

Regulation Best Interest Disclosure

This guide summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.

As you review this information, we would like to remind you that we are registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer providing brokerage services and that our subsidiary, DMKC Advisory Services, LLC., is registered with the SEC as an investment adviser, providing investment advisory services. Further, we are member of the Financial Industry Regulatory Authority ("FINRA"), a self-regulating organization and the Municipal Securities Regulation Board ("MSRB"). FINRA is an independent, nongovernmental organization that writes and enforces the rules governing registered brokers and broker-dealer firms in the United States. Its stated mission is "to safeguard the investing public against fraud and bad practices." MSRB is a regulating body that creates policies ensuring fair practices in the municipal trade industry. Our brokerage services are the primary focus of this guide. For more information on our investment advisory services and how they differ from brokerage, please review the Customer Relationship Summary (or Form CRS) available at www.dmkc.com/disclosure. Our Form CRS contains important information about the types of services we offer, both brokerage and investment advisory, along with general information related to compensation, conflicts of interest, disciplinary action and other reportable legal information.

Please carefully review and consider the information in each section below.

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Brokerage Services

When you establish a brokerage account with us, you have the ability to buy, sell and hold investments within your account. The primary service we provide is our trading capability. We execute purchases and sales on your behalf, as directed by you. In a brokerage services relationship, we can trade with you for our own account, for an affiliate or for another client, and we can earn a profit on those trades. The fact that we or an affiliate of ours was the other party to your trade, as principal is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

Cash Brokerage and Margin Brokerage Accounts

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. Securities recommendations must be in the retail customer's best interest. The firm and the Financial Professionals may not place their interests ahead of the retail customer's. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, First Clearing¹. This is generally referred to as a "margin loan." The portion of the purchase price that is loaned to 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. Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, if you do not specifically choose and qualify for a margin account, you will be assigned our cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the

¹ First Clearing is a trade name used by Wells Fargo Clearing Services, LLC.

Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us. For more information on our margin brokerage services, contact your Financial Professional or refer to our Margin Disclosure Statement available at www.dmkc.com/disclosure.

Brokerage Account Types

We offer many different brokerage account types including individual and joint accounts, custodial accounts, Delivery Versus Payment (DVP) accounts, estate and trust accounts, partnership accounts, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s). In general, when considering recommendations of types of accounts, you should consider:

- (a) services and products provided in the account;
- (b) projected cost of the account;
- (c) alternative account types available;
- (d) services the retail customer requests; and
- (e) the retail customer's investment profile.

Clients should consider:

- (a) fees and expenses;
- (b) levels of services available;
- (c) ability to take penalty free withdrawals;
- (d) application of required minimum distributions;
- (e) protection from creditors and legal judgments;
- (f) holdings of employer stock; and
- (g) any special features of your existing account before making a transfer.

You should refer to our account agreement(s) for more information concerning available account types or speak with a Financial Professional.

We consider transaction cost when making a recommendation. Consideration of cost includes not only the cost of purchase, but also any costs that may apply to future sale or exchange of the security, such as deferred sales charges or liquidation costs. In the end, the costs of a transaction, standing alone, are not dispositive if there is a reasonable basis to believe that the product is in your best interest at the time of recommendation.

Incidental Brokerage Services, Recommendations and Account Monitoring

Within your brokerage account, we may also provide other incidental services such as research reports, and recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation.

In a brokerage services relationship, if the account is a QRP, IRA, or ESA, we are "fiduciaries" within the meaning of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code (the "Code"). The U.S. Department of Labor ("DOL") recently issued a new rule, Prohibited Transaction Exemption 2020-02 ("PTE 2020-02" or the "Exemption") to improve investment advice for workers and retirees, guiding recommendations to you for your QRP, ESA, 401(k) and IRA accounts. This rule addresses fiduciary requirements of your Financial Professional subject to ERISA fiduciary rule for compensation purposes, provided the participants (you) do not pay out of your pocket for their advice. The Exemption further allows for important investor protections, including a stringent "best interest" standard of care for fiduciary recommendations of rollovers from these ERISA protected retirement accounts. Using a "five-part test," a Financial Professional may be considered to be an "investment advice" fiduciary if, (1) he or she renders advice as to the value of securities or property, (2) on a regular basis, (3) under a mutual agreement, arrangement or understanding with the plan, plan fiduciary or IRA owner that, (4) the advice will serve as a primary basis for investment decisions with respect to a plan or IRA assets, and (5) the advice will be individualized based on the particular needs of the plan or IRA owner. Under the Exemption, an eligible investment advice fiduciary could receive direct compensation (such as management fees, as well as indirect compensations, such as 12b-1 fees, trailing commissions, sales loads, mark-ups and mark-downs, or revenue sharing payments from mutual fund companies or third parties). This Exemption would also affect advice regarding any distribution from a retirement plan and rolling it over to an IRA, or one IRA to another IRA, as part of and ongoing relationship with you. Your Financial Professional is required to disclose in writing the scope of his or her advice and any and all material conflicts when opening your account for consideration. (We are not fiduciaries within the meaning of ERISA or the Code in brokerage services relationships not involving your QRP, ESA,

