

Horace Mann Investors, Inc.

Recommendation Disclosure Statement

We provide this Recommendation Disclosure Statement (the Regulation Best Interest Disclosure) to our retail customers to inform them about the services we offer and our relationship with them. Among other things, this Reg BI Disclosure addresses the scope and terms of our relationship with you, the capacity in which we are acting, the type and scope of our services, any material limitations on our services, the fees and costs associated with your holdings, accounts, and transactions, and the conflicts of interest that exist for us and our financial professionals.

1. Scope and Terms of Our Relationship with You

Horace Mann Investors, Inc. (the Firm) is registered with the Securities and Exchange Commission (SEC) as both a broker-dealer and an investment adviser. Our brokerage and investment advisory services and fees differ, and it is important for you to understand these differences.

Depending on your needs and your investment objectives, the Firm may assist you with brokerage services, investment advisory services, or both. There are important differences between brokerage and advisory services, including their costs, the services we provide, and the rules that govern them. You should carefully consider these differences when deciding which type, or combination of types, of services and accounts are right for you. Information regarding the differences between our brokerage and advisory services is also available in our Customer Relationship Summary disclosure, Form CRS, which is available at: <https://www.horacemann.com/~media/documents/form-crs-final>.

In addition to our brokerage services and investment advisory services, the Firm has contracts with insurance companies allowing the Firm and its financial professionals the authority to recommend for sale to retail customers the insurers' annuity and life insurance products. These insurance services are discussed in the Appendix to this Reg BI Disclosure.

1.1. Our Capacity

All recommendations made by your financial professional regarding your broker-dealer account (your brokerage account) and variable securities products will be made in a broker-dealer capacity, and all recommendations regarding the account established for our advisory programs will be made in an investment advisory capacity. Before our financial professionals make a recommendation to you, your financial professional will disclose at the outset of your relationship with us if they are limited to making recommendations in a broker-dealer capacity only.

For instance, even though the Firm offers both brokerage and advisory services, some of our financial professionals are able to offer only brokerage accounts and services or may be able to offer services only for certain types of investments, such as mutual funds and insurance products. In that situation, your financial professional would not be able to act in an investment advisory capacity. If your financial professional is limited to offering brokerage accounts and services only, he or she will disclose this limitation to you at the outset of your relationship with us, and before making a recommendation to you.

Broker-Dealer Capacity

In our capacity as a broker-dealer, we can recommend and effect certain securities transactions for you, including buying and selling securities (including mutual funds and variable insurance products). We offer different account types including accounts held with Pershing LLC, our clearing firm; accounts held directly with the issuer of the securities purchased (sometimes referred to as directly held accounts); 529 college savings plans; and retirement accounts (e.g., IRA accounts). In addition, we offer the option to hold cash in money market funds (a "cash sweep vehicle").

Our financial professionals do not make investment decisions for you or manage your brokerage account on a discretionary basis. Because our financial professionals do not have discretionary investment authority, this means that we cannot buy or sell investments in your brokerage account without first obtaining your consent in writing. Our financial professionals may recommend

investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will only purchase or sell investments when specifically directed by you.

Our financial professionals also do not monitor your brokerage account or your insurance-related securities accounts after a securities transaction is affected for you, including those investments they recommend for you.

When we act in our capacity as a broker-dealer, we are subject to the Securities Act of 1933, the Securities Exchange Act of 1934, as amended, the rules of self-regulatory organizations, such as the Financial Industry Regulatory Authority, Inc. (FINRA), and applicable state laws.

Investment Adviser Capacity

When we provide investment advisory services, retail customers may invest in model portfolios constructed by third-party investment advisory firms through sub-advisory relationships. When we act in our capacity as an investment adviser, we will do so pursuant to a written agreement with you that sets forth the investment advisory relationship and our obligations to you. When we act as an investment adviser to you, we are generally considered to have a fiduciary relationship with you under the Investment Advisers Act of 1940, which requires that we owe you a duty of care and a duty of loyalty.

At the outset of our investment advisory relationship with you, you will also receive a Customer Relationship Summary document that describes our investment advisory services and includes important information about, among other things, our fees, personnel, other business activities, and conflicts between our interests and your interests. This Customer Relationship Summary is available at: <https://www.horacemann.com/~media/documents/form-crs-final>.

1.2. Type and Scope of Services

Brokerage Services

Our financial professionals can recommend and we can effect certain securities transactions for you, including the buying and selling of certain securities (including mutual funds and variable annuity products), which may include accounts held with our clearing firm, directly held accounts, 529 college savings accounts, or IRA accounts. We also offer the option to hold cash in a cash sweep vehicle.

