sales Charge
Less than \$25,000	5.75%
\$25,000 but less than \$50,000	5.00%
\$50,000 but less than \$100,000	4.50%
\$100,000 but less than \$250,000	3.50%
\$250,000 but less than \$500,000	2.50%
\$500,000 but less than \$750,000	2.00%
\$750,000 but less than \$1 million	1.50%
\$1 million and above	NAV

## Redemption Fees

Some mutual funds charge a fee across any or all share classes if the fund is redeemed within a short window of time after purchase, typically 90 days. Redemption fees are typically assessed in a range between .50% and 1% of the sale amount and deducted from the cash value of the investment sold. Redemption fees

compensate the fund for any short-term investment in order to discourage short-term trading that could negatively impact the fund's investors. CIS does not receive any portion of redemption fees.

## **UNIT INVESTMENT TRUSTS**

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A Unit Investment Trust (UIT) is an investment company that purchases a portfolio of stocks, bonds or other securities. The portfolio is typically fixed and not actively managed or traded, which means the portfolio's securities remain relatively unchanged for the life of the UIT (usually ranging from 13 months to five years). UITs are intended to be held till maturity. Liquidating the position prior to the stated maturity may impact the overall performance of the investment. Before purchasing any UIT, you should read and understand the information about the UIT contained in the offering documents, including the prospectus, including the risks associated with such a product.

### **Fees and Charges Paid Directly by Customers**

The prospectus for each UIT explains in further detail the fees and charges you will pay. UIT investors generally pay an initial sales charge, a deferred sales charge, a creation and development fee, organizational costs, and an annual trust-operating expense. The application of these charges can vary, depending on the sponsor, the length of the trust, and whether the UIT is an equity trust or a fixed-income trust. In addition to the fees outlined in the prospectus, you can be assessed a transaction charge or an administration fee for purchases and sales prior to maturity of unit investment trusts through us.

### **Compensation CSI Receives From Third Parties**

**Volume Concessions.** Most UIT sponsors make additional payments to the firms that sell their UITs, typically calculated as a percentage of the sales volume. Detailed descriptions of these additional payment programs are provided in a UIT's prospectus.

## **COMPENSATION FROM MUTUAL FUNDS AND UNIT INVESTMENT TRUSTS**

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If you invest in mutual funds, UITs, and/or money market funds (collectively referred to as "Funds"), you will bear your proportionate share of each Fund's underlying fees and expenses, including, but not limited to, investment management fees and performance-based compensation paid to the Fund's investment adviser, fees paid to service providers, transaction costs, and other operating costs. Each Fund's fees and expenses are included in the price of a Fund's shares, are described in the Fund's prospectus or other offering document, and are in addition to applicable sales charges and commissions. We determine the Funds that are available for purchase in your brokerage account. Funds typically offer multiple share classes, each with different levels of fees and expenses. The share classes of Funds available may not necessarily be the least expensive share classes and will depend on our agreement with the Fund companies and their affiliates. Other Funds and share classes may have different charges, fees, and expenses, which may be lower than the charges, fees, and expenses of the Funds and share classes we make available. Because each share class of a Fund with multiple share classes generally invests in the same portfolio of assets, an investor who holds a less-expensive share class of the Fund will pay lower fees and expenses over time – and earn higher investment returns – than an investor who holds a more-expensive share class of the same Fund. We generally only make available Funds and share classes that pay us "Omnibus Fees" and/or "Networking Fees" (as discussed below). This means that the Funds and share classes we offer will not necessarily be the lowest cost share class for which you may be eligible because there may be less expensive share classes that do not pay us Omnibus Fees and/or Networking Fees. Use of a more expensive share class will reduce the performance of your investment. We may make exceptions and offer Funds that do not pay us Omnibus Fees and/or Networking Fees in certain circumstances. Ask your Financial Advisor for details.

