

**SUNBELT SECURITIES, INC.**  
DISCLOSURES FOR RETAIL BROKER  
DEALER CLIENTS

**JANUARY 31, 2022**



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# SUNBELT SECURITIES, INC.

## DISCLOSURE FOR RETAIL BROKER DEALER CLIENTS

Sunbelt Securities, Inc. (“Sunbelt” or “SBS”) is providing this information to enhance the transparency of our relationship by disclosing conflicts of interest connected with recommendations and services we provide. These conflicts result from the practices of the financial services industry, SBS’s business model and our compensation structure, including conflicts arising from the transaction-based commissions we pay our financial professionals. This document also clarifies the different standards of conduct that apply to SBS and our financial professionals depending on whether your applicable account is a commission-based brokerage account or a fee-based advisory account.

### INTRODUCTION TO SUNBELT SECURITIES

Sunbelt Securities, Inc. (SBS) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and member of the Financial Industry Regulatory Authority (FINRA). SBS is also registered as an investment adviser with the SEC.

This disclosure summarizes important information concerning the scope and terms of the brokerage services we offer and details the material facts relating to conflicts of interest that arise through our delivery of brokerage services to you. Our goal is to provide you with the information you need to make informed investment decisions. We encourage you to review this information carefully, along with any applicable account agreement(s), disclosure documentation, or other materials you receive from us. We reference various other documents throughout this disclosure, which have either been or will be provided to you as applicable, based on you establishing a brokerage account, or engaging in certain brokerage investment activities with us. You should contact us promptly either in writing or by phone if you do not fully understand this or any other disclosure we provide you, including any questions you have concerning the essential facts of your brokerage relationship with us, or our conflicts of interest. For the ease of discussion, this disclosure

uses Sunbelt Securities or “SBS”, “we,” “our,” and “us” to refer to all of those brokerage operations and the term “financial professionals” to refer to our registered representatives. The term “client,” “you,” and “your” are used throughout this disclosure to refer collectively to the person(s) or organization(s) who engage us for brokerage services. Our brokerage services are the primary focus of this disclosure. Please carefully review and consider the information in each section below.

### Important Information to Consider Before Reading Further

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

- This disclosure is intended to comply with our obligations under Regulation Best Interest (Rule 15c-1 under the Securities and Exchange Act of 1934), and, in certain cases, with other regulatory disclosure requirements.
- This disclosure does not otherwise change, alter or modify our other obligations under the federal securities laws, nor does this disclosure otherwise change, alter or modify the terms and conditions of any client agreement(s) you enter into with us.

- Our obligations under Regulation Best Interest apply only when we recommend a type of account, a securities transaction in your brokerage account, an investment strategy involving securities in your brokerage account, or recommend that you roll over or transfer assets from one type of account to another (*i.e.*, a *workplace retirement plan account to an IRA*). Our obligations under Regulation Best Interest do not extend to other dealings we have with you, including when we execute transactions where we have not made a recommendation, where you deviate from our recommendation(s), how we market securities and our services, or in determining the fees we charge.
- Our obligations under Regulation Best Interest do not extend beyond a particular recommendation, nor do they create an ongoing duty to you, or impose on us any duty to monitor your brokerage account or to monitor specific investments in your brokerage account.

## YOUR RELATIONSHIP WITH US

### Our Business Philosophy and Approach

Before we recommend that you work with us through either a brokerage or advisory relationship, rollover or transfer your assets from a retirement plan, or invest your assets in a particular product or strategy, we will collect information about you including your income, age, net worth, liquid net worth, other investments, financial situation and needs, tax status, investment objectives, experience and time horizon, liquidity needs, risk tolerance and other information we think is relevant. Any recommendations we make will be based on the information you provide and our assessment of the investments or services, potential risks, rewards, and costs. You should understand that, while we consider reasonably available alternatives with similar investment objectives, where appropriate, in making a recommendation to you, there is no single “best” investment for any particular situation. We do not evaluate every possible alternative available at our firm, or in the marketplace, when making a

recommendation. You make the ultimate decision whether to follow our recommendations to buy, sell, or hold securities in your account, and it is your responsibility to notify us of any changes to your investor profile.