In addition, the type and scope of the brokerage services we offer include a number of services related to investments in securities, including taking customer orders, executing securities transactions, and providing general information regarding your investments.

Our brokerage services include recommendations concerning whether to buy or sell securities. Our services also include recommendations of investment strategies involving securities, which includes recommendations of account types, and rollovers or transfers of assets, such as rolling over retirement plan assets into an IRA account.

Account Types

In order to receive any of our brokerage services described above, you must first open an account with us. Our retail platform offers an array of account types with different features and benefits that are intended to address different needs and objectives of our retail customers. When opening an account with us, you may choose between different account types for your brokerage account, including variable insurance product accounts (some of which are held by Horace Mann Life Insurance Company, an affiliate of the Firm), mutual fund platform accounts made available by an affiliate of the Firm, and accounts held with our clearing firm. In addition, our accounts offer the option to hold cash in a cash sweep vehicle.

Before deciding whether to open an account with us, you will want to discuss our account types with your financial professional to decide which account type best fits your financial goals.

Our Investment Philosophy

The Firm's target market is middle to high income retail customers who are primarily seeking to invest to meet retirement, education, and other similar funding goals, and secondarily to invest for legacy purposes. The Retail Platform includes investment funds and products, and investment strategies believed to be in the best interest of the Firm's customer base.

We require our financial professionals to have a reasonable basis to believe that each recommendation made to a retail customer, taking into account the potential risks, rewards, and costs associated with a recommendation, is in the retail customer's best interest, and does not place the interest of the broker-dealer or its financial professionals ahead of the interest of the retail customer at the time the recommendation is made. States may have different standards of conduct for broker-dealers and financial professionals that sell securities products, in which case we must also comply with any applicable state law.

In determining whether our financial professional's recommendation is in the retail customer's best interest, we consider the retail customer's individual investment profile. The information in the retail customer's investment profile includes, but is not limited to, the retail customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and other information that the retail customer may disclose to us or the financial professional in connection with a recommendation.

1.2.1. Material Limitations

Due to how our brokerage services are structured, we have material limitations on the type and scope of services we can offer. These limitations are set forth below.

- *Investment Offering from a Limited Group of Issuers, including Proprietary Products:* We make available to retail customers a menu of products from a limited number of issuers, which generally include proprietary variable annuities issued by our affiliate, a proprietary mutual fund brokerage platform made available by our affiliate, certain variable universal life and variable annuity products through third-party agreements, mutual fund brokerage accounts through third-party agreements, and 529 college savings plan through third-party agreements.
 - This is a material limitation on the securities or investment strategies that your financial professional can recommend to you because the financial professional is only authorized to recommend the securities and investment strategies from the issuers, we make available. For instance, we do not offer all variable insurance products from every single insurance company issuer, mutual funds from every single mutual fund company issuer, or every type of college savings plan. Mutual fund sales on the Pershing platform are also limited to the purchase of Class A or Class C shares. We also do not offer exchange-traded funds, equity securities, individual bond securities, and other special investment products. You should discuss these limitations with your financial professional.
- *Minimum Account Requirements:* Certain proprietary products offered have minimum account value requirements. Some of our third-party product offerings also have certain minimum account requirements.
 - This is a material limitation on the securities or investment strategies that your financial professional can recommend to you if you cannot meet the minimum account requirements. You should discuss these limitations with your financial professional.
- *Financial Professional Limitations:* Not all of our financial professionals can offer or choose not to offer the full range of investments and services we offer. For instance, some of our financial professionals are licensed to offer brokerage services only, whereas some of our other financial professionals are licensed to offer both brokerage and advisory services. Also, certain

financial professionals may choose not to offer mutual funds and 529 college savings plans through our clearing firm.

This is a material limitation on the securities or investment strategies that your financial professional may recommend to you. Your financial professional will disclose this limitation to you at the outset of your relationship with us, and before making a recommendation to you. You should discuss any such limitations with your financial professional. In addition, you may research both our Firm and your financial professional's experience and licenses on FINRA's BrokerCheck website at: <https://brokercheck.finra.org/>.