401(k), and IRA accounts.)

It is important for you to understand that when our Financial Professionals make a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. The firm will consider reasonably available alternatives, but is not required to evaluate every possible alternative (including those offered outside the firm) nor are we required to recommend one “best” product. You may accept or reject any recommendation. It is also your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. We do not commit to provide on-going monitoring of your brokerage account. However, the Financial Professional may review the holdings in your account for the purposes of determining whether to provide another recommendation. This voluntary review is not considered to be “account monitoring” and would not create an implied agreement with you to monitor the account. If you prefer on-going monitoring of your account or investments, you should speak with a Financial Advisor about whether an advisory services relationship is more appropriate for you.

Please also consider that from time to time we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to sales and marketing materials, performance reports, and asset allocation guidance. When we offer any of these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, we will review these materials and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

Clearing Services

We have entered into an agreement with First Clearing (also referred to herein as “Clearing Agent”) to carry your account and provide certain back office functions. We and First Clearing share responsibilities with respect to your account as set forth in the Designation of Responsibilities that was delivered to you upon opening of your account. Please refer to the Designation of Responsibilities for more information on how such responsibilities have been allocated between us.

Understanding Risk

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire investment. Further, some investments involve more risk than other investments. Higher-Risk investments may have the potential for higher returns but also for greater losses. The higher 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 you may decide to invest in higher-risk investments offering the potential for greater returns. We align risk tolerances with investment needs to offer you different investment objectives from which to choose (see below). You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs.

Investments typically have different time horizons and different income and growth goals, also called “objectives”. Generally, investment goals are on a spectrum, with “Income” investors typically holding the smallest percentage of higher-risk investments, followed by “Growth and Income” investors holding *some* higher-risk investments, and finally “Growth” investors holding a significant portion of their portfolio in higher-risk investments. Risk tolerances also vary, and we measure risk on a continuum that increases from “Conservative” to “Moderate” to “Aggressive,” and finally “Trading and Speculation.” Examples are provided below.

Generally Associated Risk Tolerance

Income Investment Objective

Typical Investment Objective Description - Income portfolios emphasize current income with minimal consideration for capital appreciation and usually have less exposure to more volatile growth assets.

- **Conservative** Conservative Income investors generally assume lower risk, but may still experience losses or have lower expected income returns.
- **Moderate** Moderate Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest income returns.
- **Aggressive** Aggressive Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.

Growth and Income Investment Objective

Typical Investment Objective Description - Growth and Income portfolios emphasize a blend of current income and capital appreciation and usually have some exposure to more volatile growth assets.

- **Conservative** Conservative Growth and Income investors generally assume a lower amount of risk, but may still experience losses or have lower expected returns.
- **Moderate** Moderate Growth and Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest returns.
- **Aggressive** Aggressive Growth and Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.

Growth Investment Objective

Typical Investment Objective Description - Growth portfolios emphasize capital appreciation with minimal consideration for current income and usually have significant exposure to more volatile growth assets.

- **Conservative** Conservative Growth investors generally assume a lower amount of risk, but may still experience increased losses or have lower expected growth returns.
- **Moderate** Moderate Growth investors are willing to accept a modest level of risk that may result in significant losses in exchange for the potential to receive higher returns.
- **Aggressive** Aggressive Growth investors seek a higher level of returns and are willing to accept a high level of risk that may result in more significant losses.

Trading and Speculation

Trading and Speculation investors seek out a maximum return through a broad range of investment strategies which generally involve a high level of risk, including the potential for unlimited loss of investment capital.

Our recommendations are based in part on your risk tolerance and investment objective as outlined above. We encourage you to carefully consider your investment objective and risk tolerance before investing.