### Understanding the Capacity of the Firm

Depending on your goals and objectives, your financial professional will recommend services through a brokerage relationship, investment advisory relationship, or both. There are important differences between these relationships as it relates to types of services and accounts, such as the following:

**Brokerage relationships.** In brokerage relationships, investors pay transaction-based fees in connection with the products and services they receive, such as buying and selling stocks, bonds, mutual funds, annuity contracts and other investment products. These include commissions, transaction fees, loads and sales charges. Compensation to SBS includes these commissions, transaction fees, trail commissions, loads and sales charges that are embedded in the purchase price as well as compensation from third parties in some cases.

In a brokerage account, your total costs generally increase or decrease as a result of the frequency of transactions in the account and the type of securities you purchase. This presents a conflict in that the more you trade or invest, the more revenue we can generate from your account. When handling your brokerage account, we are obligated to ensure that our recommendations are in your best interest.

**No Ongoing Monitoring in Brokerage Accounts.** In brokerage accounts, our financial professionals do not provide ongoing monitoring of your account after the recommendation. Our best interest obligation to you applies only at the time of the recommendation. If you desire to have your account monitored on an ongoing basis, ask your financial professional about establishing an advisory account relationship.

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**Advisory relationships.** In advisory relationships, clients pay a set fee, or a fee based on a percentage of the assets in the account according to an investment advisory program agreement.

**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 about SBS and the services its financial professionals provide when they act as IARs, please see SBS' Form ADV brochure available at [www.sunbeltsecurities.com/disclosures](http://www.sunbeltsecurities.com/disclosures).

## Limitations on Investment Recommendations

Although many financial professionals offer both brokerage and investment advisory services, some offer only brokerage services and others offer only investment advisory services. When you are discussing services with a financial professional, you should ask what capacity the financial professional is acting or will be acting – as a broker-dealer registered representative and/or an IAR – when providing services to you. 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 SBS does not offer all of them for sale to clients. Moreover, the scope of products and services we offer may be more limited than what is available through other financial service firms. Our financial professionals recommend investment products only from investment sponsors with whom SBS has entered into selling and distribution agreements. Other firms may offer products and services not available through SBS, which presents a conflict since you are not able to purchase those products or services through SBS. We disclose this

conflict to you and mitigate it by maintaining a robust offering of products and services.

**Restrictions Based on Licensing:** A financial professional's ability to offer individual products and services depends on his/her licensing. A financial professional holding a Series 6 license is limited to providing mutual funds, 529 plans, Unit Investment Trusts ("UITs") and variable annuity contracts. A financial professional holding a Series 7 license can offer all 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 Planner certificate, which enables them to offer advisory services.

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 SBS from another firm. You should also review the licenses held by your financial professional by visiting the FINRA BrokerCheck system 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 conflict to you and mitigate it by reviewing recommendations made to you by our financial professionals to ensure these recommendations 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 \$50,000 - \$100,000). 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.

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## Custodians

Exchange traded securities, such as stocks, bonds, options, and ETF's, are only available for purchase in a brokerage account maintained at our custodian, National Financial Services, which sends 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, SBS purchases the investment directly with the product sponsor, which is responsible for sending you confirmations and account statements. In a brokerage account, you can hold several different types of securities, which can be more efficient because all 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 and fees for transactions and other services (see our schedule of account fees at <http://www.sunbeltsecurities.com/disclosures>) while directly held accounts typically do not charge such fees, which makes directly held accounts less expensive.

While there are important differences between brokerage and directly held accounts, we do not require your financial professional to open a particular type nor do we incent the financial professional to open one type over the other. Talk to your financial professional about which type of account is best for you.

## Understanding Risk in your Brokerage Account

While we will take reasonable care in developing and making recommendations to you, investing in securities involves risk, and you may lose money, including your entire investment capital. Further, there is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as expected.

Please consult any available offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you or help you to find them. Further, for certain products we recommend, you will receive additional disclosure documents that contain additional risk and related disclosure details.

You should also consider that some investments involve more risk than other investments. Higher-risk investments have the potential for higher returns but also for significant losses. The lower your "risk tolerance," meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more we encourage you to avoid higher-risk investments, as these investments pose the potential for significant losses.

To help address these risks, we align investor risk tolerances with investment needs to offer you investment objectives from which to choose. You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs. Investment goals typically have different time horizons and different income and growth objectives. Generally, investment goals are on a spectrum. Risk tolerance also varies and we measure it on a continuum that increases from conservative to aggressive. You should consider these differences before selecting the investment objective and risk tolerance associated with your brokerage account(s). For more detailed information regarding common risk factors, please refer to Appendix A of this disclosure.

