



## Regulation BI Disclosure

## Introduction

The purpose of this disclosure is to provide information regarding the business practices, compensation, and conflicts of interest as they pertain to Cambridge Investment Research, Inc. (referred to as “Cambridge”, us, we, our, and broker-dealer throughout this Disclosure Brochure).

The Securities and Exchange Commission (“SEC”) defines a “conflict of interest” 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.

Cambridge is registered as a broker-dealer with the SEC. Cambridge is also a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investors Protection Corporation (“SIPC”). Cambridge is a broker-dealer registered in all fifty (50) states, the District of Columbia, and Puerto Rico, to provide investment brokerage services. These services include buying and selling securities and providing investment recommendations. Additional information about Cambridge is available on the internet at [brokercheck.finra.org](http://brokercheck.finra.org). You may search for information using our firm name, Cambridge Investment Research, Inc. or by our CRD number, 39543.

Cambridge is under common ownership with a registered investment adviser, Cambridge Investment Research Advisors, Inc. (“CIRA”).

Individuals licensed or approved with Cambridge as registered representatives (referred to as “Financial Professionals” throughout this document) will provide its brokerage services. Individuals licensed or approved with CIRA as investment advisor representatives (also referred to as “Financial Professionals” throughout this document) may provide asset management of investment products and/or financial planning services. Certain Financial Professionals are approved to provide services on behalf of Cambridge, as well as on behalf of CIRA, while other Financial Professionals are only approved to offer services on behalf of Cambridge. Financial Professionals are not employees of Cambridge or CIRA. They are independent contractors of Cambridge and/or CIRA. In addition to CIRA, your Financial Professional may have his/her own independent Registered Investment Advisor (“RIA”) with its own unique disclosure requirements.

When discussing services with a Financial Professional you should understand which services your Financial Professional can provide. Financial Professionals are restricted as to the types of securities for which they can provide recommendations, based on the FINRA exams they have passed. Each additional exam a Financial Professional passes allows them to provide additional recommendations. The following is the list of exams and the associated products for which a Financial Professional is allowed to offer services.

- **Series 7 Exam** – Limits a Financial Professional to providing recommendations on public offerings and/or private placements of corporate securities (stocks and bonds), rights, warrants, mutual funds, money market funds, unit investment trusts (“UIT”), exchange traded products, 529 plans, real estate investment trusts (“REIT”), options on mortgage backed securities, government securities, repurchase agreements (“REPO”) and certificates of accrual on government securities, direct participation programs (“DPP”), municipal securities, hedge funds, venture capital offerings, variable annuities (“VA”), variable life insurance (“VUL”), local government investment pools (“LGIP”) and closed-end funds. The Series 7 exam is called the general securities representative exam as it allows Financial Professionals to make recommendations on the largest number of securities products.
- **Series 6 Exam** – Limits a Financial Professional to providing recommendations on VAs, VULs, UIT, 529 plans, LGIP, and closed-end funds on the initial offering only
- **Series 22 Exam** – Limits a Financial Professional to providing recommendations on DPPs including real estate, oil and gas, and equipment leasing, and limited partnerships (“LP”), limited liability companies (“LLC”), and S-Corporation securities
- **Series 52 Exam** – Limits a Financial Professional to providing recommendations on municipal securities
- **Series 62 Exam** – Limits a Financial Professional to providing recommendations on stocks, bonds, closed-end funds, and exchange traded products. This exam is commonly used in combination with the Series 6 exam.
- **Series 82 Exam** – Limits a Financial Professional to providing recommendations on private placement securities which are non-public securities offerings sold under an available registration exemption outlined in the Securities Act of 1933

## General Description of Product Types

A Financial Professional may offer investment recommendations to you. A Financial Professional is obligated to have a reasonable basis for believing that any recommendation is in your best interest and will meet your investment goals and objectives with an appropriate risk that you have set for your account.

If you choose to establish an account with Cambridge, your account may be custodied, either directly with the company offering a particular securities product, or at one of the brokerage clearing firms that Cambridge has chosen, National Financial Services, LLC (“NFS”) and Pershing, LLC (“Pershing”). The decision concerning which custody solution to use is made in conjunction with your Financial Professional. However, depending on your needs, only one of the custodian options could be viable. Generally, a Financial Professional will use one of the brokerage custodians and not

the other. A conflict of interest exists because other broker-dealers and custodians charge fees that could be more or less than using the custodians available through Cambridge.