Cash Sweep Program Feature

Our brokerage services include a Cash Sweep Program feature. This program permits you to earn a return on uninvested cash balances in your brokerage account by allowing cash balances to be automatically "swept" into a "Cash Sweep Vehicle," until such balances are otherwise required to satisfy obligations arising in your account. These Cash Sweep Vehicles include interest-bearing deposit accounts, and if permissible, money market mutual funds or such other sweep arrangements made available to you. You will receive additional information concerning the Cash Sweep Program in your account agreement(s). More information about the Cash Sweep Program can be found in the Cash Sweep Program Disclosure Statement available at www.dmkc.com/disclosure. Please review that Disclosure Statement carefully.

Account Minimums and Activity Requirements

There is no minimum initial account balance required to open a brokerage account with us. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed. In addition, some types of brokerage accounts have minimum account activity requirements and/or minimum on-going balance requirements that must be maintained, or your brokerage account will be closed or charged a fee. These requirements and steps to avoid additional fees are detailed in the account agreement(s) you receive when you open your brokerage account.

You should also understand that our Financial Professionals may establish their own minimum account balance requirements for the brokerage accounts they service. For example, a dedicated Financial Professional may choose to service only those brokerage account clients who satisfy account-specific or total household asset conditions. Minimum asset requirements are disclosed to you orally by your Financial Professional. Your Financial Professional also has the option to refuse any prospective account or terminate a client relationship if the account does not meet their personal account conditions.

Brokerage Service Models and Products

As a full-service broker-dealer, D.M. Kelly & Company makes recommendations and executes orders for the buying and selling of securities and insurance products to retail investors. The general philosophy and standardized basis by which the firm assists clients is with investment products that provide income and long-term growth while protecting the principal investment. Our fundamental mission is clear: to help investors acquire attractive, prudent investment products that meet their specific investment goals. We do not sell proprietary products. The primary service we provide is our trading capacity. A commission is received for the purchase or sale of products that include Municipal Securities, Corporate Bonds, Fixed Income Securities, Equities, Exchange Traded Funds (ETFs) and CDs. Mutual Funds are sold by prospectus and carry either a one-time front-end load (commission), or a level load (an annual expense fee) for as long as you own the fund. Within your brokerage account, we may also provide other incidental services such as research reports and newsletters.

The firm also offers a Self-Directed account platform for accounts that do not conform to our Account minimums or portfolio programs. Trades are effected for a \$75.00 flat fee per transaction, with a \$75.00 annual account fee. Your account does not have an assigned Financial Professional. Products offered to the Self-Directed account platform may be limited. As these accounts are self-directed, our firm philosophy may not be the standardized bases of these accounts.

Brokerage Fees and Our Compensation

It is important to consider that while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

ACKNOWLEDGMENT OF OUR FIDUCIARY STATUS WITH RESPECT TO RETIREMENT ACCOUNTS

The U.S. Department of Labor recently issued a new rule pertaining to investment advice provided to retirement investors, called *Prohibited Transaction Exemption 2020-02 (PTE 2020-02)* or *Improving Investment Advice for Workers & Retirees*. The rule applies to retirement accounts governed by the ERISA and/or the Code, including IRAs and ESAs. Pursuant to the rule, we are providing the following acknowledgment:

When we provide "investment advice," as defined under Title I of ERISA or the Code, to you regarding your retirement plan account, IRA, or ESA, we are "investment advice" fiduciaries within the meaning of ERISA and/or the Code. The way we make money creates some conflicts with your interests, so when we operate as a fiduciary for your retirement account(s) we operate under a special rule, PTE 2020-02, that requires us to act in your best interest and not put our interest ahead of yours. To the extent that particular communications to you or activities are considered "investment education" or otherwise non-fiduciary under ERISA, we are not a fiduciary in connection with such communications or activities.

The Department of Labor has published a guide available on the Department of Labor website entitled, [Choosing the Right Person to Give You Investment Advice: Information for Investors in Retirement Plans and Individual Retirement Accounts](#).