Funds may offer new share classes with lower fees or expenses or change the investment minimums or other restrictions for certain share classes. Where this occurs, we will determine, at our own discretion, whether

and in what manner to offer those share classes, including based on whether the Funds pay us Omnibus Fees and/or Networking Fees.

You should expect that we will receive certain payments from Fund companies and/or their affiliates in connection with your investment in a Fund, and that amounts we receive will depend on the share class, interest, or CUSIP you purchase. The additional compensation varies between Funds, poses a conflict of interest, and can influence the selection of Funds and share classes we make available. We seek to address this conflict of interest by disclosing it to you. If we did not receive this additional compensation, you should expect that we would charge higher account-level fees or other amounts to you for the services we provide. In addition, we are not obligated to negotiate more favorable terms with Funds or, except as otherwise described below, to rebate any portion of the additional compensation we receive. You should carefully consider this compensation when evaluating the reasonability of our fees and the total compensation we receive for providing you these brokerage services.

### **Additional Information**

Funds generally are sold by prospectus or other offering document only. The prospectus or other offering document contains important information about the specific Fund being offered and should be reviewed carefully before investing. Any compensation set forth above that we receive from Fund companies and/or their affiliates is derived, directly or indirectly, from fees that investors pay to the Funds. The amount of compensation received will vary depending on our arrangement with the applicable Fund company. Each Fund's prospectus typically describes the amount of compensation to be paid for specified services provided to its shareholders. The Fund companies will continue to pay us for such shares as long as customers continue to hold Fund shares through brokerage accounts held at CSI. We highly encourage all customers to review this information carefully.

### **EXCHANGE TRADED PRODUCTS**

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ETPs are types of securities that derive their value from a basket of securities such as stocks, bonds, commodities or indices, and trade intra-day on a national securities exchange. Generally, ETPs take the form of exchange traded funds ("ETFs") or exchange traded notes ("ETNs"). Investors should review the prospectus for each ETP prior to investing.

**Exchange Traded Funds.** ETFs are registered investment companies, the shares of which represent an interest in a portfolio of securities. Unlike traditional UITs or mutual funds, shares of ETFs typically trade throughout the day on an exchange at prices established by the market. An ETF generally trades at a price that is close to its NAV. However, an ETF can at times trade at a premium (that is, higher than) or at a discount to (that is, lower than) its NAV.

**Exchange Traded Notes.** ETNs are senior, unsecured debt obligations designed to track the total return of an underlying market index, benchmark, or strategy. ETNs are issued by an underwriting bank and are backed only by the credit of that bank. The return of an ETN is based entirely on the performance of an underlying market index, benchmark, or strategy and will be paid by the issuer at maturity. Much like ETFs, ETNs trade on national exchanges and may be purchased and sold at market prices.

Please note that CSI does not recommend the purchase of ETPs.

### **ANNUITIES**

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Investing in an annuity provides a way for many investors to pursue their financial goals and objectives. CSI offers annuities from several different insurance companies that meet the diverse needs of our customers. Although a wide variety of annuity products (offered by different insurance companies) is available through our Financial Advisors, it is only part of the universe of annuity products in the marketplace.



## **Types of Annuities Offered**

**Fixed Annuities.** Fixed annuities credit the contract with a set interest rate for a specified period of time. Once this period of time is over, it may be possible to renew the fixed annuity at the prevailing interest rates.

**Fixed-Indexed Annuities (or “Equity-Indexed Annuities”).** Fixed-indexed annuities credit interest linked to the performance of a stock market index (such as the S&P 500). The insurance company protects your principal from any losses in negative markets through a minimum guaranteed contract value (subject to the claims-paying ability of the insurance company). However, your participation in any gain experienced by the index will be limited by the insurance company. This participation level may change periodically at the insurance company’s discretion.