Cambridge has chosen to use NFS and Pershing as brokerage custodians based on past experiences, costs, and other offerings or services that they provide to Cambridge, including but not limited to, online access, account custody, trade execution services, clearing services, access to information, and, for a fee, electronic trade entry, and account information look-up services for Financial Professionals and clients, recordkeeping services, exception reporting, and access to various financial products.

Most securities are purchased either on an exchange or through one of Cambridge's brokerage custodians or purchased directly and then custodied in a brokerage account. Brokerage accounts are subject to certain maintenance fees, regardless of where or how assets are purchased. A fee ("ticket charge") is charged for each transaction (i.e., buy/sell/exchange) by NFS or Pershing at Cambridge. This creates a conflict of interest because there is an incentive for Financial Professionals to trade more due to the receipt of transaction based ticket charge revenue. There may be ticket charges or additional fees charged by the qualified custodian for executing a transaction that your Financial Professional does not receive. More information on the fees and costs associated with NFS and Pershing's separate, custodial services can be found under "Brokerage Account Ancillary Charges" on [JoinCambridge.com](http://JoinCambridge.com).

Cambridge has directed NFS and Pershing to mark-up ticket charges. Additionally, Cambridge has directed NFS and Pershing to mark-up certain non-transaction fees which Cambridge then receives indirectly from you. These fee mark-ups include the services or activities related to: Account inactivity, account maintenance, account termination, bounced checks, check writing and debit card utilization, custody, legal, margin extension and interest, non-purpose loan interest, paper statements and confirmations, postage, reorganization, safekeeping, stop payments, and transfers. This arrangement provides a financial incentive for Cambridge to maintain the relationship with NFS and Pershing. Although this retained revenue is not paid to your Financial Professional, this is a conflict of interest because of the additional compensation received by Cambridge.

Cambridge receives a service charge (referred to as a "commission") as a result of buying securities for you. A commission, also known as a sales load, sales charge, or placement fee is typically charged when a transaction occurs within your account. A commission is often based on the total value of the assets invested, and can reduce the amount available to invest. The commissions that Cambridge receives are shared with your Financial Professional. Commissions vary from product to product. This presents a conflict of interest as it gives your Financial Professional an incentive to recommend investment products based on the compensation received rather than on your needs.

Where compensation is charged, the applicable custodian will send to each client at, or before completion of the transaction, information which includes the date of the transaction, a statement of the nature of the transaction, or an offer to furnish the time the transaction took place, and the total of a compensation received.

Companies that custody their products directly will also typically charge maintenance fees. These fees will vary by direct custodian. Information regarding the specific fees and expenses for each custodian can be found on your account statement. Please contact your Financial Professional with questions about direct custodian fees and expenses.

Cambridge performs due diligence on a wide range of securities products prior to their approval. Not all securities products pass this due diligence review and as such, will not be offered by Cambridge. Cambridge's Financial Professionals can only utilize those securities products that have passed the due diligence process and are approved products. Contact your Financial Professional for information regarding specific approved products.

## Product Types

The following are descriptions of the primary product types available through Cambridge. This list provides the range of commissions for each product type along with the fees, expenses, and other types of compensation Cambridge receives. Specific information regarding the fees and expenses associated with these products can be found by reviewing each product's prospectus or other offering documents.

- **529 Plans** – For information regarding 529 Plan fees and expenses, refer to the [Mutual Funds](#) section below.

College savings plans and prepaid tuition plans are known as 529 plans. These plans allow the account owner to pay in advance for certain education expenses, most commonly to cover college tuition. 529 plans may be considered municipal securities, and the underlying investments generally use mutual funds.

- **Alternative Investments ("AI")** – Generally commissions will be between 1% - 5.5%. Commissions may be lower or higher. Fees will range between 1% - 5%.

