

## R. SEELAUS & CO., LLC COMPENSATION AND CONFLICTS OF INTEREST DISCLOSURE SUPPLEMENT

The attached document supplements Form CRS / Customer Relationship Survey (July 6, 2023)

### Introduction

*R. Seelaus & Co., LLC* (“*R. Seelaus*” or “*the Firm*”) is a broker/dealer registered with the Securities and Exchange Commission (“SEC”), member of the Financial Regulatory Authority (“FINRA”), registered with the Municipal Securities Rulemaking Board (“MSRB”), and Securities Investor Protection Corporation (“SIPC”).

R. Seelaus employs a group of individuals, referred to as “financial professionals” also known as Registered Representatives (“RRs”) who offer brokerage services to clients depending on the securities licenses they have achieved which governs the activities in which they are permitted to engage. Some of R. Seelaus’ financial professionals may also be registered investment adviser representatives (“IARs”) with R. Seelaus’ affiliate and SEC registered investment adviser Seelaus Asset Management, LLC. Depending on the nature of the relationship and services requested, clients may have accounts with R. Seelaus, Seelaus Asset Management, or both firms.

R. Seelaus and its staff are permitted to transact business in forty-five (45) U.S. states and territories and the company maintains its main office in Chatham, NJ. In addition to the main office, the Firm has branch office locations in Boston, MA, Westport, CT, Red Bank, NJ, and Chicago, IL. Some of the investment products offered at R. Seelaus include municipal and fixed income securities, equities, mutual funds, exchange-traded funds, variable annuities, variable life insurance, and alternative investments including mortgaged backed securities. Variable life insurance and life insurance are sold at R. Seelaus and facilitated through RSC Financial Products, LLC, its insurance affiliate.

This disclosure document is designed to supplement R. Seelaus’ Customer Relationship Summary and contains information about the business practices, compensation and conflicts of interest related to its brokerage business. Additional information about R. Seelaus and its financial professionals is available on FINRA’s website at <http://brokercheck.finra.org> and [www.Investor.gov/CRS](http://www.Investor.gov/CRS).

### Capacity and Restrictions on Recommendations

#### Capacity: Brokerage and advisory services

As an R. Seelaus client, a broad scope of financial services are provided and customized to fit your individual investor profile, risk tolerance, and individual needs. Our finance professionals will interview clients to learn about their financial needs, goals, risk tolerance, time horizon, and a variety of other factors to provide a foundation to create an investment profile from which to achieve the customized desired goals. Periodically and as often as needed, clients are encouraged to provide information which updates this customer profile so that appropriate changes can be made to the investment strategy to remain in line with what the Firm is trying to achieve on the client’s behalf. It is important that clients understand the pricing structures for these products and services and the provision of ongoing account

monitoring. For detailed information regarding the Firm, we encourage people interested in learning more about our company to please visit our publicly available website at [www.rseelaus.com](http://www.rseelaus.com).

**Brokerage relationships generate transaction-based compensation.** In brokerage relationships, investors pay transaction-based fees in connection with the products and services they receive. These fees are charged when buying and selling stocks, mutual funds, annuity contracts and other investment products. Compensation also includes commissions, markups and markdowns, transaction fees, loads and sales charges. For fixed income securities such as corporate or municipal bonds, the markup or markdown is a fee embedded in the purchase price of the security. Because of the nature of transaction in fixed income securities, this form of compensation is included in the price of the fixed income security bought or sold. In a brokerage account, your total costs generally increase or decrease relative to the frequency of transactions in the account and the type of securities you purchase. Implicitly, this presents a conflict of interest in that the more you trade or invest, the more revenue our firm can generate from your account. When handling your brokerage account, we are obligated to ensure that our recommendations are in your best interest and only the transactions needed to accomplish your goals are executed. The Firm has implemented a robust system of supervision to monitor the activities of our finance professionals and to reasonable ensure that excessive trading does not occur.

**No Ongoing Monitoring in Brokerage Accounts:** In brokerage accounts, our financial professionals provide ongoing monitoring of your account after a recommendation is made and securities are transacted. Please be aware however that our best interest obligation applies only at the time of the recommendation. If you desire to have your account monitored on a more frequent customized ongoing basis, ask your financial professional about whether or not establishing an advisory account relationship with our affiliate SEC registered investment adviser Seelaus Asset Management, LLC is a more appropriate fit for you. In either case, acting in the best interest of our clients is of paramount importance to our ability to serve you.