**Variable Annuities.** Variable annuities may offer multiple ways to invest and manage your money. These investment options are referred to as “subaccounts,” and most invest the assets in stocks and bonds. Variable annuities offer a wide variety of subaccounts with different investment objectives, including accounts that pay a fixed interest rate. You have the ability to transfer money between these subaccounts without tax implications. The tax-deferred nature of annuities means taxes are not due until money is distributed from the annuity. The value of the account during the accumulation phase and the payments after annuitization vary, depending on the performance of the investment options chosen.

## **Annuities in Qualified Retirement Accounts**

Qualified retirement accounts, such as IRAs and 401(k)s, already provide the benefit of tax deferral. There are no additional tax deferral benefits for annuities purchased inside a qualified retirement account. An annuity should be purchased in this type of account only if there is value in some other features of the annuity and you are willing to incur any additional costs associated with such benefits.

IRS regulations require you to begin taking distributions at age 70 ½ from many qualified retirement accounts if you reach that age before January 1, 2020. You are generally required to begin taking these required minimum distributions (“RMDs”) in the year after you turn age 72 if you reach age 70 ½ in 2020 or later. If you invest your qualified retirement account assets into an annuity, you should understand how these RMDs will impact your annuity. For example, if your annuity is still within the surrender charge period, it is important to determine if the RMDs will be assessed a surrender charge. Also, if your annuity has any optional living or death benefit riders, please refer to the annuity’s prospectus to understand how RMDs will impact these values.

## **Risks Related to Annuities**

Annuities can be an important part of your overall portfolio, but may not be appropriate for everyone. Before purchasing an annuity, it is important to understand details of the product. It is also important to consider a number of factors before making an investment in an annuity. There are various features, benefits, limitations, fees, expenses, early surrender charges, penalties, and possible tax implications that may apply to a particular annuity. In addition, in many cases, the assets invested in the underlying annuity subaccount(s) are subject to current fluctuation due to market risk. Therefore, it is important to read the prospectus, contract, statement of additional information, and offering material, and to discuss your particular needs and circumstances with your Financial Advisor to assist you in determining the type of annuity that best meets your investment needs. Not only should you consider the risks and objectives of the annuity to best match them to your investment goals and risk tolerance, but you also need to understand the costs associated with your investment and how CSI and your Financial Advisor are compensated on that investment. For additional information on annuities, consult the following websites: FINRA ([www.FINRA.org](http://www.FINRA.org)), SEC ([www.SEC.gov](http://www.SEC.gov)), the Insured Retirement Institute ([iri-online.org](http://iri-online.org)), the National Association of Insurance Commissioners ([www.NAIC.org](http://www.NAIC.org)), or your state’s Insurance Department website.

*Variable annuities are not insured by the FDIC or any government agency and involve market risk, including the possible loss of principal. Variable annuities are suitable for long-term investment and entail fees, such as mortality and expense charges and optional benefit rider charges.*

All guarantees associated with annuities are backed by the claims-paying ability of the issuing insurance company. Guarantees do not apply to the safety or performance of amounts invested in variable investment options.

## **Fees and Charges Paid Directly by Customers**

Annuity contracts carry several different types of fees and charges. It is important to understand all of the expenses and limitations before you invest, as they will reduce the overall value and reduce the return on your annuity investment.

Typically, fixed, fixed-indexed, immediate, and deferred income annuities do not have upfront sales loads or ongoing expenses. The insurance company's costs are built into the interest rate (or guaranteed income) paid on the contract. However, depending on the terms of the annuity, you can pay additional annual fees, including premium taxes and fees for any optional riders selected. Optional riders are provisions that may be added to an annuity contract to enhance the standard benefits a contract otherwise provides. Annual fees are generally deducted from the annuity contract value. If the annuity is surrendered before a designated period of time, the customer will generally have to pay the insurance company a surrender fee specified in the contract (the amount is reduced over time and generally lasts 3 to 10 years). All amounts payable to the insurance company are disclosed in the annuity contract.