AIs are assets that do not fall into one of the conventional investment categories of stocks, bonds, and cash. These assets are held by institutional investors, accredited, or high-net-worth individuals because of the products' complex nature and higher degree of risk. AIs are often illiquid, meaning they cannot easily be sold or exchanged for cash without substantial loss in value. Cambridge Financial Professionals are restricted in providing sale recommendations for AIs only through markets and offerings for which Cambridge has

conducted due diligence. Cambridge due diligence includes review of prospective markets and offerings against predatory sales practices. More information about the fees and costs associated with AIs can be found under “Revenue Sharing Disclosure” on [JoinCambridge.com](http://JoinCambridge.com).

- **General Securities** – Generally commissions will be 3.5%. Commissions may be lower or higher. Fees can range from 0.15%-1.3%.

Cambridge Financial Professionals may provide recommendations concerning and/or assist with buying or selling general securities products, such as publicly traded stock, bonds, exchange traded products, municipal securities, and options, if properly licensed or registered to do so. These products can only be custodied through Cambridge’s preferred brokerage custodians, NFS and Pershing. A commission, mark-up, or mark-down is charged for transactions in these products.

Exchange traded products include exchange traded funds (“ETFs”) and exchange traded notes (“ETNs”). ETFs are pooled investment funds that trade like stocks on stock exchanges and can be bought or sold throughout the trading day at fluctuating prices. ETNs are a type of debt security that trade on exchanges and promise a return linked to a market index or other benchmark. When ETFs and ETNs are traded at leveraged or inverse rates, they become more volatile and complex as shifts in the standard market can create significant changes in price to leveraged trades and create opposing shifts in inverse trades.

Municipal bonds and municipal fund securities, including 529 plans, may offer tax advantages to certain investors and are issued by states, cities, counties, and other governmental entities. Municipal securities issuer risks, tax implications, time horizons, and product features should be discussed with your Financial Professional prior to purchase.

Options are contracts that give the purchaser the right, but not the obligation, to buy or sell a security. Options are derivative securities, meaning their value is derived from the value of the stocks and ETFs after which the options are named. Options are typically only used by experienced options investors as the decision to purchase, sell and exercise options contracts may result in additional costs, losses, and/or negative tax implications.

- **Interval Funds** – Generally commissions will be between 2.5% - 5.25%. Commissions may be lower or higher. Fees will range from 1% - 4%.

Interval Funds are a type of closed-end mutual fund. Interval Funds do not trade on the secondary market and the fund periodically offers to buy back a percentage of the outstanding shares. These funds typically have higher fees than an open-end mutual fund.

- **Mutual Funds** – Generally commissions will be between 1% - 5.25%. Commissions may be lower or higher. Fees will range from 0.5% - 2.25%.

Mutual Funds are baskets of stocks or bonds with a range of options based on the investment choices of the portfolio manager. Those choices can also affect the range of costs. More information about the fees and costs associated with mutual fund investments can be found under “Revenue Sharing Disclosure” on [JoinCambridge.com](http://JoinCambridge.com).

Through NFS and Pershing, Cambridge offers select mutual funds to be purchased by you with no transaction fees (“NTF Shares”). You pay a higher transaction charge for transaction fee funds, however, the transaction fee funds can be less expensive to you over time because of lower ongoing operating expenses. Alternatively, NTF Shares can be more expensive to you over time because of the higher ongoing internal operating expenses, such as 12b-1 fees. You and your Financial Professional should discuss and understand these additional indirect expenses borne as a result of the mutual fund fees. Restrictions apply in certain situations.

Pershing receives revenue directly from the mutual fund companies that support their FUNDVEST® program. NFS receives revenue directly from mutual fund companies that support their FundsNetwork® program. Through formal agreements, Cambridge is eligible to receive revenue for assets that are held within the FUNDVEST® and FundsNetwork® programs. Even though these payments are not shared with your Financial Professional, the receipt of these additional payments create a conflict of interest because of the increased compensation to Cambridge.

- **Unit Investment Trust (“UIT”)** – Generally commissions will be between 1.5% - 3.5%. Commissions may be lower or higher. Fees will range from 0.4% - 2.4%.

UITs are similar to mutual funds and closed-end funds, except their underlying investments typically will not change during the fixed period of time, known as the term. The UIT portfolio generally consists of stocks and bonds which are redeemable as units, which will affect the upfront commission.

- **Variable Annuities (“VA”)** – Generally commissions will be between 1% - 5.5%. Commissions may be lower or

higher. Fees will range from 0.25% - 2%.