**Advisory relationships have fee-based compensation.** In an effort to more clearly understand the compensation difference between a brokerage account with our SEC registered broker dealer R. Seelaus and an advisory account held with our SEC registered investment adviser Seelaus Asset Management, please take note of the following statements: In investment advisory relationships, clients pay a set fee, or a fee based on a percentage of the assets under management in the account according to an investment advisory program agreement called an investment advisory contract (“IAC”). Clients are not charged individual per trade transaction commissions and are permitted an unlimited number of trades for the same monthly fee. In a brokerage account, in lieu of an investment advisory monthly fee, clients are charged a per transaction fee. Depending on the level of care needed to achieve the pre-arranged financial goals, each type of account should be considered to evaluate which arrangement is more appropriate to your needs.

**Ongoing Monitoring in Advisory Accounts:** When handling an investment advisory account, your financial professional will act as a fiduciary to you. Advisory services are provided pursuant to a written agreement with you. In an advisory relationship, we do provide ongoing monitoring of your account in accordance with the terms of the written agreement with you.

For more information regarding our SEC registered investment adviser Seelaus Asset Management, LLC and the services financial professionals provide when they act as IARs, please refer to Seelaus Asset Management’s Form ADV disclosure brochure available on the U. S. Securities and Exchange Commission Investment Adviser Public Disclosure website found at the following weblink <https://adviserinfo.sec.gov/firm/summary/149582> or contact

the investment adviser for a copy of Form ADV.

***This disclosure discusses important information regarding financial professionals who act as registered representatives of SEC registered broker-dealer R. Seelaus & Co., LLC.***

### **Limitations on Investment Recommendations**

Some of our financial professionals offer both brokerage and investment advisory services. When discussing the menu of services offered through a financial professional, you should ask in what capacity the financial professional is acting or will be acting – e.g. as a broker-dealer registered representative with R. Seelaus or an investment adviser representative with Seelaus Asset Management. You should also ask if there are limitations on the products or services a financial professional may offer by virtue of any of the following:

**Limited Product Shelf:** There are literally thousands of recommended investment products on the market and R. Seelaus does not offer all of them for sale to its clients. Our Firm and its finance professional have a wealth of experience and depth of knowledge in several securities which include, but are not limited to, corporate, municipal, and government securities to name a few. Moreover, the scope of products and services we offer may be more limited than what is available through other financial service firms. Regarding certain variable annuities and life insurance products, R. Seelaus and financial professionals recommend investment products only from sponsors with whom R. Seelaus has selling and distribution agreements. Variable insurance products are facilitated through an association with R. Seelaus but are written with our insurance affiliate RSC Financial Products, LLC. Other firms may offer products and services not available through R. Seelaus, which presents a conflict since you are not able to purchase those products or services through R. Seelaus. We disclose this conflict to you and mitigate it by maintaining a robust offering of financial products and services from which to choose.

**Insurance Products:** R. Seelaus financial professionals offers insurance products sponsored by other unrelated insurance companies. While these products are recorded on the books of our affiliate RSC Financial Products, LLC, R. Seelaus receives compensation in the form of trailer payments for sales facilitated. This is a conflict in that there is an incentive to offer to sell insurance products and the more products sold, the more that R. Seelaus earns. We manage this conflict by disclosing this to you and by implementing a robust supervisory structure to review, document, and approve all insurance contracts sold to ensure they are suitable for the investor. Applications are subject to a review inclusive of the highest industry standards and must be appropriate and suitable to the client's needs.

**Restrictions Based on Licensing:** A financial professional's ability to offer individual products and services depends on his/her securities licensing achieved. RRs are not permitted to sell financial products for which they have not obtained the requisite licensure. For example, a financial professional holding a Series 6 license is limited to offering mutual funds, 529 plans, Unit Investment Trusts ("UITs") and variable annuity contracts. A financial professional holding a Series 7 license can offer all of the investment products a Series 6 representative can offer as well as individual stocks, bonds, exchange traded funds ("ETFs"), and alternative investments (real estate investment trusts (REITs), limited partnerships (LPs), 1031 exchanges, Business Development Companies (BDCs), and private equity. A financial professional may also hold either the Series 65 or 66 licenses or have attained a certification such as the Certified Financial Professional certificate, which enables them to offer

advisory services. Our financial professionals undergo continuing professional education to ensure they understand the need for proper licensure and our Compliance Department and management team monitors the activities of its employees to ensure they are properly licensed.