The charges and fees associated with variable annuities are defined in the prospectus and can differ greatly between annuity contracts. Just as with most investments, these charges and fees impact the value of your account and can reduce the performance of your investments. These charges and fees are assessed to you by the insurance company and typically fall into one of several general categories:

**Surrender Charges.** A surrender charge is sometimes referred to as a contingent deferred sales charge (CDSC). These typically last from five to seven years, depending on the terms of the contract. If you surrender your contract before this period is up you may be subject to this charge. Surrender charges are typically higher in early years and decline over time. These fees vary based on the product and share class chosen.

**Mortality and Expense Charge.** The mortality and expense charge is to compensate the insurance company. It is typically an annual percentage of your account value and is charged against your account value. These fees vary based on the product and share class chosen, typically ranging from 0.85% to 1.65% per year.

**Subaccount Expenses.** Fees and expenses are also charged on the underlying investment options, called subaccounts, of a variable annuity. The fees and expenses of the subaccounts include annual operating expenses, such as management fees, 12b-1 (distribution) fees, cost of shareholder mailings, and other expenses. Subaccount expenses are charged as a percentage of the account value annually and can range from no charge (typically for money market subaccounts) to as much as 2.27%% per subaccount selected.

**Administrative Fees.** These fees typically pay for record-keeping and administration costs. The administration fee is normally expressed as an annual percentage and is charged against your account value (typically about 0.15% per year). The contract maintenance fee is typically charged as a flat annual fee of approximately \$30 to \$50 per year. Normally, the contract maintenance fee is waived if the value of your annuity exceeds a certain dollar amount (defined in the prospectus and customer contract).

**Optional Benefit Fees.** Many annuities offer optional features, such as living and death benefits. Although these benefits offer additional protection, they carry additional fees ranging from 0.20% to 1.80%. It is important to evaluate if these optional benefits are worth the additional cost. The prospectus will detail these

optional benefit fees and describe how they are calculated. Also, under certain life events or market conditions, it is possible that you may pay for a benefit and never take advantage of its features.

### **Compensation CSI Receives From Third Parties**

Under arrangements with insurance companies, we, including your Financial Advisor, receive commissions from the insurance companies for the sale of annuities, as well as trail commissions. Trail commissions are considered indirect compensation. Commissions and trails paid to us vary by product type and vary by insurance carrier. These commission costs are not paid by you in addition to the fees and charges listed above. Depending upon the type of insurance product and CSI's agreement with the insurance company, our compensation can vary and be in the form of one or a combination of upfront commissions, concessions on an ongoing basis (based on the value of the assets, commonly known as trail commissions), when additional investments are made to an insurance contract, at contract renewal, for expense reimbursements, or at the time of annuitization of a contract.

The amount of compensation that CSI receives can vary depending upon, among other factors: (i) the duration of the annuity; (ii) the age of the customer; (iii) the amount invested in the annuity; (iv) the chosen share class; and/or (v) the commission option selected by the Financial Advisor. Insurance companies allow the Financial Advisor to choose among various commission structures, which generally provide that when there is a higher first-year commission, there will be a lower trail, or no trail, commission (and vice versa). Once an annuity contract is chosen, the fees paid by customers will be the same regardless of the commission structure chosen by the Financial Advisor.

- For fixed annuities, the first-year commission is typically between 1.5% and 7.5% of the customer's initial purchase payment.
- For fixed-indexed annuities, the first-year commission is usually between 1.5% and 6.00% of the customer's initial purchase payment, with an annual trailing commission of up to 1.00% of the total value of the annuity assets.
- For variable annuities, the first-year commission is usually between 1.00% and 5.5% of the customer's initial purchase payment, with an annual trailing commission of 10 to 100 bps.

In addition to the payments described above, from time to time insurance companies will reimburse CSI for expenses we incur in connection with certain training and educational meetings, conferences, or seminars. Also, in the ordinary course of business, our Financial Advisors may receive promotional items, meals or entertainment, or other similar "non-cash" compensation from insurance companies with which we do business.