## WHAT TYPES OF BROKERAGE ACCOUNTS ARE OFFERED?

We offer many different brokerage account types including individual and joint accounts, corporate accounts, estate and trust accounts, partnership accounts, 529 Plan accounts, UTMA/UGMA accounts, individual retirement accounts ("IRAs"), and other types of retirement accounts.

## Cash and Margin Accounts

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, we lend you funds at the time of purchase to cover all or a part of your transaction. This is generally referred to as a “margin loan.” The portion of the purchase price we loan you is secured by securities in your account, also referred to as “collateral.” You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes. Your margin brokerage account can also be used to borrow against eligible securities. Given that a margin brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, you must execute a separate margin agreement with us before engaging in margin brokerage activity. Included with your margin agreement is a copy of the 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 a financial professional or refer to our Margin Disclosure Statement available at [www.subeltsecurities.com/disclosures](http://www.subeltsecurities.com/disclosures).

### In What Capacity is your Financial Professional Acting if you have both Brokerage and Advisory Accounts?

If you have one or more brokerage accounts and have one or more advisory accounts, SBS will provide both services to you accordingly. The fact that you have an advisory account does not mean that SBS has fiduciary obligations to you when providing brokerage services or handling your brokerage accounts. All recommendations regarding your brokerage account will be made in a broker-dealer capacity and all recommendations regarding your advisory account will be made in an advisory capacity. Your financial professional will identify the

account for which they are making the recommendation.

## ERISA Accounts

Effective January 31, 2022, for purposes of complying with the DOL’s Prohibited Transaction Exemption 2020-02 (“PTE 2020-02”) where applicable, SBS provides the following acknowledgment to you.

When we provide investment advice to you regarding your retirement accounts, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates certain conflicts with your interests, so we will be operating under PTE 2020-02, where applicable, a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under PTE 2020-02, when providing individualized investment advice to retirement accounts, we must:

- Meet a professional standard of care (give prudent advice);
- Not put our financial interests ahead of yours (give loyal advice);
- Avoid misleading statements about our conflicts of interest, fees and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about our conflicts of interest.

### Limitations

The retirement laws limit the types of products and services we can offer in your retirement account.

This fiduciary acknowledgment does not create an ongoing duty to monitor your accounts or create or modify a contractual obligation or fiduciary status under state law. Not all services we provide to your



retirement account(s) or interactions with you are subject to the provisions above. Exclusions include:

- Communications consisting of general information and education about the financial markets, asset allocations, financial planning illustrations and scenarios or the advantages and risks of particular investments. This also includes general information and educational materials we may provide regarding options and alternatives that should be considered when deciding whether to roll over or transfer retirement account assets to SBS;
- Recommendations we provide with respect to accounts that are not retirement accounts (this includes taxable accounts);
- Transactions you enter into that are unsolicited or self-directed (i.e., where SBS does not provide a recommendation);
- Recommendations that are not fiduciary “investment advice” as defined in Department of Labor regulation section [2510.3](#); and
- Recommendations that you execute at another financial institution.

## WHAT INVESTMENTS DOES SUNBELT OFFER?

Your financial professional can recommend a wide variety of investments to help meet your financial goals and objectives. Below you will find additional fee, cost and related disclosure details for the products and services available to retail investors on our brokerage platform. Please note that the disclosure information provided below is further supported and supplemented by various other disclosures that we also provide to you from time to time. In other words, we provide layers of disclosure to support our recommendations and to help ensure you make informed investment decisions. These additional disclosures combined with the information in this disclosure are designed to comply with our Regulation Best Interest Disclosure obligation. The additional types of disclosure documents we provide include, but are not limited to the following:

**Offering Documents** - When you purchase certain investments, such as mutual funds, you will receive offering materials such as a prospectus, Statement of Additional Information (SAI) or other product sponsor-provided materials. The timing and manner of delivery of these documents is generally prescribed by regulation and varies by product.

**Product Disclosure Statement** - For certain products we recommend (i.e., *annuities or alternative investments*), your financial professional, at or prior to the recommendation, will provide you with a Product Discovery Statement (or “Point of Sale Disclosure”) developed by us. The Product Disclosure Statement will typically highlight product features, costs and related information. When applicable, Product Disclosure Statements are provided at the first recommendation of certain products, but not provided at or prior to subsequent recommendations of the same type of product. In some cases, you will be asked to sign the Product Disclosure Statement as evidence of delivery. In other cases, your signature will not be required.