Transaction-Based Fees

In a brokerage relationship, you will pay transaction-based fees for trades you decide to enter into, such as buying and selling stocks, bonds, exchange traded products (ETPs), mutual funds, annuity contracts, exercising options and other investment purchases and sales. These transaction-based fees are generally referred to as a "commission," "commission equivalent," "markup," "markdown," "dealer-spread," "sales load," or a "sales charge" which, per transaction are added in your purchase, or deducted from your sale. Transaction-Based fees are based on a host of factors, including, but not limited to:

- Underlying product selection
- Your brokerage service model and account type
- Size of your transaction and/or overall value of your account
- Frequency of your trade activity
- Available discounts and/or fee waivers

Account and Service Fees

You will pay fees for various operational services provided to you through your brokerage account. These fees are set at least annually and communicated to you through information included in your account statement and other notifications. These fees

do not apply to all account types and may be waived under certain conditions.

You should understand that based on the brokerage service model you choose, the same or similar products, accounts and services may vary in the fees and costs charged to you. For more information concerning our administrative and service fees, visit us at www.dmkc.com/disclosure.

How We Are Compensated

We receive direct and indirect compensation in connection with your accounts. Direct compensation is taken directly from the affected account. Indirect compensation is compensation paid in ways other than directly from the account and may impact the value of the associated investments in your account. The sections below describe the compensation that we receive in connection with various investments that may be available to you. In many cases, the descriptions that follow refer to a prospectus or offering documents. For more information, you should also review these documents. Please also review our disclosure regarding ERISA qualifying accounts in the Incidental Brokerage Services, Recommendations and Account Monitoring section, page 2.

Financial Professional Schedules

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

The schedule below details the commission charged to you and received by us and your Financial Professional for trades of stocks, rights, and warrants.

Low		High	Standard Firm Rate
\$0	to	\$10,000	2.50%
\$10,000	to	\$25,000	1.75%
\$25,000	to	\$50,000	1.40%
\$50,000	to	\$100,000	1.00%
\$100,000	to	\$250,000	0.60%
\$250,000	to	\$1,000,000	0.50%
\$1,000,000	to	\$5,000,000	0.40%

Financial Professionals are given the ability to discount from the above commission schedule within certain ranges based on size of account and household. You may discuss commission with your Financial Professional. Please note, certain legacy accounts and households have fee or commission agreements that are different from those posted above. Some assets (that are now excluded from new accounts) have been grandfathered and are considered exempt because the date when they were originally purchased was prior to the establishment of our current investment offerings.

Debt Securities, Preferred Securities and Certificates of Deposit (CDs)

For debt securities, including government bonds, corporate debt, municipal bonds, preferred securities and CDs, we may apply a charge (*i.e.*, *markup*) of 2% to 5% for longer-dated debt, and 0% to 2% for short-dated debt, from the prevailing market price of the security or investment on secondary market transactions. Additionally, we may incur gains (or losses) on positions we hold in inventory in response to market movements or other events that impact the value of the securities we own. We may also participate in new issue debt securities offerings, including new issue preferred offerings and fixed income offerings. We may receive compensation in the form of a selling concession, generally in the range of 0.5% to 3%, which is paid by the issuer.

Mutual Funds

We currently offer several mutual fund families varying in share class structure and investment style. If you invest in mutual funds, we may receive direct and indirect compensation in connection with such mutual fund investments, as described.

Shareholder Service Fees or 12b-1

Annual 12b-1 fees, also known as trails, are paid by the fund and paid to us out of fund assets under a distribution and servicing

arrangement to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund's behalf. Shareholder servicing fees are paid to respond to investor inquiries and provide investors with information about their investments. These fees are asset-based fees charged by the fund family. These fees range from 0.00% to 1.00%, but the majority of these fees are below 0.85%. The firm offers mutual funds that pay 12b-1 fees, and will pay its Financial Professionals for these approved 12b-1 fees from a sponsor.

Front-End Sales Charge Fees or Contingent Deferred Sales Charges (CDSC)

Front-End sales charge fees may be charged and paid to us, including your Financial Professional, when you purchase a fund. The front-end sales charge is deducted from the initial investment on certain share classes. This charge normally ranges from 0.00% to 5.75%. Some purchases may qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of the transaction and rights of accumulation. In addition, some purchases may qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account. You should contact your Financial Professional if you believe you are eligible for sales charge waivers.

CDSC is a charge you pay upon withdrawal of money from a fund prior to the end of the fund's CDSC period. CDSC charges range from 0.00% to 5.50%. CDSC periods can range from zero to seven years. This charge typically exists only on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class purchased by the investor. A CDSC is not passed on to your Financial Professional. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the fund in the fund's prospectus. Fees and expenses disclosed in the fund's prospectus are charged against the investment values of the fund.