**Other Compensation.** In consideration for marketing and operational support services provided and additional costs that may be borne by CSI, insurance companies may pay CSI additional compensation, benefits, or contributions from their ongoing fees, operating costs, past profits, or other company resources. The marketing and support services may include processing and operations support, telephone and computer services, conference rooms, facilities, personnel, training, educational meetings, Financial Advisor compensation, publications, marketing and/or promotional activities, or other materials relating to annuities. While not all insurance companies pay additional marketing and support fees to CSI (some pay none), the compensation for those that do may be a fixed dollar amount, an amount paid based on sales of up to 0.25% of purchases, an amount based on assets held of up to 0.05%, or a combination of these.

Our Financial Advisors are not required, or encouraged, to recommend any product of an insurance company that provides additional compensation, nor do they directly share in any of the marketing support fees received.

CSI may also, on occasion, receive commissions or other revenues as compensation for executing transactions on behalf of annuities.

**Third-Party Marketing Arrangements.** In many instances, CSI works with third-party marketing companies hired by insurers to market their annuities and other insurance products to companies like ours. CSI does not pay third-party marketers.

### **Additional Disclosures**

Although annuities generally allow your investment to be held on a tax-deferred basis, you should be aware of certain tax issues before you purchase an annuity. For example:

- Withdrawals from annuities, including partial withdrawals and surrenders, may be taxable. If you take a taxable withdrawal before age 59½, you may have to pay a 10% penalty to the IRS on the amount of the gain in your contract, in addition to your normal income taxes.
- Taxable distributions from an annuity are generally taxed at the contract owner's ordinary income tax rate and do not get the benefit of lower tax rates received by certain capital gains and dividends under current tax laws.
- If an annuity contract is owned by a non-natural entity (such as a corporation, partnership, or LLC), the contract is generally not eligible for tax deferral.
- The death of a contract owner (or in some cases, the death of an annuitant) may result in taxable distributions that must be made from the annuity contract within a specified period of time.
- Upon the death of the owner/annuitant of a contract, gains may be taxable to the beneficiary; the annuity assets may be included in the owner's estate; there is no step-up in the tax basis; and annuity assets will bypass probate, unless the contract owner's estate is the named beneficiary or no beneficiary is named.
- The tax-deferral benefit offered by annuities provides no additional tax benefit if they are held in tax-qualified accounts, such as an IRA, 403(b), or 401(k). Special rules governing annuities issued in connection with a tax-qualified retirement plan restrict the amount that can be contributed to the contract during any year.

Please consult your tax advisor and consider all the tax consequences before purchasing an annuity.

### **Additional Information**

Please discuss your particular needs and circumstances with your Financial Advisor as you are evaluating the available features, benefits, and costs involved to determine the type of annuity that may be best suited for your investment needs. It is also important to read the prospectus, annuity contract, statement of additional information, and offering material. For additional information on annuities, reference the following websites: FINRA ([www.FINRA.org](http://www.FINRA.org)), SEC ([www.SEC.gov](http://www.SEC.gov)), Insured Retirement Institute ([www.iriionline.org](http://www.iriionline.org)), the National Association of Insurance Commissioners ([www.NAIC.org](http://www.NAIC.org)), or your state's Insurance Department.

### **INSURANCE PRODUCTS**

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Insurance companies issue life insurance, long-term care insurance and disability income insurance policies to cover the risk of loss due to death, the need for long-term care, or disability. Life insurance policies can be either fixed or variable. A fixed policy provides death benefit protection and the potential to accumulate cash through the ability to earn interest on the cash value. A variable policy provides death benefit

protection and the potential to accumulate cash value through the underlying investment options. Term insurance provides death benefit protection for a specific period of time with no cash value accumulation.