You should ask your financial professional about the investment products or services he/she is licensed or qualified to sell, and his/her ability to service investments that you transfer to R. Seelaus from another firm. You can also review the licenses held by your financial professional by visiting the publicly available FINRA's Broker Check system website at <http://brokercheck.finra.org>. Licensing presents a conflict in that individuals have an incentive to offer you products or services that correspond to their licensing. We disclose this implicit conflict to you and mitigate it by reviewing the activities of our financial professionals to ensure recommendations are suitable for your individual needs and they are in your best interest.

**Minimum Investment Amounts:** Some products may impose minimum investment amounts, which precludes purchases under that amount. Purchase minimums can vary by issuer, but they are common in mutual funds (typically between \$250 - \$1000), annuities (typically \$5,000 – 10,000), and alternative investments (typically between \$2,500 - \$5,000). We encourage you to ask your financial professional or refer to the official product offering document if there are minimum purchase amounts applicable to the investment product you are considering.

**Distinction Between Holding Products Directly with Sponsor or in a Brokerage Account:** Exchange traded securities (i.e., stocks, bonds, options, ETFs) are only available for purchase in a brokerage account maintained with our custodian BNY Pershing, which is responsible for sending you confirmations and account statements. Other securities, including mutual funds, variable annuities, and alternative investments, may be owned in either a brokerage account or directly held with the product sponsor (“directly held”).

With a “directly” held account, R. Seelaus purchases the investment directly with the product sponsor, which is responsible for sending you confirmations and account statements instead of our clearing firm. In a brokerage account, you can hold several different types of securities, which can be more efficient because all of the securities are included on one statement and you receive one Form 1099. With a directly held account, you may only hold products issued by that product sponsor. Brokerage accounts typically have annual maintenance fees or other account fees for other services. Clients should understand all the fees and charges about maintaining a brokerage account. While there are important differences between brokerage and directly held accounts, we do not require your financial professional to open an account nor do we incentivize the financial professional to open one type over the other. Discuss with your financial professional about which type of account is best for you.

## **Firm Revenue: Commissions, Fees, and Third-Party Compensation**

The Firm earns revenue from several sources which include but is not limited to commissions, markups, and markdowns, and selling concessions for facilitating syndicate activities.

### **A. Revenue from Clients**

Our brokerage revenue from clients includes the following:

- 1. Commissions:** We receive Commissions paid when you buy or sell equities, exchange traded funds, and mutual funds and earn a markup or markdown on fixed-income investments (this applies when we act as agent or broker). Depending on the product traded, commissions typically range from 3-5% for equities, ETFs, and Mutual Funds and 1.75% to 3.75% for fixed income securities with minimum transaction charges of \$25 for equities, ETFs, and Mutual Funds and \$150 for fixed income trades. Commission ranges on thinly traded mortgaged backed securities (“MBS”) vary depending upon the complexity, market environment, and difficulty in brokering these structured transactions. If interested, feel free to discuss MBS products with our team of professionals that specialize on these products.
- 2. Markups and markdowns:** We receive revenue from markups and markdowns on the price of a fixed income security when you buy or sell fixed income securities. We share the revenue on behalf of client revenue introduced to the firm with your financial professional.
- 3. Sales loads:** Sales loads (sales charges), commissions or concessions derived from the offering and sale of various managed investments such as mutual funds, unit investment trusts, insurance, and annuities. A commission, or sales load, is typically paid at the time of the sale and can reduce the amount available to invest. For more information about other commissions that apply to a particular transaction, please refer to the applicable product disclosure form, investment prospectus, or offering document. We share a portion of this revenue source with your financial professional.
- 4. Proprietary Trading:** To better facilitate the customer experience and to fulfill financial needs, the Firm may trade in an account owned by the Firm in anticipation of client demand and provide liquidity to fulfill customer orders in a timely fashion to meet their investment goals.. The Firm accepts the market risk associated with the volatility of the marketplace by acquiring securities that may be needed to satisfy customer demand. These securities may increase or lose value which the Firm absorbs. There is an inherent conflict since the Firm could suggest a security that is suitable from Firm inventory. We mitigate this risk by monitoring Firm inventory and selling those securities term if they are not needed to service our customer accounts. All transactions recommended to its clients must be suitable and appropriate to their investment needs regarding of whether the source of the inventory was within a Firm account.

## **B. Revenue from Third Parties**

Our revenue from third parties includes:

- 1. Trail Compensation and/or 12b-1 Fees:** Payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by R. Seelaus customers. The more assets you invest in the product, the more trails we earn. Therefore, there is an inherent conflict of interest to encourage clients to increase the size of these types of investments. The percentage of assets received varies by product, which creates an incentive to recommend products paying higher trails. We share this revenue with your financial professional. This creates a conflict for your financial professional to recommend funds paying higher trail compensation. We manage this conflict by disclosing this to you and by frequently monitoring the activities of our financial professionals.