**Trade Confirmations** - When you execute a trade with us, our clearing firm will send you a trade confirmation upon the completion of your transaction. The trade confirmation includes detailed information including security, trade date, settlement date, amount and other trade-related information required under applicable law. Additionally, for certain products, your trade confirmation will include other fee, cost, and conflict disclosure information.

**Transactional Costs for Investments** – You pay a commission each time you buy or sell certain investments such as equities, exchange traded products, closed end funds, and options. The commission on these products may be up to 3% of the principal amount with a minimum commission of \$50.00. For bonds and CD’s, the commission, or markup/markdown, is based on the principal amount of the trade and the maturity date.

We encourage you to review the product-specific fee and cost information included below along with any additional disclosures we provide you.



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## Stocks/Equities

Common stock (also referred to as an “equity”) is a share of ownership in a company entitling the shareholder to vote at shareholder meetings and receive dividends if dividends are issued.

Stocks/equities are traded on exchanges and over the counter.

*Additional Disclosure* - When you execute a stock/equity transaction, our clearing firm will send you a trade confirmation upon completion of your transaction.

## Stock Rights and Warrants

Stock rights are instruments issued by companies to provide existing shareholders the opportunity and privilege to preserve their fraction of corporate ownership by receiving additional shares of common stock when a new issue is offered. Stock warrants are long-term instruments that allow an existing shareholder to purchase additional shares of stock at a discounted price (but typically a price above the then current market price of the common stock).

*Additional Disclosure* - When you execute a stock rights or stock warrants transaction, our clearing firm will send you a trade confirmation upon completion of your transaction.

## Secondary Market Debt Securities, Preferred Securities and Certificates of Deposit (CDs)

A debt security refers to a debt instrument, such as a government bond, corporate bond, certificate of deposit (CD), municipal bond, or preferred stock, that can be bought or sold between two parties and has basic defined terms such as the amount borrowed, the interest rate, the maturity date and the renewal date. For debt securities, including preferred securities and CDs, the commission charged (called a *markup or markdown*) is part of the price you pay for the investment and is based on the prevailing market price of the security or investment on secondary market transactions. The markup or markdown is no more than 3% on long term debt and no more than 2% on short term debt.

*Additional Disclosure* - When you execute a transaction in debt securities, preferred securities,

and CDs, our clearing firm will send you a trade confirmation upon completion of your transaction.

## 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. The mutual fund company owns the underlying investments, and the individual investors own shares of the fund. Mutual funds have a variety of fees and expenses as detailed below.

**Class A Shares** – For Class A shares, you typically pay a front-end sales charge, called a sales load, which is deducted from your initial investment. Front-End sales charges are paid to us, including your financial professional, when you purchase a fund. This sale charge typically ranges from 1.00% to 5.75%. Some purchases qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of transaction and rights of accumulation (ROA). In addition, some purchases qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account, as permitted by prospectus; however, in some cases, the prospectus will give us discretion concerning whether to allow a given sales charge waiver. You should also consider and understand that we do not offer all share classes available by prospectus.

**Class C Shares** – For Class C share mutual funds, you are 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 usually higher than those of Class A shares. Class C shares do not offer breakpoint discounts. Class C shares are more appropriate for investors with a shorter investment time frame.

**12b-1 Fees Charges** - Annual 12b-1 fees, also known as “trails,” are paid to us by the fund out of fund assets each year for marketing and distribution expenses. These payments are subject to a distribution and servicing arrangement to cover distribution expenses and sometimes shareholder service expenses we provide on the fund’s behalf.

*Additional Disclosure* – Before investing, you should read the fund’s prospectus which contains more information about the fund’s investment objectives, strategies, costs and risks. When you purchase a mutual fund, you will receive a trade confirmation upon completion of your transaction from either our clearing firm or the product sponsor.

## 529 Plans

529 Plans are professionally managed, tax-advantaged portfolios that enable individuals to set aside funds for educational purposes. 529 plans charge fees and expenses to cover investment expenses and the administration of your account.

All 529 college savings plans have fees and expenses. Not only do these charges vary *among* 529 plans, but they can vary *within* a single plan. Like mutual funds, a single college savings plan may offer more than one “class” of shares to investors. Often referred to as A or C classes, units or fee structures, each class has different fees and expenses. You can look at the offering document to see if a particular college savings plan offers more than one class. If your state of residence offers a 529 Plan, your in-state 529 Plan can have lower expenses as compared to an out-of-state 529 Plan. Further, some in-state 529 Plans offer certain tax benefits to you that are not available when you purchase an out-of-state 529 Plan. Ask your financial professional for details and consult your tax advisor for guidance.