### **Fees and Charges Paid Directly by Customers**

The amount of the premium that customers pay depends on a variety of factors, including the level of coverage, the customer's age, health, and the optional riders selected (provisions that may be added to an insurance policy to increase or limit the benefits that the policy otherwise provides). Depending on the type of life insurance policy, customers are subject to a surrender charge if the policy is surrendered (either partially or in full) during the surrender period or the policy lapses and is not reinstated within the allowable time frame. Surrender charges are based on a variety of factors, including the number of years a policy has been in force, its cash value, and death benefits. It is very important that the customer review the applicable insurance policy and prospectus (if applicable) for a detailed description of the fees and charges.

### **Compensation CSI Receives From Third Parties**

CSI receives commissions for the sale of an insurance product directly from the insurance company issuing the policy. The customer does not pay CSI directly. The amount of the initial sales commission, or first-year commission, paid to CSI varies, and is based upon the product, policy structure, and the terms of the contract. For life insurance policies, the first-year commission ranges from 2% – 95% of the target premium and from 0.40% – 4% of the premium in excess of the target premium. For traditional long-term care policies, the first-year commission ranges from 37.5% – 70% of the product premium. For disability income policies, the first-year commission ranges from 40% – 77% of the premium.

CSI will also receive renewals, commissions, and/or asset-based cash accumulation values or a combination of both. For life insurance renewal, commissions generally range from 0.40% – 6%, starting in year two, and generally last between two years and 10 years, depending upon the product. For long-term care insurance, renewal commissions are generally between 2% to 6% for years 2-10 and 1% thereafter. For disability income insurance, 2.5% - 15% starting in years 2-10 and 0% to 3% thereafter. CSI does not receive revenue sharing on life insurance, long-term care insurance, and disability income insurance.

### **Additional Information**

Additional information about life insurance products is in the insurance contract and applicable prospectus, statement of additional information, and offering material.

## **STRUCTURED PRODUCTS**

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Structured products are financial instruments that are generally derived from or based on a single security, a "basket" of securities, an index, one or more interest rates, a commodity or basket of commodities, a debt issuance, a foreign currency or basket of currencies, and/or an actively or passively managed fund or collection of funds (each, a "Structured Product"). Structured Products may not be suitable for all investors. Customers that invest in Structured Products should be prepared to hold the Structured Products until maturity. Customers that do not fully understand how Structured Products work, as well as their associated risk, should not invest in Structured Products. Structured Products require the investor to assess several characteristics and risks that may not be present in other forms of investment, including structure risks (risks related to movements in the underlying asset and the effect of such movements on payouts under the Structured Product), currency risks, liquidity risks, tax-treatment risks, loss of principal risk, call risk, and other types of risks. Accordingly, before trading Structured Products, you should thoroughly understand the risk and the strategy in which you are engaging. Detailed information regarding the risks associated with a Structured Product is set forth in its prospectus, which you should read and understand before investing in the Structured Product.

Some Structured Products offer protection of the principal invested (contingent on the ability of the issuer to repay its senior unsubordinated obligations at maturity), whereas others offer more limited or no protection of the principal. Because the principal or interest payment on a Structured Product is tied to the value of another asset or assets, a change in the value of that asset can affect the return on the Structured Product in a manner not characteristic of non-structured obligations.

Structured Products can offer payoffs based on the performance of one or more underlying reference assets (e.g., stocks, ETFs, indices, commodities, interest rates, foreign exchange rates). Structured Products include market-linked Certificates of Deposit (“MLCDs”) and structured notes. MLCDs provide FDIC insurance up to the applicable FDIC limit. Structured Products can be issued as callable (redeemable prior to maturity) or without call features (payout at maturity).

CSI may, at our discretion, refuse Structured Products transactions in your account. In certain cases, an affiliate of CSI may receive compensation from the issuer of the notes in connection with research and other services provided by the affiliate to the issuer of Structured Products that we may offer to customers.