- **Mutual Funds and 529s:** The ongoing 12b-1 trail payment depends on the class of shares but is typically between 0.25% and 3.5% of assets annually.
- **Annuities:** The amount and timing of trail payments varies depending on the issuer and type of policy purchased. The maximum trail payment for annuities is typically 2.5%.

**2. Revenue Sharing Payments:** We receive payments known as revenue sharing from 529 plan program managers and insurance companies for the sale of variable insurance products (collectively referred to as “product partners”). Our receipt of revenue sharing payments creates a potential conflict of interest in that we have an incentive to offer products from product partners that pay us revenue sharing. There is an inherent conflict in that certain product types offer more revenue opportunity than others. We address these conflicts by disclosing them to you and by not sharing any of the payments with our financial professionals, who are free to offer various product types, as well as products from firms that do, or do not, pay revenue sharing to R. Seelaus.

- **Insurance Carriers:** R. Seelaus receives compensation from insurance carriers that ranges from 0.05% to 2.50% annually of insurance product sales.

### 3. Revenue from BNY Pershing:

**A. Miscellaneous Fee Revenue:** For accounts held at our clearing firm BNY Pershing, customers pay miscellaneous fees directly for account services, including but not limited to, transaction fees for purchases of products on the BNY Pershing platform, wire transfers, returned checks, transfer on death services, outgoing account transfers, account inactivity, margin extension fees, margin interest fees, IRA annual maintenance fees, and IRA termination fee. These charges are assessed against the customer’s account and may include additional charges, or markups, that R. Seelaus assesses for the provision of these account services. In some instances when a new financial professional joins R. Seelaus, their former customers may move their accounts from another brokerage firm, potentially incurring account closing fees in the process at the legacy firm. Clients are encouraged to ask and should understand all charges associated with the financial activities in their brokerage accounts.

**B. Margin Account Fee Revenue:** A margin account is a brokerage account in which the broker lends the customer cash to purchase stocks or other financial products. The loan in the account is collateralized by the securities purchased and cash and comes with a periodic interest rate. Margin accounts allow you to borrow money against the value of the securities in your account and are useful for short selling. At the discretion of R. Seelaus, the rate at which a client may pay for the margin may be marked up and provide a revenue stream to the broker dealer. There is an implicit conflict of interest in that a finance professional may suggest a margin account which in turn provides a revenue stream to the Firm. We mitigate this risk by supervising the activities of our finance professionals and their clients with margin accounts. We encourage all clients to fully understand the terms and fees associated with a margin account and the risks associated.

## Financial Professional Compensation

R. Seelaus & Co., LLC compensates its financial professionals pursuant to individualized and custom agreements

with our employees which vary according to a few metrics including but not limited to the volume and types of transactional business introduced to the Firm. Described below are the types of compensation and other benefits that a financial professional may receive from R. Seelaus:

**Cash Compensation:** When you buy or sell certain investments, such as stocks, bonds, exchange-traded funds, and other investment products, R. Seelaus earns revenue for brokering the transactions as described above. The amount of revenue earned differs depending on the financial product transacted as well as the volume of transactions. R. Seelaus pays your financial advisor a portion of the revenue introduced by the RR. The payout varies based on the financial professional's individual agreement with R. Seelaus and the agreed upon terms. Some investments provide more compensation to your financial professional than others, which creates an implicit conflict in that it can influence the investment product recommendation. We mitigate this risk through a comprehensive system of supervision which includes daily reviews of transactional activities and fees charges to clients. Any possible issues are immediately escalated for review and remedial action if necessary.

For information on the amount of the sales charge or commission applicable to your investment, please refer to the trade confirmation associated with each order.

**1. Trail Compensation and/or 12b-1 Fees:** As discussed above under the Firm Compensation section, the Firm receives, and shares with financial professionals, payments from mutual fund and insurance companies in the form of distribution and/or service fees (12b-1 fees), trail commissions or renewal commissions, which are fully described in the applicable prospectus or offering document. Trails are typically paid from the assets of the investment product and the amount is calculated as an annual percentage of assets invested by R. Seelaus' customers. The more assets you invest in the product, the more trailing fees we earn. Therefore, there is an implicit incentive to encourage clients to increase the size of their investment. The dollar amount of trails received varies by product also creates an incentive to recommend products paying higher trails. This dynamic creates an implicit conflict for your financial professional to recommend funds paying higher trail compensation. We manage this conflict by disclosing it to you and through a robust system of supervision to monitor the activities of our financial professionals.