VAs combine features of insurance and securities investments. The commission ranges vary depending on the type of annuity purchased and the time of the purchase. Sub-accounts, found on all variable products, are a series of investment choices similar to mutual funds. The portfolios may be comprised of stocks, bonds, or money market instruments.

- **Variable Universal Life (“VUL”)** – Commissions of starting premiums range from 25% - 115%. Fees will range from 0.35% - 2%.

VUL insurance combines features of universal life insurance, providing coverage for the life of the insured, while at the same time, providing flexibility in premium payments and in insurance coverage, and variable life insurance where cash values are invested in portfolios of securities in an account separate from the general assets of the insurance company. A VUL will typically pay up-front commissions based on the premiums paid into the policy for a set number of months.

## Understanding Fees and Charges

Certain types of securities, including 529s, mutual funds, UITs, interval funds, money market funds, VAs and VULs, and other investment products utilize share classes. Fees and expenses that are commonly associated with share class securities include, sales charges (commonly referred to as “loads”), fund maintenance fees, potential volume discounts (often referred to as “breakpoints”), and 12b-1 fees which are paid to the Financial Professional from fund assets, therefore, indirectly from your invested assets. Understanding these charges and volume discounts will assist you in identifying the best investment for your particular needs and may help you to reduce the cost of your investment. More details about share classes, commissions, fees, and expenses of these securities are outlined in the product’s prospectus and any other required offering materials.

The most common types of compensation structures associated with share classes are front end load, back end load, level load, no load, and load waived.

- **Front End Load** – A sales charge is deducted from your investment at the time you buy the investment. This sales charge is a percentage of your total purchase. Some investments offer volume discounts to the front end sales charge assessed on certain share classes at predetermined levels of investment.
- **Back End Load** – No sales charge is deducted at the time of purchase. The load is paid by deducting it from profits or principal when you sell the investment.
- **Level Load** – An annual charge, also referred to as a 12b-1 fee, is deducted from your investment for as long as you hold the investment. These share classes typically do not have set surrender periods.
- **No Load** – These investments do not impose sales charges and you typically buy shares directly from the investment company. The same funds may be available with a load through a Financial Professional. While no load funds have no sales charges, they may still charge 12b-1 fees, purchase fees, redemption fees, exchange fees, and account fees in addition to the operating fees that all funds charge.
- **Load Waived** – If permitted by the issuer, some investments may be purchased on a net of commission basis. The load waived fund is a fund offered by an adviser or broker who might waive the load but keep other fees, such as the 12b-1 fee.

## Money Market

A money market account is an interest-bearing account that generally pays a higher interest rate than a regular savings account. These accounts can include check writing and debit card privileges but are more restrictive than a checking account. Money market products offered through Cambridge are not held through banks or credit unions. Depending on where the money market account is held, insurance coverage is provided either by the Federal Deposit Insurance Corporation (“FDIC”) at a bank or National Credit Union Administration (“NCUA”) at a credit union.

Money market mutual funds are offered by brokerage firms and mutual fund companies and include short-term investment vehicles such as certificates of deposit (“CDs”), government securities, and commercial paper. The interest rate and features are similar to those of a money market account, however they are not FDIC insured but SIPC insured through Cambridge.

## Methods of Analysis, Investment Strategies, and Risk of Loss

Financial Professionals use various methods of analysis and investment strategies. Methods and strategies will vary based on the Financial Professional providing the recommendation. Models and strategies used by one Financial Professional will be different than strategies used by other Financial Professionals. Some Financial Professionals use just one method or strategy while other Financial Professionals rely on multiple. Cambridge does not require or mandate a

particular investment strategy be implemented by its Financial Professionals. Further, Cambridge has no requirements for using a particular analysis method, and Financial Professionals are provided flexibility (subject to Cambridge's supervision and compliance requirements) when developing their investment strategies.

## Methods of Investment Analysis

Following are brief descriptions of some of the more common methods of analysis and investments strategies that are used by Financial Professionals:

- **Fundamental Analysis** – This is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, trying to determine a company's or security's true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value an investor can compare with the security's current price in hopes of determining what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

- **Technical Analysis** – This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead uses charts and other tools to identify patterns that can suggest future activity. Technical analysts believe the historical performance of stocks and markets can assist in predicting future performance.
- **Charting** – Charting is the set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe past trends in these indicators can assist to extrapolate future trends.