### **Fees and Charges Paid Directly by Customers**

For new issue offerings, customers pay the initial offering price set by the issuer. The offering price includes fees and costs associated with the purchase of the new issue, including the selling commissions paid to CSI, as well as structuring, hedging, marketing, and other costs charged by the issuer and its affiliates. All the costs associated with the new issue offering are disclosed in the preliminary prospectus. Commissions on new issue offerings are generally paid upfront and are generally between 2% to 4%. Commission levels can vary depending on the product. The size, type of structure, maturity, underlying asset, market environment, and other features will play a part in pricing of the fees and commissions associated with various Structured Products.

### **Compensation CSI Receives From Third Parties**

For new issue offerings, CSI receives the selling concession from the issuer, which is generally paid up-front. CSI also receives a 25 bps desk fee for each Structured Product we sell. This fee is not paid by the client.

### **Additional Information**

For further information on the types of Structured Products CSI recommends, please consult the brochures on MLCDs and structured notes available from your Financial Advisor.

## **FIXED INCOME SECURITIES**

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CSI recommends various types of fixed income securities to its customers. These include corporate bonds, municipal bonds, U.S. Treasuries and Agency bonds issued by entities such as the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

### **Fixed Income Security Pricing**

A fixed income security’s face value, or the price at issue, is known as its “par value,” and the interest payment is known as its “coupon.” The price of a fixed income security will fluctuate, similar to an equity security, throughout the trading day. However, with most fixed income securities, the coupon payment will stay the same (some floating-rate securities do exist). If an investor purchases a fixed income security in the secondary market at the face value, the fixed income security is considered to be sold at “par.” If a fixed income security’s price is above its face value, it is sold at a premium. If a fixed income security’s price is below face value, it is sold at a discount. Fixed income securities are priced by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system taking various factors into

consideration to arrive at an estimated market value. Prices shown should only be used as a general guide to portfolio value and cannot be guaranteed. For an actual quote, speak to your Financial Advisor.

## **Risks of Investing in Fixed Income Securities**

As markets become volatile, many investors turn to bonds as an alternative to stocks. While bonds can play an integral role in a well-diversified portfolio, investors should fully understand their characteristics before investing. Bonds are often deemed a “safe” investment. However, investors need to be aware that bonds, like all investments, do carry some risk, and those risks need to be considered carefully.

Fixed income securities are subject to credit risk, interest rate risk, and liquidity risk. Credit risk is the risk the issuer or guarantor of a debt security will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations. Interest rate risk is the risk of losses due to changes in interest rates. In general, the prices of debt securities rise when interest rates fall, and the prices fall when interest rates rise. Duration measures the change in the price of a fixed income security based on the increase or decrease in overall interest rates. Bonds with higher duration carry more risks and have higher price volatility than bonds with lower duration. Therefore, if interest rates are very low at the time of purchase of the bonds, when interest rates eventually do rise, the price of such lower interest rate bonds will decrease, and anyone needing to sell such bonds at that time, rather than holding them to maturity, could realize a loss. High-yield debt securities (junk bonds) generally are more sensitive to interest rates. Such securities are also highly subject to liquidity risk. Liquidity risk is the risk that a particular security may be difficult to purchase or sell and that an investor may be unable to sell illiquid securities at an advantageous time or price. There are also special tax considerations associated with investing in high-yield securities structured as zero coupon or pay-in-kind securities. Municipal Bonds may also have a call feature, entitling the issuer to redeem the bond prior to maturity. A callable security’s duration, or sensitivity to interest rate changes, decreases when rates fall and increases when rates rise because issuers are likely to call the bond only if the rates are low. Investors in callable bonds are therefore subject to reinvestment risk – that is, the risk that they will need to reinvest their proceeds at lower rates. Municipal bonds are also subject to state-specific risks, such as changes in the issuing state’s credit rating, as well as the risk that legislative changes may affect the tax status of such bonds. Investments in government-sponsored entity securities also exhibit these risks, although the degree of such risks may vary significantly among the different government-sponsored entity securities. Some securities issued or guaranteed by U.S. government agencies or instrumentalities are not backed by the full faith and credit of the U.S. and may only be supported by the right of the agency or instrumentality to borrow from the U.S. Treasury. Please consult with your Financial Advisor for additional information.