**2. Financial Professional's Outside Business Activities (OBAs):** Financial professionals are permitted to engage in certain R. Seelaus-approved business activities other than from the provision of brokerage and advisory services offered through R. Seelaus that do not conflict with their duties and responsibilities at the Firm. Financial professionals may receive compensation and benefits from these activities as well. Examples of common OBAs in which our financial professionals participate:

- For profit businesses that do not interfere or conflict Firm activities or disadvantage clients.
- Participation in non-profit Board of Trustees or Boards of Directors.
- Civic positions such as coaching a child's sports team.

A financial professional's OBAs are separate and distinct from their R. Seelaus activities and the Firm's policies and procedures require advanced disclosure, review, and approval to mitigate the appearance of and actuality of a conflict of interest. Additional information about your financial professionals outside business activities is available on FINRA's website at <http://brokercheck.finra.org>. While most for profit activities are memorialized on a financial professional's Form U4 registration document, activities that are civic and charitable generally are not

subject to Form U4 disclosure and are documented in the Firm's books and records to evidence supervision.

## Products: Fees, Costs, and Compensation

### A. Mutual Funds, Closed-end Funds, and Exchange Traded Funds

#### 1. Mutual Funds

Mutual funds are professionally managed portfolios of securities that pool the assets of individuals and organizations to invest toward a common objective, such as current income or long-term growth. Mutual Funds are generally priced once per day and offer a variety of investment alternatives. All mutual funds are offered for sale through a prospectus, which you should read prior to investing. The prospectus describes the sales charges and expenses applicable to the fund and it describes the fund's investment objective.

All mutual funds charge investment management fees and ongoing expenses for operating the fund and these expenses can vary by the share class purchased. The most common types of mutual funds are Class A and Class C shares. Funds may also offer special share classes for qualified retirement plans. The key distinctions between share classes relate to costs: the sales charge and operating expenses. Your financial professional's compensation is determined by the type of share class purchased.

**Class A Shares:** For class A share mutual funds, you typically pay a front-end sales charge, called a sales load, which is deducted from the initial investment. Mutual funds with front-end loads generally reduce the sales charge as the amount of your investment increases above certain levels, according to a breakpoint schedule. Sales charges for mutual funds investing predominantly in equities generally are higher than those of mutual funds investing primarily in bonds. Your front-end charges may be reduced or eliminated as the amount of your investment with the mutual fund company increases above certain levels. Such reduced charges are known as breakpoint discounts. At a certain level, typically \$1 million, you may stop paying sales charges. Annual operating expenses for class A shares are generally lower than for class C shares. Please refer to the prospectus for the specific sales charges and expenses.

**Class C Shares:** For class C share mutual funds, you are normally not charged a front-end sales charge or a contingent deferred sales charge (CDSC) unless you sell shares within a short period of time, usually one year. The operating expenses are generally higher than those of class A shares. Class C shares do not offer breakpoint discounts. Class C shares typically are more appropriate for investors with a shorter investment time frame.

The mutual fund company pays R. Seelaus a commission at the time you make your investment with the amount varying depending on the share class purchased and any applicable break point discounts.

R. Seelaus pays a portion of this commission to your financial professional for introducing the business.

The product sponsor also pays us an ongoing distribution and/or service fee (12b-1 fees) that are paid out of fund assets for as long as you own your shares and we are the broker of record. Your financial professional receives a



portion of these trail payments. Please ask your financial professional how he or she is paid for mutual fund transactions.

**Money Market Mutual Funds:** A money market mutual fund contains short term debt and monetary investments and has an objective of maintaining a stable net asset value of \$1 per share. There are no sales charges when you buy a money market fund. There typically is no fee to redeem money fund shares unless the fund's board has determined to impose liquidity fees in certain circumstances. The fund's prospectus contains information regarding the fund's objectives, risks, investments, fees, and expenses.

R. Seelaus does not charge commissions or fees for the purchase or liquidation of money market funds. We do receive 12b-1 fees for distribution services we provide and share these with your financial professional.

## 2. Exchange Traded Funds (ETFs)

An ETF is an exchange-traded security combining attributes of conventional stocks with mutual funds. ETFs are pooled investment funds that offer investors an interest in a professionally managed portfolio of securities that track an index, a commodity, or a basket of assets. ETFs may be actively managed or passively managed and they trade on stock exchanges where they may experience price changes throughout the day as they are bought and sold. Certain types of ETFs, namely leveraged ETFs and inverse ETFs are significantly riskier than basic ETFs. R. Seelaus allows financial professionals to solicit the purchase of these types of ETFs but there will be a heightened focus on suitability to compensate for the increased risk.