When you establish a 529 Plan through a financial professional, you will typically pay higher fees and costs than if you establish your 529 Plan account directly with a 529 Plan provider. Refer to the 529 Plan's offering documents for a listing of fees and expenses. You should also consider that mutual fund providers may allow investors to aggregate 529 Plan and mutual fund holdings in related accounts to reach a breakpoint. This is called Rights of Accumulation (ROA). Advise your financial professional of your mutual fund holdings to obtain ROA. Further, some providers allow a Letter of Intent (LOI) that indicates an intention to invest a certain amount over time to reach a breakpoint. Refer to the program disclosure or offering document(s) for details. As a reminder, we do not provide access to all products, product structures or share classes

offered by a given product sponsor, including 529 Plans.

*Additional Disclosure* - When we recommend and you establish a 529 Plan account with us, you will receive the disclosure or offering document(s) for the mutual fund- sub-accounts, and the 529 Plan sponsor’s specific documents containing additional product disclosure information. You will receive a trade confirmation from our clearing firm or the provider upon completion of your transaction.

## Exchange Traded Products (ETPs)

Exchange Traded Products (ETPs) are securities that derive their value from a basket of securities such as stocks, bonds, commodities, or indices, and are traded similar to individual stocks on an exchange. ETPs also carry built-in operating expenses that can affect the ETP’s return.

When we recommend an Exchange Traded Product (ETP), you will receive a copy of the ETP’s prospectus and related disclosures where applicable.

*Additional Disclosure* - When you purchase an ETP, our clearing firm will send you a trade confirmation upon completion of your transaction.

## Secondary-Market Closed-End Funds

Secondary-Market closed-end funds are investment companies that are managed pools of investments, generally offered in a fixed number of shares, and traded on a stock exchange. You should also consider that closed-end funds feature built-in internal expenses that affect the fund’s return. These expenses are used to pay for the investment manager, trading commissions, legal and administrative costs, and other expenses of the fund. These internal expenses are deducted directly out of the fund itself through a reduction in the Net Asset Value (NAV) of the fund.

*Additional Disclosure* - When you execute a secondary-market closed-end fund transaction, our clearing firm will send you a trade confirmation upon completion of your transaction.

## Options

Options are contracts giving the purchaser the right to buy or sell a security, such as a stock, at a fixed price within a specific period of time.

*Additional Disclosure* - Prior to engaging in options activity, you will execute an options agreement with us and your financial professional will provide you with a copy of the Characteristics & Risk of Standardized Options Disclosure. When you execute an options transaction, our clearing firm will send you a trade confirmation upon completion of your transaction.

## Variable Annuities

An annuity is a contract between you and an insurance company that requires the insurer to make payments to you, either immediately or in the future. You buy an annuity by making either a single payment or a series of payments. Similarly, your payout may come either as one lump-sum payment or as a series of payments over time. 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:

**Mortality and Expense (M&E) Charge** – The insurance company charges you this fee for the insurance risks it assumes by providing you guaranteed 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.

**Subaccount Expenses** - These fees are annual charges on the underlying investments in a variable annuity to cover the cost of managing the investments within the subaccounts. These expenses vary depending on the type of investment.

**Surrender Charge** - A surrender charge is sometimes referred to as a contingent deferred sales charge (CDSC). A surrender charge is assessed to an annuity owner who liquidates a contract or makes a withdrawal in excess of the free withdrawal provision during the surrender period specified in the prospectus. The CDSC typically decreases over several years. Please read the prospectus carefully with regard to the applicable surrender charges.

**Optional Feature Charge** - If you purchase an optional feature, such as a living or death benefit, you will pay an annual charge for that feature.

**Contract maintenance fee.** This is an annual flat fee to keep the contract active. This fee may be waived on variable annuity contracts with account values over a certain dollar amount. Please refer to the prospectus for details.

Insurance companies will compensate SBS, and its financial professionals, for selling their annuities in various forms including upfront commissions based upon the initial sale of the investment and ongoing trails commissions relating to your continued holding of the investment. The commissions and trails paid to us vary by product type and insurance carrier. This provides an incentive for SBS to recommend annuities that pay higher commissions and/or trails.

*Additional Disclosure* - When we recommend a variable annuity to you, you will receive a prospectus, any supplemental insurance disclosures, carrier application documents and forms, and any other required documents. Once an insurance offer is accepted by the carrier you will also receive the insurance policy and other applicable carrier forms.