Revenue Sharing

We are compensated on cash sweep balances via Money Market accounts through revenue sharing. However, your Financial Professional is not compensated on cash sweep balances. Our affiliated registered investment advisor is not compensated on cash sweep balances. We may receive compensation for margin account balances in both brokerage services and advisory services accounts.

Data Agreement

D. M. Kelly does not have a data agreement with any mutual fund company.

Annuities

Our annuities consist of fixed, and variable annuities. Under arrangements with insurance companies, we, including your Financial Professional, receive commissions from the insurance companies for the sale of annuities, as well as trail commissions, through the firm. Commissions and trails paid to us vary by product type and may vary by insurance carrier. For additional information regarding Annuities, please reference www.dmkc.com/disclosure.

Unit Investment Trusts (UITs)

Our UITs consist of Equity and Fixed-Income UITs. We, along with your Financial Professionals, are compensated in ways that vary depending on the type and terms of the UIT portfolio selected. The types of fees received by us are disclosed in the prospectus issued by the UIT provider. Your Financial Professional can provide you a copy of the most recent prospectus. The UIT provider deducts fees as compensation from the proceeds available for investments for marketing and distribution expenses, which may include compensating us as described in each UIT prospectus.

Cash Sweep Program/Bank Deposit Sweep/Other Float Compensation

Market accounts through revenue sharing. However, your Financial Professional is not compensated on cash sweep balances. Our affiliated registered investment advisor is not compensated on cash sweep balances. We may receive compensation for margin account balances in both brokerage services and advisory services accounts.

Operational Fees

We receive compensation for various operational services provided to you. Our fee schedule for these services is available at www.dmkc.com/disclosure.

Occasions can occur where a fee may be charged if a client requests copies of previous monthly statements, or requests for forensic, or historic research on a particular security. There would also be an administrative fee for statements and any account

documentation requested by a third-party in a legal matter. For more information regarding account fees for brokerage services, please see www.dmkc.com/disclosure.

Trade Corrections

If a trade correction becomes necessary, the client must notify the firm immediately. If the error is the fault of the firm or the Financial Professional, the trade will be canceled from the account and any lost interest will be credited, if applicable. Any losses will belong to the firm or Financial Professional. If the error is the fault of the client the firm will use reasonable efforts to help the client correct the error and mitigate any loss the client might incur.

Compensation for Termination of Services

Other than any contingent deferred sales charge for a fund (as described under the Mutual Funds section above, if applicable), IRA termination fees (when applicable), and account transfer fees, the firm would not receive any additional compensation in connection with the termination of its services. If you have questions or need additional information, contact your Financial Professional.

Brokerage - Excluded Advisory Assets

As described above, our brokerage services differ from our advisory services. However, in some instances we may allow an advisory client to trade what are referred to as "excluded assets" within their advisory services account. Excluded assets are not subject to our advisory program fees. Instead of our advisory fees, these excluded assets are subject to our standard brokerage charges when traded.

Conflicts of Interest

Conflicts of interest exist when we provide brokerage services to you. A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations, or the series of recommended transactions.

Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our Financial Professionals, our clients and third parties. We offer a broad range of investment services and products and we receive various forms of compensation from our clients, non-affiliated product providers and money managers, and other third parties as described above. The firm has a reasonable process for establishing and understanding the scope of "reasonable available alternatives" that would be considered by your Financial Professional in fulfilling their obligation for reasonable diligence. Securities rules allow for us, and our Financial Professionals, to earn compensation when we provide brokerage services to you. However, the compensation that we and our Financial Professionals receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation to us.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you. Below you will find additional information related to our conflicts of interest. This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship. In addition to this disclosure, conflicts of interest are disclosed to you in your account agreement(s) and disclosure documents, our product guides and other information we make available to you at www.dmkc.com/disclosure.

Compensation We Receive From Clients

Transaction-Based Conflicts

In your brokerage account you pay certain fees (commissions and sales charges) in connection with the buying and selling of each investment product, including mutual funds, variable annuities, alternative investments, exchange traded funds, equity securities, and bonds. Where these fees apply, the more transactions you enter into, the more compensation that we and your Financial Professional receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all.

Markups and Markdowns for Principal Transactions

When you buy or sell securities in a brokerage account, and in accordance with industry regulations, we may impose a markup (increase) or markdown (decrease) in the price of transactions buy from you or sell to you for our own account, as a principal. We are compensated based upon the difference (markup) between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price, or the difference (markdown) between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price. We maintain policies and procedures reasonably designed to help ensure compliance with the markup and markdown industry rules.