- *Account Monitoring:* Unless our financial professionals are acting in an investment advisory capacity, they do not monitor your account after effecting a securities transaction for you, including those investments our financial professionals recommend. While our financial professionals remain available to assist you, our financial professionals do not monitor your account or your investment performance after effecting a securities transaction. This is a material limitation on our services and the services of our financial professionals.
- *Discretionary Investment Authority:* Our financial professionals do not make investment decisions for you or manage your account on a discretionary basis. Because our financial professionals do not have discretionary investment authority, this means that we cannot buy or sell investments in your account without first obtaining your written consent. Our financial professionals may recommend investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will only do so when specifically directed by you. This is a material limitation on our services and the services of our financial professionals.

1.3. Fees and Costs

This section provides information about the material fees and costs associated with your account and holdings, as well as material fees and costs associated with transactions and investment holdings that our financial professionals may recommend.

1.3.1 Fees and Costs Associated with Account

You must first open an account with us to use our brokerage services. Depending on the type of account you open, you will pay certain fees and costs associated with your account and holdings. The fees associated with your account and holdings are typically paid annually, although some account-based fees are associated with specific transactions. In some cases, the fees and costs associated with your account and holdings are assessed indirectly by third-parties, such as custodial firms or clearing firms, and then we pass along a portion of these fees to you. Examples of material fees and costs that may be associated with your account and holdings are account maintenance fees, account transfer fees, recordkeeping fees and custody fees.

1.3.2 Fees and Costs Associated with Transactions

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

In addition, investments in mutual funds, including 529 college savings plans and variable insurance products, bear ongoing fees and expenses that are embedded into the cost of the investment holding. You pay these ongoing fees and expenses indirectly because they are factored into the cost of the investment. More information about ongoing fees and expenses associated with investment funds and variable insurance products is available in the fund or product prospectus.

It is important for you to understand the characteristics, features, benefits, fees and costs of the securities products recommended to you. These are found in the prospectuses or other offering documentation for the products. You will receive a copy of the prospectus at or prior to the time of the sale, and you should review the prospectus in connection with your review of The Customer Relationship Summary and this Reg BI Disclosure.

It is important to note that we are the lead distributor and underwriter for variable insurance products issued by Horace Mann Life Insurance Company, as well as the introducing broker-dealer for the mutual fund platform offered by our affiliate, Horace Mann Service Corporation. As a result of these arrangements, we may act in multiple capacities with respect to the services provided, which results in a conflict of interest. A financial professional may recommend the purchase of these proprietary products. If you choose to implement the recommendation, we and our financial professionals would receive compensation and/or commissions from Horace Mann Life Insurance Company or Horace Mann Service Corporation as a result of the sale of the financial products or services recommended. This creates an incentive to recommend proprietary products.

Our proprietary products provide access to Horace Mann Life Insurance Company's proprietary fund, which is fixed annuity account investment option. Horace Mann Life Insurance Company, our affiliate, receives investment earnings from allocations made to its proprietary fund. The difference between these earnings and the amounts which Horace Mann Life Insurance Company pays in interest under the fixed account option is commonly referred to as the spread. This creates an incentive to recommend proprietary products.

1.3.3. General Description of Retail Platform Material Account and Transaction Fees and Costs

A general description of material account and transaction fees and costs for our Retail Platform are broken out below. You should discuss in greater detail all fees associated with any product that is recommended with your financial professional.

- *Individual variable annuity issued by affiliate, Horace Mann Life Insurance Company:*
 - Mortality and Expense Fees (M&E), not to exceed 1.25% - annually from the underlying subaccounts investing in mutual funds
 - Maintenance fee, not to exceed \$35.00 - annually
 - Operating expenses of underlying subaccounts investing in mutual funds, the value of which varies depending on the individual variable annuity purchased, but generally ranging from 0.04% - 1.35% - annually. Operating expenses generally include mutual fund investment management fees, distribution fees, 12b-1 fees and other expenses. ***

 - *Group variable annuity issued by affiliate, Horace Mann Life Insurance Company⁺:*
 - Mortality and Expense Fees (M&E), not to exceed 1.25% - annually from the underlying subaccounts investing in mutual funds
 - Maintenance fee, not to exceed \$36.00 - annually
 - Operating expenses of underlying subaccounts investing in mutual funds, the value of which varies depending on the group variable annuity purchased by the applicable employer, generally ranging from 0.04% - 1.35% - annually. Operating expenses generally include mutual fund investment management fees, distribution fees, 12b-1 fees and other expenses. ***
 - Optional rider fees (if riders allowed by the plan description) generally range from 0.05% - 0.50% - annually
- † Group variable annuities are only available to participants of retirement plans, whose plan sponsors have elected to offer, or are required to offer under applicable law, the group annuities for investment.
- *An Ameritas variable universal life policy; the fees and costs associated with this product recommendation are fully described in the applicable prospectuses and may include:*
 - Premium charges not to exceed 5% for each premium - all years