## **Fees and Charges Paid Directly by Customers**

When you purchase fixed income securities, we will charge you a commission, which is disclosed on the trade confirmation. The commission amount differs based upon various features such as the type of fixed income security involved, amount of the transaction and the security’s maturity length. Generally, the commission percentage ranges between 0% – 3% of the transaction. You should always ask your Financial Advisor the exact costs of doing a trade with CSI.

## **Additional Information**

Additional information about fixed income securities is available on the SEC’s investor education website, <https://www.investor.gov/introduction-investing/investing-basics/investment-products/bonds-or-fixed-income-products/bonds>.

## **529 PLANS**

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529 Plans, also referred to as 529 educational savings plans, or qualified, state tuition programs, are professionally managed, tax-advantaged portfolios that enable individuals to set aside funds for educational purposes.

For a 529 Plan or funds, you are subject to sales charges and account fees. We also receive administrative fees, 12b-1 fees, and investment management fees. If your state of residence offers a 529 Plan, your in-state 529 Plan can have lower expenses as compared to an out-of-state 529 Plan. Further, some in-state 529 Plans offer certain tax benefits to you that are not available when you purchase an out-of-state 529 Plan. Ask your Financial Advisor for details and consult a tax advisor for guidance.

When you establish a 529 Plan through a Financial Advisor, you will typically pay higher fees and costs than if you establish your 529 Plan account directly with the 529 Plan provider. Refer to the 529 Plan's offering documents for a listing of fees and expenses. You should understand that we receive a sales concession of 1.5% to 5% from the 529 Plan provider on 529 Plan transactions. You should also consider that mutual fund complexes may allow investors to aggregate 529 Plan and mutual fund holdings in related accounts to reach a breakpoint. This is called Rights of Accumulation ("ROA"). Advise your Financial Advisor of your mutual fund holdings to obtain ROA. Further, some companies allow a Letter of Intent ("LOI") that indicates an intention to invest a certain amount over time to reach a breakpoint. Refer to the program disclosure or offering document(s) for details. As a reminder, we do not provide access to all products, product structures or share classes offered by a given product sponsor, including 529 Plans.

When we recommend and you establish a 529 Plan account with us, you will receive a [529 Plan Account Disclosure Statement, a 529 Plan Product Guide, the program disclosure or offering document(s) for the mutual fund-sub-accounts, and the 529 Plan sponsor's specific documents containing additional product disclosure information]. For 529 Plan accounts maintained on our systems, we will also send you a trade confirmation for each transaction, prior to or upon completion of your transaction. For 529 Plan accounts maintained direct at the 529 Plan provider, you should refer to any additional confirmation of sale or other disclosure document(s) you receive from the 529 Plan provider.

## **CASH SWEEP**

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We offer an optional proprietary Bank Sweep Deposit Program ("BDSP") to customers as the core account investment vehicle for available account cash balances. If you participate in the BDSP, available cash in your account will be deposited or "swept" through the BDSP into interest-bearing FDIC-insured deposit accounts at Citizens Bank, N.A., an affiliate of CSI, until the balance is invested by you or otherwise needed to satisfy obligations arising in connection with your account. Additional information about the BDSP is available in our Reg. BI Disclosure Statement and your individual brokerage account opening agreements.

## **MARGIN ACCOUNTS**

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CSI offers margin brokerage accounts to certain approved customers. In a margin brokerage account, you must eventually pay for your purchases in full, but our clearing firm, National Financial Services, can lend you funds at the time of purchase to cover all or a part of your transaction. This is generally referred to as a "margin loan." The portion of the purchase price we loan 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. Your margin brokerage account can also be used to borrow against eligible securities. Given that a margin brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, you must execute a separate margin agreement with us before engaging in margin brokerage activity. You should carefully review your margin account agreement and contact us at (800) 942-8300 or contact your Financial Advisor if you have any questions.