We act as an agent for your ETF transactions, which means we send your order to an external venue to buy or sell shares of the ETF. You pay a commission based on the amount of the transaction, which we share with your financial professional. ETFs also carry built-in operating expenses that affect the ETF's return. For more information, please refer to the applicable offering document.

## 3. Closed-end Funds

A closed-end fund is a type of investment company that is typically actively managed with a goal of outperforming market indexes. Close-end funds have a fixed number of shares that are publicly traded on an exchange. The share prices fluctuate based on investor supply and demand and there is no requirement that the share price match the Net Asset Value (NAV). Many closed-end funds trade at a discount to NAV. Open end mutual funds, on the other hand, are priced each day at NAV. Closed-end funds are not required to redeem shares.

We act as an agent for your closed-end fund transactions. This means we send your order to an exchange to buy or sell shares of the closed-end fund. You pay a commission based on the amount of the transaction. Closed-end funds also carry built-in operating expenses that affect the fund's return. Your financial advisor receives a percentage of the commissions from closed-end fund trades.

## B. Unit Investment Trusts (UITs)

A UIT is an SEC-registered investment company that invests in a fixed, diversified group of professionally selected securities according to a specific investment strategy. Unlike open end mutual funds, the securities within

the UITs portfolio generally are not actively traded and instead maintains more of a buy and hold approach to investing. As a holder of a UIT you own a portion of the securities in the trust.

UITs have a set termination date where the portfolio securities are sold, and the proceeds are paid to investors. Prior to the UIT's termination, a holder may redeem shares by tendering back to the sponsor. The amount received will be based on the current value at the date of redemption, which may be less than the original amount invested. UIT sponsors continuously offer new series of UITs, which makes it possible for investors to purchase a new series of the UIT upon expiration of the current UIT.

In brokerage accounts, you typically pay either a front-end sales charge or a combination of front-end and deferred sales charges. The deferred sales charge is usually deducted from your account in periodic installments. We receive a portion of that sales charge from the provider sponsoring the UIT. The trust sponsor may also charge a "creation and development" fee (C&D) to compensate for the costs of organizing and offering the portfolio.

UITs have built-in operating expenses that affect their return. Details on the operating expenses and organizational fees are included in each UIT's prospectus. We may receive additional compensation based on our overall sales, or volume concessions, which are received from the unit trust sponsor. The potential volume concession amounts are detailed in each UIT's prospectus. For information about volume concession, please see the corresponding prospectus.

Your financial professional receives a percentage of the overall dealer concessions the product sponsor pays to R. Seelaus as described in the prospectus. For fixed-income trusts, the dealer concession may vary based on the number of units underwritten. For information about underwriting concession, please see the corresponding prospectus. Your financial professional does not receive commissions from the sale or liquidation of UITs. Also, your financial professional does not receive direct compensation or any portion of volume concession payments we may receive from UIT sponsor.

### C. Variable Annuities

Variable annuities are contracts issued by insurance companies into which the buyer makes a lump-sum payment or a series of payments. In exchange for these payments, the insurer agrees to provide either a regular stream of payments beginning immediately (or at some future date) or a lump sum payout at a future time. The client pays premiums to the issuing insurance company. At the client's direction, the insurer allocates the client's premium payments to investment options, or sub-accounts (which are like mutual funds) comprised of stocks, bonds, or other investments. When you invest in a variable annuity, any growth credited to your account is credited to your account but is not taxed until you take distributions, at which point you pay taxes on any gains. Withdrawals before the age of 59 ½ may also incur a federal tax penalty. Please refer to the prospectus for information specific to the variable annuity you purchase.

**Fees and charges:** Because variable annuities possess insurance features, they have fees and/or expenses that are not found in other investment products. The fees or expenses that you pay vary depending on the terms and share class of the annuity purchased. The most common fees are as follows:

- **Surrender charge.** Most variable annuities do not have an initial sales charge. However, insurance

companies usually assess a surrender charge — often called a contingent deferred sales charge (CDSC) — to an annuity owner who liquidates a contract or makes a withdrawal in excess of the free withdrawal provision (typically 10%) during the surrender charge period specified in the prospectus. The CDSC typically decreases over several years. Please read the prospectus carefully regarding the applicable surrender charges.