Charting is a technical analysis that charts the patterns of stocks, bonds, and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs in order to predict future price movements. A graphical historical record assists the analyst in spotting the effect of key events on a security's price, its performance over a period of time, and whether it is trading near its high, near its low, or in between. Chartists believe recurring patterns of trading, commonly referred to as indicators, can help them forecast future price movements.

- **Cyclical Analysis** – This method of analysis focuses on the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

## Investment Strategy Terminology

- **Long Term Purchases** – Investments held at least one (1) year
- **Short Term Purchases** – Investments sold within one (1) year
- **Short Sales** – A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.
- **Option Writing Including Covered Options, Uncovered Options, or Spreading Strategies** – Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time
- **Tactical Asset Allocation** – Allows for a range of percentages in each asset class (such as stock = 40 - 50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is

possible since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

- **Strategic Asset Allocation** – Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets change over time as the client’s goals and needs change, and as the time horizon for major events such as retirement and college funding grow shorter.
- **Market Timing Strategy** – While uncommon and typically not recommended to clients, some Financial Professionals provide a market timing service as part of an investment strategy. In general, market timing is a strategy where the Financial Professional will try to identify the best times to be in the market and when to get out. This service is designed to take advantage of stock market fluctuations by being invested based on the anticipated market direction. Only clients that are looking for speculative investment strategy should participate in an investment timing service offered by a Financial Professional.
- **Modern Portfolio Theory** – Proposes that investing in a predetermined asset mix derived from the efficient frontier (dictated to achieve a specific client objective within a certain risk tolerance) and rebalancing with discipline, the portfolio is diversified across the various asset classes to mitigate unnecessary risk. This also provides for a portfolio that can operate without reliance on market timing and security selection; however, as with all equity investments positive returns are not guaranteed. In conjunction to investing in a diversified portfolio, each portfolio is constructed to meet specific parameters set forth in the individual client’s investment needs and goals. These parameters can include, but are not limited to, tax efficiency, concentrated stock positions, and management history.

## Risk of Loss

You must understand past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume future performance of any specific investment or investment strategy will be profitable. Investing in any type of security (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments, there are varying degrees of risk. You need to be prepared to bear investment loss including loss of original principal.

Because of inherent risk of loss associated with investing, Cambridge and its Financial Professionals cannot represent, guarantee, or even imply that our services and methods of analysis:

1. Can or will predict future results; or
2. Successfully identify market tops or bottoms; or
3. Insulate you from losses due to market corrections or declines

There are certain additional risks associated when investing in securities through an investment management program.

- **Market Risk** – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systematic risk.
- **Equity (Stock) Market Risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk** – When investing in stock positions, there is always a certain level of company industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company’s employees go on strike or the company receives unfavorable media attention for its actions, the value of the company can be reduced.
- **Options Risk** – Options on securities can be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly

specialized activities and entail greater than ordinary investment risks.

- **Fixed Income Risk** – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk** – When investing in an ETF or mutual fund, there are additional expenses based on your pro rata share of the ETFs or mutual fund’s operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs. Leveraged and inverse ETFs are not suitable for all investors and have unique characteristics and risks. Although there are limited occasions where a leveraged or inverse ETF can be useful for some types of investors, it is extremely important to understand that for holding periods longer than a day, these funds may not give you the returns you expect.

## General Conflicts of Interest

Certain Financial Professionals have negotiated with custodians to pay for custodial services through a combination of asset based pricing and ticket charges for income securities and certain “ticket charge” mutual funds. As part of this pricing structure, transactions in ETFs, no-transaction fee mutual funds, and equity securities are exempt from ticket charges. This creates a conflict of interest for your Financial Professional if they pay ticket charges as the selection of these funds and fixed income securities subject to a ticket charge, increases costs for your Financial Professional.

Cambridge Financial Professionals receive additional benefits based on their total compensation, which can include but is not limited to, reduced or waived charges for technology, as well as reduced or waived conference attendance charges. This practice represents a conflict of interest in that the Financial Professional has a financial incentive to increase their compensation in pursuit of such benefits.