- Administrative charges not to exceed \$25 – per month
 - Risk charges, not to exceed 0.90% - annually for the first 15 years, then 0.30% - annually thereafter
 - Specified amount charges, not to exceed \$21.56 per month, per \$1,000 of insurance coverage
 - Various riders, some of which may be optional, may be considered.
 - Operating expenses of underlying subaccounts investing in mutual funds, after waiver and reductions, if any, range from 0.26% - 1.30%
- *Mutual fund platform account made available by affiliate, Horace Mann Service Corporation:*
- Asset-based recordkeeping fees, not to exceed 1.25% - annually
 - Annual maintenance fees, not to exceed \$35 – annually.
 - Mutual fund operating expenses (which include management fees, distribution fees and/or 12b-1 fees and other expenses) generally range from 0.04% - 1.39% - annually. ***
- *Mutual funds and 529 college savings plan within a brokerage account via Pershing Brokerage Services:*
- Operating expenses generally ranging from (which include management fees, distribution and/or 12b-1 fees and other expenses) 0.10% to 1.00% - annually ***
 - Upfront sales charges (Class A Shares) not to exceed 5.75% on principal amount invested
 - Contingent deferred sales charges (Class C Shares) of not more than 1.0% of the account value
 - Mutual fund buy/sell sales charge (varies by fund and specified in the fund prospectus, 5.75% maximum)
 - Mutual Fund Exchange; \$5.00 per exchange
 - Paper Delivery for Investor Documents; \$2.00 per event
 - Custodial Fees:
 - Mutual Fund Only IRA; \$12 annual account fee
 - Retail Account; \$50 annual account fee
 - General Service Fees may be assessed for wire transfers, overnight fees, returned checks, termination fees, etc.

*** A 12b-1 fee is an annual marketing or distribution fee on a mutual fund charged to investors. It is generally considered to be an operational expense and, as such, is included in a fund's expense ratio.

You will typically pay a sales charge or load when you buy shares in a mutual fund. We receive a portion of this sales charge for our efforts and the efforts of our financial professionals in selling shares of the mutual fund.

If your financial representative recommends that you surrender:

- An existing variable annuity issued by our affiliate, Horace Mann Life Insurance Company, the fees and costs associated with this recommendation may consist of:
- Market value adjustment when assets are withdrawn, or
 - Surrender charges of no more than 14% of premium or account value depending on the contract provisions.
- An existing Ameritas Life Insurance Corp. variable universal life policy, the fees and costs associated with this recommendation may consist of:
- Surrender charges for the first 13 years on the policy, the value of which are determined by issue age, policy year, gender and rate class. Please ask the financial representative working with you for an illustration to demonstrate this aspect of the policy.

2. Conflicts of Interest

We have identified certain conflicts of interest (conflicts) that relate to the recommendations we and our financial professionals make. A conflict arises when an interest (such as an economic benefit) might incline us or a financial professional, consciously or unconsciously, to make a recommendation that is not disinterested. Some of these conflicts exist between retail customers and both our firm and our financial professionals, while others exist between retail customers and our firm or between retail customers and our financial professionals. The section below discloses material facts relating to these conflicts so that you are able to make an informed decision regarding any recommendation a financial professional provides you.

2.1 Conflicts for Both Our Firm and Financial Professionals

Conflicts between retail customers and both our Firm and financial professionals may be caused by a variety of arrangements, including the role we play in a transaction, compensation arrangements, or trading arrangements. The material facts relating to these conflicts are as follows:

- ✓ *We and our financial professionals get paid when you invest based on our recommendations.* We pay our financial professionals a portion of the transaction-based payments that we receive. These transaction-based payments, usually called commissions, incentivize us and your financial professional to encourage you to purchase additional investments that result in additional revenue for our Firm and your financial professional. Our and our financial representatives' receipt of these transaction-based payments also incentivizes us to recommend that you invest in investments that pay us the highest rate of compensation, rather than pay us lesser or no compensation.
- ✓ *For some investments you purchase based on our recommendation, we receive payments from a third-party that are in addition to the transaction-based payments described above.* This is typically the case when you purchase mutual funds and mutual fund based products such as 529 college savings plans). For example, certain issuers make ongoing payments to us based on invested assets (and not just new investments), such as 12b-1 fees, shareholder servicing fees or trail compensation. These third-party payments are described in detail in the prospectus or offering materials for the investment, which you can request from your financial professional at any time and will be made available to you in connection with any purchase. All of these third-party payments incentivize us and your financial professional to sell you or recommend you hold investments that generate these payments rather than investments that do not generate these payments or generate comparatively lower payments.
- ✓ *For investments with multi-share class structures, we and our financial professionals generally receive comparatively more compensation when we recommend you purchase or hold a share class that is likely to be more costly for you.* Some investments, such as mutual funds and mutual fund based products, such as 529 college savings plans, offer multiple share classes, and depending on the share class in which you are invested, we and our financial professionals may earn higher commissions, ongoing payments and/or other compensation. These comparatively higher commissions, ongoing payments and other compensation incentivize us and your financial professional to sell you or recommend you hold the share class in a multi-share class structure that results in the most compensation for us and is likely to be more costly for you. Please note, however, that where issuers have multi-share class structures, the lowest-cost share classes may not be available to retail investors, due to high minimum investment amounts or account type requirements (e.g., a retirement account or an advisory account). You can find more information about the compensation paid on different share classes in the prospectus for the investment, or by asking your financial professional. *You should not assume that you are always recommended or invested in the share class with the lowest internal expenses or costs.*
- ✓ *We get paid when you engage in a rollover transaction.* For example, we can recommend that you roll over assets from your workplace retirement plan into an IRA account. When you

engage in a rollover to an IRA, we and our financial professional will receive compensation in connection with the investments you will acquire for your IRA account and hold in the account. Our and your financial professional's receipt of this compensation incentivizes us and your financial professional to recommend that you roll over assets from your workplace retirement plan into an IRA and purchase investments within your IRA that result in additional compensation for us and your financial professional. Rollover recommendations incentivize us and your financial professional to encourage the purchase of investments that result in additional compensation for us and your financial professional.

- ✓ *We have an incentive to recommend the account type that results in additional fees and revenues for us.* We can recommend that you invest through different account type arrangements, such as through a brokerage account, an account directly held with the issuer of the investment (or its transfer agent), or an advisory account. Depending on factors including, but not limited to, the type and level of services you require as well as the frequency of trading in your account, one of these account types may be more cost-effective for you than the others and we and our financial professionals will earn more compensation in connection with certain of these account types than others. The availability of different account types incentivizes us and your financial professional to recommend the account type that results in the most compensation for us and your financial professional even though another type of account may be more cost-effective for you.

2.2. Conflicts for Our Firm

When acting in a broker-dealer capacity, we are committed to ensuring that we always act in the best interest of our retail customers and do not place our financial or other interests ahead of retail customers' interests when making recommendations; however, conflicts between retail customers and our Firm are caused by a variety of arrangements, including, but not limited to, the role we play in a transaction, compensation arrangements, trading arrangements, and customer-specific arrangements. The material facts relating to conflicts between retail customers and our Firm are as follows:

- ✓ *Many issuers of the investments our financial professionals recommend periodically pay us based on the total amount of sales we make of their investments or the total amount of customer assets we direct to them, or a combination of both.* These payments are sometimes called "marketing and distribution fees" or 12b-1 fees. The 12b-1 fee is considered to be an operational expense and, as such, is included in a fund's expense ratio. Our receipt of these payments incentivizes us to sell you or recommend that you hold investments that make such payments rather than investments that do not make these payments or make comparatively lower payments.
- ✓ *We have an incentive to minimize the costs we incur as a result of your securities transactions.* We incur costs when you engage in securities transactions. Some securities transactions and investment strategies are less costly for us than others. As a result, we have an incentive to recommend that you purchase and hold securities and pursue investment strategies that result in the least amount of cost for us.
- ✓ *We and our affiliates collectively receive additional compensation when you purchase or utilize proprietary products.* We offer variable products, retirement products, and certain other products developed by our affiliates, including Horace Mann Life Insurance Company and Horace Mann Service Corporation, and we and our affiliates collectively receive more compensation when you purchase or utilize those proprietary products than if you purchase or utilize a product issued, sponsored, or managed by an unaffiliated third party. Our and our affiliates' receipt of this additional compensation incentivizes us to recommend that you purchase and utilize proprietary products developed by our affiliates because our overall organization will receive more compensation when you do.