- **Mortality & Expense Risk charge (M&E).** The insurance company charges you this fee for the insurance risks it assumes by providing you guaranteed<sup>1</sup> future payments and basic death benefits. In addition, this fee helps offset the cost of commissions paid.
- **Administrative fees.** These fees cover administrative costs associated with servicing the annuity, including the cost of transferring funds, tracking purchase payments, issuing confirmations and statements, recordkeeping, and customer service.
- **Contract maintenance fee.** This is an annual flat fee — approximately \$25 or \$30 a year — to keep the contract active. This fee may be waived on variable annuity contracts with account values over a certain dollar amount (for example, \$50,000). See the prospectus for details.
- **Underlying fund expenses on sub accounts.** These fees cover the cost of managing the investments within the subaccounts.
- **Optional Rider costs.** Additional riders that provide protection for death and/or provide income may cost extra.

**Commissions and Compensation:**

We primarily offer Deferred Sales Charge Variable Annuities, which are characterized by contingent deferred sales charges also known as surrender charges, that typically range from 1% - 7% in the first year and subsequently decline to zero after five to seven years. The commission payable to R. Seelaus for selling these annuities, which we share with your Financial Professional, ranges from 1% - 7% of your initial investment, with a possible annual trail commission of up to 2.5% of the total value of the annuity.

Your financial professional has the option to choose from a higher upfront commission with a lower or no trail payment or, conversely, a lower upfront commission with a higher trail payment. The total compensation paid with each of these options is generally comparable over time.

Certain insurance companies may pay us additional amounts known as revenue sharing. Please see the section of this document entitled Firm Compensation for additional information.

**E. General Securities (Stocks and Bonds and Certificates of Deposit)**

**1. Common and preferred stocks:** when you buy or sell stock, we will act as your agent and route your order to another market participant or to an exchange to buy or sell shares. You pay a commission based on the amount of the transaction, which we share with your financial professional. In the event of trade errors and corrections, we can either earn a profit or loss.

**2. Fixed Income Securities / Bonds (Corporate, Municipal, Government):** When you purchase bonds, we act as either principal or agent. If we act as agent, we will charge you a commission, expressed as a percentage

of the dollar amount you buy and sell. If you buy a bond from our inventory or sell a bond that we purchase directly from you, we act as a principal and will either markup the price (for a purchase) or markdown the price (for a sale). The amount of the commission or markup or markdown will be reflected on the trade confirmation. We share this compensation with your financial professional.

## **F. Alternative Investments**

R. Seelaus offers alternative investment products which include 1031 exchanges, private funds, private placements, and mortgage backed securities.

These products are classified as "alternative" because they are unlike traditional brokerage securities, such as stocks and bonds, and may or may not be traded on an exchange. In some cases, alternative investments have a negative correlation to traditional investments and are used to further diversify portfolios beyond the traditional asset classes to help manage risk.

Additionally, these products are complex, risky, and not appropriate for everyone. For this reason, there are heightened investor qualification requirements for purchases, and we encourage clients to fully understand the risks associated with such an investment. There also could be a less expensive or less complicated product that is similarly appropriate for you.

## **G. Other Potential Conflicts of Interest (and how these potential conflicts are mitigated)**

1. Firm takes a position on a security that may be contrary to positions the firm sold to clients — R. Seelaus maintains a proprietary or Firm trading account to buy and sell securities in anticipation of client demand and provide liquidity to our customer base. Because clients may transact contrary to the activities of the Firm all parties should understand that there is a potential for the Firm to take positions that are independent of actual client orders.
2. Pitting one client segment against another—The Firm will not pit one client’s needs against another client. However, if two clients are engaging in trading activities contrary to each other, the Firm may cross the trades to provide superior execution for each one.
3. Advising on both sides of a transaction—Clients have full discretion regarding transactions for their accounts. It is possible that one RR may provide a market perspective supporting the purchase of a security when another RR may view the market in a contrary manner. In each instance, the RR will fully consider the best interest of the client and offer advice to support this paramount objective.
4. Trade Allocations (primary and secondary trades) Giving preferential treatment to some customers over others—It is the policy of R. Seelaus that each client will be considered on its merits for participation in syndicate offering opportunities. Clients will not be shown preferential treatment as a function of their history or volume of business given to the firm. Each client will be awarded allocations according to their interest and the amount awarded to the firm by the syndicate
5. Order Flow Arrangements—It is the policy of R. Seelaus to route order flow to a particular trading

destination in order to receive preferential rebates or breakpoints. Counterparties with whom we conduct our business affairs are selected according to a host of factors including our history in dealing with the trading partner, the liquidity and price they are representing, and their ability to fulfill the most agreeable time and price to fulfill our client's trading needs.