Principal transactions are generally defined as transactions where a dealer, acting as principal for its own account or the account of an affiliate, buys a security from or sells a security to, a client as opposed to carrying out trades through another broker-dealer. Cambridge executes client orders for certain types of securities on a principal basis in accounts with Cambridge. It is Cambridge’s policy that no additional compensation will be charged to a client account due to the implementation of the principal transaction.

Cambridge shares its commissions received with your Financial Professional. Commissions vary from product to product. This presents a conflict of interest as it gives your Financial Professional an incentive to recommend investment products based on the compensation received rather than on your needs. While Cambridge generally shares its commissions received at a standard rate per Financial Professional, in some instances, the percentage of commissions that Cambridge shares with certain Financial Professionals varies depending on the product type involved. This presents a conflict of interest as it gives your Financial Professional an incentive to recommend investment products based on their increased commission payout rather than on your needs.

Cambridge enters into specific arrangements with product sponsors and third parties (collectively referred to as “Approved Product Companies”). Cambridge has entered into various arrangements with some Approved Product Companies referred to as revenue sharing arrangements. Certain product sponsors provide your Financial Professional with economic benefits as a result of your Financial Professional’s recommendation or sale of the product sponsors’ investments. These other products and services can benefit Cambridge and/or your Financial Professional but may not benefit you. The economic benefits received can include but are not limited to, financial assistance or the sponsorship of national or regional conferences, reimbursement to Cambridge when a Financial Professional chooses to enlist the service of Cambridge Source to assist with their conference, client meetings, or other events, and educational sessions, marketing support, payment of travel expenses, occasional business entertainment, including meals, invitations to sporting events, including golf tournaments, education opportunities and tools to assist your Financial Professional in providing various services to clients including but not limited to, software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of fees from client’s accounts, and assist with back-office training and support functions, record-keeping and client reporting. Some of these services may be used to service all of



some substantial number of accounts, including those that are not specifically maintained by an individual product sponsor. These services are intended to help manage and further develop the business enterprises of Cambridge and your Financial Professional and can include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. Some product sponsors may make available, arrange and/or pay vendors for these types of services or discount or waive fees it would otherwise charge. These economic benefits may be received directly by your Financial Professional or indirectly through CIRA and/or Cambridge who have entered into specific arrangements with product sponsors. A recommendation/requirement that clients maintain their assets in accounts based in part on the benefit to our Financial Professional, Cambridge or CIRA of the availability of some of these products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided create a potential conflict of interest. These economic benefits could influence your Financial Professional to recommend certain products/programs over others. Although Cambridge endeavors at all times to put the interest of its clients ahead of its own or those of its officers, directors, or Financial Professionals (“affiliated persons”), these arrangements can affect the judgment of Cambridge or its affiliated persons when recommending investment products. These situations present a conflict of interest that can affect the judgment of our affiliated persons.

## **FDIC Sweep**

Cambridge provides clients with access to different cash sweep vehicles, including certain money market funds that are used to automatically invest cash balances in your brokerage account awaiting reinvestment. Cambridge receives payments when cash is placed into a money market sweep, or if you simply hold cash in your account outside of a sweep vehicle. This presents a conflict for Cambridge due to the financial benefit that is received by Cambridge. Cambridge does not share any portion of this compensation with your Financial Professional. Money market funds can lose value and have done so in the past. It is important to discuss your options with your Financial Professional as they can help determine the right sweep option for you.

Included in the cash sweep vehicles, Cambridge offers a core account sweep feature. This feature sweeps cash balances pending reinvestment in eligible brokerage accounts to and from an investment account to a sweep account on a daily basis. The swept balances will immediately begin earning interest in a Federal Deposit Insured Corporation (“FDIC”) insured multi bank account program (“Program”). FDIC sweep programs offer greater safety and generally greater liquidity, with the exception of cash, than other options available to Cambridge clients. The FDIC insures traditional bank/deposit accounts, such as checking or savings accounts, or certificates of deposit (“CDs”). Each account is insured up to \$250,000 for each category of legal ownership. For all eligible accounts, deposits are held at a network of multiple banks, and insurance is currently a cumulative \$1.5 million (\$3 million for joint accounts).

As required by federal banking regulations, each Program Bank has reserved the right to require seven (7) calendar days prior notice before permitting a withdrawal of any Program Deposits. So long as this right is not exercised, your ability to access funds, including the ability to write checks against your account, should not be impacted.