2.3. Conflicts for Financial Professionals Alone

When acting in a broker-dealer capacity, we are committed to ensuring that our financial professionals always act in the best interest of our retail customers and do not place our or their financial or other interests ahead of retail customers' interests; however, conflicts between retail customers and our financial professionals are caused by a variety of arrangements, including, but not limited to, compensation arrangements, retail customer-specific arrangements, and outside business activities. The material facts relating to conflicts between retail customers and our financial professionals are as follows:

- ✓ *Your financial professional's compensation is dependent upon their sales.* Firm-paid cash and non-cash compensation, including, but not limited to, recognition trips, nominal gifts, marketing reimbursements, business expense reimbursements or discounts, Firm-sponsored benefits, production incentives, bonuses and other benefits for financial professionals are tied to factors including asset accumulation or growth. These arrangements incentivize your financial professional to recommend that you trade more frequently, purchase additional investments, purchase products that generate higher compensation, and purchase proprietary products offered by our affiliates so that he or she will make progress toward or meet the thresholds required to receive these benefits. This conflict is especially acute as your financial professional approaches the deadline for meeting sales targets, which is typically at the end of the calendar year.
- ✓ *The amount of compensation we share with your financial professional depends on the investments recommended to you and your financial professional's sales volume.* The amount of commissions, fees, transaction-based payments, ongoing payments, and other forms of compensation we share with financial professionals is dictated by a compensation grid. Our compensation grid is not investment neutral, meaning that the percentage of the compensation for any given transaction that your financial professional receives varies based on the investment recommended. Our non-investment-neutral grid incentivizes your financial professional to recommend to you the investment that results in the highest net payout for your financial professional. In addition, our compensation grid has thresholds or bands that enable your financial professional to increase his or her compensation through an incremental increase in sales. Moreover, your financial professional's payout percentage can be adjusted annually depending on your financial professional's total sales and overall performance. These thresholds, bands and payout percentage adjustments incentivize your financial professional to encourage more trading and the purchase of additional investments that result in your financial professional meeting certain sales targets and other metrics. This conflict is especially acute as your financial professional approaches a sales threshold or the deadline for meeting sales targets, which is typically at the end of the calendar year.
- ✓ *Some new recruits have loans that are dependent upon meeting asset accumulation targets.* Some of the financial professionals that are new recruits to our Firm are provided with forgivable loans that are tied to total production by a milestone date. If your financial professional has received one of these loans and has an outstanding loan balance or is eligible for one of these loans, they incentivize your financial professional to encourage more trading and the purchase of additional investments that result in your financial professional meeting production targets so that his or her loan will be forgiven by the Firm. This conflict is especially acute as your financial professional approaches his or her milestone date.
- ✓ *Some financial professionals have advance agreements with a Firm affiliate, the remaining balance of which must be paid back.* Financial professionals may choose to participate in an advance program and receive advances of certain compensation payable to the financial professional before the compensation is earned. Advances must be repaid. If your financial professional has received one or more of these advances and has an outstanding balance or is eligible for an advance, they incentivize your financial professional to encourage more trading and the purchase of additional investments that result in your financial professional receiving additional compensation so that his or her advance will be paid off. This conflict is especially acute as your financial professional approaches the deadline for repayment of the advance.

- ✓ *Some financial professionals have outside business activities that compete for their time.* Some of our financial professionals engage in business activities that are not part of the Firm's business and thus are not engaged on a full-time basis in the Firm's business. These outside business activities can cause your financial professional to engage in activities that could create a conflict of interest for your financial professional. You may research any outside business activities your financial professional has on FINRA's BrokerCheck website at: <https://brokercheck.finra.org>.
- ✓ *Some of our financial professionals are subject to material limitations.* As described in the Section 1.2.1 above, some of our financial professionals are limited in the investments, services, and account types they can recommend to you as a result of their not being licensed to provide investment advisory services, the securities and insurance licenses they hold, their insurance company appointments, and their limited roles and responsibilities with us and our affiliates. If your financial professional is subject to a material limitation on the investments, services, or account types he or she can recommend to you, your financial professional has an incentive to recommend that you invest in and utilize the investments, services, and account types that he or she is authorized to recommend because he or she will only be compensated if you do so.
- ✓ Our financial professionals have an incentive to minimize the costs they incur as a result of your securities transactions. Our financial professionals incur costs when you engage in securities transactions. Some securities transactions and investment strategies are less costly for our financial professionals than others. As a result, our financial professionals have an incentive to recommend that you purchase and hold securities and pursue investment strategies that result in the least amount of cost for them.