Account Maintenance and Other Administrative Fees

For the services we provide or make available to you with respect to your brokerage account, we charge certain account maintenance and other administrative fees, including transfer, wire, or other miscellaneous fees, as described in the fee schedule provided to you on an annual basis. The higher the fees we charge, the more we are compensated.

Fee Based Conflicts

If you maintain an advisory services account with our affiliated registered investment advisor, you pay certain fees based upon assets under management. Where these fees apply, the larger the assets under management, the more compensation that we and your Financial Professional receive. This compensation, which is ongoing for the life of the account, creates an incentive for us to recommend that you choose an investment advisory services relationship versus a transaction-based brokerage account.

Compensation We Receive from Third Parties

Third-Party payments we receive may 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 through a third-party manager or adviser).

The total amount of payments we receive varies by product, and 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 may make available to you, including advisory services. 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:

- **Revenue Sharing.** We are compensated on cash sweep balances via Money Market accounts through revenue sharing. However, your Financial Professional is not compensated on cash sweep balances. The firm may receive compensation for margin account balances in both brokerage and advisory accounts.
- **Trail Compensation.** Ongoing compensation from product sponsors may be received by us and shared with our Financial Professionals. This compensation (commonly known as trails, service fees or Rule 12b-1 fees in the case of mutual funds) is typically paid from the assets of the investment product under a distribution or servicing arrangement and is calculated as an annual percentage of invested assets. The amount of this compensation varies from product to product. We have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.
- **Insurance Commissions.** The firm and your Financial Professional may receive commissions from insurance companies for the sale of annuities, as well as trail commissions. These payments are considered indirect compensation, and may vary by product type and may vary by insurance carrier.

Additional Compensation from Product Sponsors and Other Third Parties

We and our Financial Professionals, associates, employees, and agents receive additional compensation from product sponsors and other third parties including:

- Gifts, an occasional dinner or ticket to a sporting event, or marketing or advertising initiatives.
- Reimbursement from product sponsors for research and technology-related costs, such as those to build systems, tools, and new features to aid in servicing clients.

Note: The amount of this compensation is not dependent or related to the level of assets you or any other of our clients invest in or with the product sponsor.

Product Share Classes

Some product sponsors offer multiple structures of the same product (*i.e., mutual fund share classes*) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are incentivized to make available those share classes or other product structures that will generate the highest compensation to us.

Payment for Order Flow

At this time, the firm has no payment for order flow agreements in place.

Compensation Related to Proprietary Products

Brokerage recommendations can include a recommendation to invest in a product or service that is managed, issued or sponsored by us or our affiliates. We and our affiliates will receive additional compensation or economic benefits from investments by you in such products, including, but not limited to, management credits, service fees and similar revenue sharing arrangements. The compensation related to these may be greater than similar products provided by third parties. Thus, we have an incentive to recommend investments in proprietary/affiliated products.

Compensation Related to Our Affiliates

Brokerage – Excluded Advisory Assets

As described above, our brokerage services differ from the advisory services offered by our affiliated registered investment advisor. However, in some instances we may allow an advisory client to trade what are referred to as “excluded assets” within the client’s advisory services account. Excluded assets are not subject to advisory program fees. Instead of advisory fees, these excluded assets are subject to our standard brokerage charges when traded.

The Research We Provide

We do not provide proprietary research. First Clearing makes third-party research available on request by the client. There is no additional fee for these reports.

Compensation Received by Financial Professionals

Financial Professionals are compensated in a variety of ways based on the percentage of revenue generated from sales of products, services to clients and brokerage account activity. This compensation may vary by the product or service associated with a brokerage recommendation. In addition to upfront-transaction based compensation, some products feature on-going residual or “trail” payments. Thus, Financial Professionals are incentivized to recommend products that have higher fees as well as those with on-going payments.

Typically, a Financial Professionals payout schedule (periodically adjusted by us at our discretion) increases with production and asset levels. The same payout schedule is reduced when Financial Professionals discount certain client fees and commissions, or client relationship asset levels are below minimums established by us from time to time.

As a result, Financial Professionals 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. Financial Professionals also have an incentive to provide brokerage recommendations to gather more assets under management and to increase brokerage trading activity, and to reduce the amount of discounts available to you.