Available cash in eligible brokerage accounts are deposited through a Program into interest-bearing deposit accounts at one or more FDIC-insured depository institutions set forth in the list of depository institutions participating in the Program (“Program Banks”). Cash balances, including those deposited in a Program, are subject to Cambridge fees.

If a Program is selected for your account, cash balances will be deposited with participating Program Banks. You are not required to select this option and can choose any cash sweep option you prefer that is available to your account. There are other transactional cash options available to you, including (1) sweeping into one of other available uninsured money funds where funds may not be immediately available to you, (2) choosing no sweep option, with the cash held in the NFS or Pershing account earning no interest, where funds are available upon request, or (3) trading into another possibly uninsured cash position where funds are not immediately available. Returns to you for these other options that pay interest are higher than returns earned in the Program. You will make your selection as to how your cash balances will be handled, at the time of account opening, through your account opening documents. If you do not choose a cash sweep option, and if your account is eligible for FDIC insurance, a Program will be used for your account. If your account is not eligible for FDIC insurance, the Federated Government Reserves Money Market Fund will be used for your Pershing account and Fidelity Government Capital Reserves will be used for your NFS account.

It is important to understand that the cash balance held in your account(s) by NFS or Pershing that is not in a Program is not FDIC insured. However, it is covered by SIPC up to certain limits. For more information about SIPC coverage, please visit [www.sipc.org](http://www.sipc.org). Not all broker-dealers offer FDIC insured bank deposit sweep vehicles or have the same access and features.

Cash balances held at Program Banks receive a lower interest rate than the prevailing interest rates paid in other interest bearing accounts, including money market funds.

Cambridge receives a fee from each Program Bank that participates in a Program. The interest rate payable to clients is based on the amounts paid by the Program Banks to Cambridge less a fee retained by Cambridge which in no event exceeds Fed Funds + 0.5% on an annualized basis. Cambridge earns the fee from the participating Program Banks for administration of the Program. In our discretion, we will reduce our fee. The amount of the reduction will vary client by client and Financial Professional by Financial Professional. The fee will also vary from Program Bank to Program Bank. The amount of interest paid on deposits will affect the fee we receive. The fee that Cambridge receives differs between clients who use NFS as their clearing firm and from those who use Pershing. The fee that Cambridge receives is higher than the interest rate payable to clients and any increase in the fee that Cambridge chooses to receive will decrease the amount of the payable interest to the client.

Cambridge partners with StoneCastle Insured Sweep LLC and Total Bank Solutions (“Program Administrators”) to monitor and maintain deposits, directed by them, at each Bank under \$250,000 limits. Additionally, Cambridge has alerts that notify us of accounts that exceed the \$1.5 million Program limits. However, any deposits (including CDs) that you maintain in the same insurable capacity directly with a Program Bank, or through an intermediary (such as us or another broker), will be aggregated with deposits in your Deposit Accounts at such Program Bank for purposes of the Maximum Deposit Amount. You are responsible for monitoring the total amount of deposits that you have with each Program Bank, including an Excess Deposit Bank, in order to determine the extent of FDIC deposit insurance coverage available to you. For more information on the Maximum Deposit Amount and the Excess Deposit Bank, refer to the [Cambridge Investment Research, Inc. Insured Bank Deposit Program Disclosure Document](#).

In addition to Cambridge’s fee, NFS, Pershing, and the Program Administrators will receive fees for recordkeeping and administrative services from each Program Bank.

The use of a Program along with other sweep options creates a conflict of interest due to the financial benefits for Cambridge, clearing firms NFS and Pershing, as well as the Program Banks. The revenue for Cambridge that is generated from a Program is greater than other sweep options currently available to you. Therefore, Cambridge has an incentive to place your cash in a sweep program(s). Even though these payments are not shared with your Financial Professional, the receipt of these additional payments create a conflict of interest because of the increased compensation to Cambridge.

For help with understanding the best option for your account, please contact your Financial Professional.

### **Financial Professionals Other Business Activities**

Financial Professionals that are accountants or lawyers can refer you to their accounting or law firms. Clients are not obligated in any manner to use these services, outside services, or any accounting or law firm recommended by a Financial Professional. Cambridge does not provide any tax or legal advice.