6. Products are offered that has high risk to customer and/or representative does not understand—It is the policy of R. Seelaus to ensure that RR's fully understand all financial products recommended to our clients. This includes understanding the fundamentals of the security and the associative risks and benefits of each one.
7. Associated Persons placing trades ahead of clients to gain financially—R. Seelaus prohibits trading ahead of clients to enrich either the firm or another client. Orders placed by RRs will be filled in the time in which they are received according the specific details and needs of each order.
8. Borrowing from or Lending to Customers—R. Seelaus does not lend to or borrow funds from Customers as a matter of firm policy. Clients may consider opening a margin account with our clearing firm BNY Pershing following a careful consideration of the risks, fees, and benefits of engaging in this type of account to accomplish their financial goals.
9. Gifts – Occasionally, nominal gifts are sent to representatives of R. Seelaus and the Firm may send out de minimis gifts in line with regulatory best practices and guidelines. Our house policies which are written with strict regulatory guidelines prohibit the deliver to or receipt from Clients of gifts which exceed \$100 in fair market value per person, per firm in any calendar year exclusive of tax or delivery fees. To mitigate the risk posed by the potential for preference, R. Seelaus requires its employees to complete an attestation both on hire and on an annual basis reminding them of their obligations vis a vis gifts and employees are asked to declare gifts (both incoming and outgoing) to the Compliance Department.
10. Meals & Entertainment – In the ordinary course of business operations, staff may be required to travel and incur meal and entertainment expenses regarding the conduct of business operations with clients. These meetings are to discuss business and are strictly monitored for excessive cost and expenditure. We mitigate the risk that meals and entertainment might infer preference in our client dealings by strictly monitoring and approving employee expenditures, as well as requiring employees to attest to their compliance with such policies both on initial hire and annually thereafter.
11. Recruitment compensation e.g. forgivable loans, recruitment bonuses, tiered payout grids, etc.. The possibility exists for any RR to attempt to generate heightened sales. To mitigate these risks, we have a robust system of supervision to monitor the activities on a daily and interim basis. We have implemented a Firm continuing education program to both remind and educate staff of their obligations under securities rules as well as for industry best practices. We encourage all clients to be knowledgeable about the trading activity in their accounts and the reasons behind the recommended transactions. Clients are encouraged to ask, understand, and question the activities suggested by our RR's.
12. Reimbursed Education and Participation in Industry Events—Registered representatives are encouraged to both attend and participate as panelists in industry events and seminars. Occasionally, the sponsor may reimburse staff for expenses or waive tuition for their participation. In no circumstance does the firm accept payment for participation in such conferences. It is the policy of R. Seelaus that participation in these events is done in an arm's length agreement and will not favor, endorse, show preference towards,

or recommend a particular security or company solely based on employee participation. It is the policy of R. Seelaus that such continuing education opportunities are to share or obtain market insight and educate the public or be educated about our product and service offerings.

13. Receipt of Promotional Items from Product Providers – Other than promotional logo items of insignificant value and nominal meals provided to educate the staff about security offerings from product sponsors, the Firm does not allow employees to receive excessive gifts, entertainment, and other non-cash compensation. The receipt of goods and services from product sponsors creates an inherent conflict of interest because it suggests the appearance that products will be offered because of these enrichment opportunities. To mitigate conflicts of interest, RRs are educated not to accept these types of incentives and to protect their independence and avoid situations that could lead to the appearance of impropriety.
14. Reimbursement for products, research, or technology – Neither the Firm nor its Registered Representatives receive 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. It is the policy of the Firm to avoid appearance of favoritism towards these product sponsors by avoiding the receipt of reimbursement for expenses to conduct our business affairs associated with technology companies and product sponsors. It is the goal of the Firm and its Registered Representatives to always act in the best interest of each client according to their unique investor profile and financial situation and to avoid any matter that actually causes a conflict or might lead an independent reasonable person to believe that a conflict of interest might exist, even if none actually is present.

R. Seelaus & Co., LLC encourages clients to understand the information set forth in this document and encourages open discussion with your finance professional. Further information regarding the Firm is found on our public website at [www.rseelaus.com](http://www.rseelaus.com), on FINRA's publicly available BrokerCheck system found at <https://brokercheck.finra.org/firm/summary/14974>, and on the Federal Investor.gov website found at [www.Investor.gov/CRS](http://www.Investor.gov/CRS).