Financial Professionals have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they receive. Provided the requirements of the PTE 2020-02 are satisfied, a Financial Professional who is an eligible investment advice fiduciary could receive direct compensation (such as management fees, as well as indirect compensations, such as 12b-1 fees, trailing commissions, sales loads, mark-ups and mark-downs, or revenue sharing payments from mutual fund companies or third parties) in connection with an IRA rollover. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest. Please also review our disclosure regarding ERISA qualifying accounts in the Incidental Brokerage Services, Recommendations and Account Monitoring section, page 2.

Brokerage accounts, unlike advisory accounts, do not feature an on-going fee based on assets under management. Financial Advisors are incentivized to recommend you transition your brokerage services account to an advisory account to generate on-

going revenue where your brokerage account has minimal activity. Further, Financial Advisors are incentivized to recommend you transition your brokerage account to an advisory account after you have already placed purchases resulting in commissions and/or other transaction-based brokerage fees. We have controls established to identify and mitigate this risk. Financial Advisors also have an incentive to provide higher levels of service to those clients who generate the most fees.

Recruitment compensation is provided to Financial Professionals who join our firm from another financial firm. This compensation, which may vary by Financial Professional, often includes either an upfront or backend award based upon new client assets to the firm and/or revenue generated from such client assets. This creates an incentive for the Financial Professional to recommend the transfer of assets to the firm, including brokerage assets, in order to earn this compensation.

Other Financial Professional Activities

Financial Professionals may be motivated to place trades ahead of clients in order to receive more favorable prices than their clients.

Financial Professionals who are transitioning through a succession plan may be incentivized to make brokerage recommendations designed to increase the value of their "book of business" through asset accumulation or brokerage trades that are not in your best interest. Financial Professionals who receive clients from a retiring Financial Professional are incentivized to meet growth goals and may make recommendations not in your best interest.

Internal campaigns and recognition efforts incentivize Financial Professionals to engage in activities to reach incentive goals.

Additional Resources

Form CRS

www.dmkc.com/disclosure

Legal Disclosures

www.dmkc.com/disclosure

Margin Disclosure

www.dmkc.com/disclosure

Cash Sweep Program

www.dmkc.com/disclosure

Definitions

Conflict of Interest

A conflict of interest is an interest that might incline a broker-dealer or Financial Professional - consciously or unconsciously - to make a recommendation that is not disinterested.

Full and Fair

Sufficient information to enable a retail customer to make an informed decision with regard to a recommendation.

Investment Strategy

The final rule release for Reg BI states that this is keyed off of the guidance for the FINRA's suitability rule; however, this will include recommendations of types of accounts.

Legal Representative

"Legal representative" includes the non-professional legal representatives of such a natural person (*i.e., a non-professional trustee that represents the assets of a natural person*). Reg BI would not apply when the legal representative is acting in a professional capacity as a regulated financial services industry professional retained to exercise independent professional judgment. Therefore, recommendations to Registered Investment Advisers and broker-dealers or corporate fiduciaries would not trigger Reg BI. On the other hand, recommendations to non-professional trustees, executors, conservators and persons holding power of attorney that represent natural persons are covered.

Personal, Family, or Household Purposes

The phrase "primarily for personal, family, or household purposes" covers any recommendation to a natural person for his or her account, other than recommendations to a natural person seeking these services for commercial or business purposes. Reg BI would not cover, for example, an employee seeking services for an employer or an individual seeking services for a small business or on behalf of another non-natural person entity, such as a charitable trust.

Receives and Uses

The SEC has stated that "use" means when, as a result of the recommendation: the retail customer opens a brokerage account with the broker-dealer, regardless of whether the broker-dealer receives compensation; the retail customer has an existing account with the broker-dealer and receives a recommendation from the broker-dealer, regardless of whether the broker-dealer receives or will receive compensation, directly or indirectly, as a result of the recommendation; or the broker-dealer receives or will receive compensation, directly or indirectly, as a result of that recommendation, even if that retail customer does not have an account at the firm.

Recommendation

The final rule release for Reg BI states that this is keyed off of the guidance for FINRA's suitability rule.

Reg BI

Reg BI means Regulation BI promulgated the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

Retail Customer

Reg BI only applies to recommendations to "retail customers." Reg BI defines a "retail customer" as a natural person, or the **legal representative** of such person, who:

- (a) receives a **recommendation** for any securities transaction or **investment strategy** from a broker-dealer or Financial Professional; and
- (b) **uses** the recommendation primarily for **personal, family or household purposes**.