## Variable Life Insurance

A life insurance policy is a contract between the owner of the policy and a life insurance company. When you buy a life insurance policy, you name the person to be insured (who may be you or someone else) and you select the amount of insurance you desire. You also name a beneficiary. When the person who is insured dies, the life insurance company will pay the in-force amount of insurance (less any outstanding loans) to the person or persons you named as beneficiaries. This is referred to as a

“death benefit.” Variable life insurance provides a death benefit as well as an accumulation feature where a portion of the premium paid is invested in a variety of separate accounts, similar to mutual funds, chosen by the policy owner. Variable life insurance features the following charges; however, for specific details about your policy, please refer to your insurance contract:

**Cost of Insurance** - This amount is based on the amount of death benefit at risk to the insurance company (death benefit minus accumulated fund) and is not guaranteed; however, it cannot exceed the maximum rates guaranteed in the policy.

**Cost of Rider** - This amount is what the insurance company charges for any additional coverages, commonly referred to as riders, on the policy such as spouse/child coverage, long term care, lapse protection, return of premium, etc. Rider costs vary; however, it cannot exceed the maximum rate guaranteed in the policy.

**Premium Load** - The insurance company applies this to each premium payment to cover state and federal taxes and premium based expenses. It is usually applied as a percentage of premium collected and is determined by each carrier.

**Administrative Expenses** - These charges are assessed by the insurance company and include the cost of issuing the policy, premium billing, collection, policy value calculation, confirmations, and periodic reports. These charges are stated in the policy and are generally guaranteed to not increase for the life of the policy.

**Fund Expenses** - This is specific to each fund available, varies among funds and can increase or decrease at the discretion of the fund manager.

**Mortality & Expense Charge** - This fee that compensates the insurance company for mortality risks and other various risks and expenses it assumes. This charge is stated in the policy and not subject to change.

**Surrender Charge** - This is the amount that the insurance company will deduct from the policy cash value if it is canceled.

All the applicable fees and charges for any policy should be provided to you in the prospectus.

Under agreements with insurance companies, we receive commissions from the insurance companies for the sale of insurance policies, as well as excess premiums, renewals and trail commissions. These payments are considered indirect compensation. Commissions, renewals and trails paid to us vary by product type and insurance carrier. The amount of commission varies by carrier and is based on the type of underlying policy.

*Additional Disclosure* - When we recommend an insurance product and execute an insurance product transaction with you, you will receive a prospectus, any supplemental insurance disclosures, carrier application documents and applicable forms, and any other required documents. Once an insurance offer is accepted by the carrier you will also receive the insurance policy and other applicable carrier forms.

## Alternative Investments

Alternative Investments are investment vehicles that do not align with conventional investment categories. SBS offers alternative solutions that can include non-traded REITs, non-traded closed-end funds, private equity/debt offerings, real estate private placement funds, and interval funds.

These products are classified as “alternative” because they are unlike traditional brokerage securities, such as stocks and bonds, and are generally not 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.

Alternative investments are generally illiquid long-term investments (7+ years) and there typically is no secondary trading market. For this reason, converting an alternative investment to cash prior to liquidation is extremely difficult and may not be possible. In some cases, it may be difficult to determine the current value of the asset. Units or shares of these types of investments may fluctuate in value. Therefore, at the time of redemption, they

may be worth more or less than the original amount invested. Most of these offerings are sold by prospectus or offering memorandum which contains more complete information including risks, costs, and expenses. Investors should read these carefully before investing.

Additionally, these investments contain fees and expenses that are higher than those of other investment types. These products are complex, risky, and not appropriate for everyone. For this reason, there are heightened investor qualification requirements for purchases. There also could be a less expensive or less complicated product that is similarly appropriate for you.

When you invest in an alternative investment, the product sponsor pays us a sales charge, commission, or fee which we will share with your financial professional. In addition to this sales charge, you will also be responsible for paying additional expenses relating to the organization and operation of the investment. A complete description of these expenses can be found in the product prospectus.

*Additional Disclosure* - When we recommend an alternative investment, you will receive the appropriate offering documents, subscription agreement and/or other required documents. In addition, our clearing firm will send you a trade confirmation upon completion of your transaction.

### Unit Investment Trusts (UITs)

A Unit Investment Trust (UIT) is an investment company that generally purchases a portfolio of stocks, bonds, or other securities. The portfolio is typically fixed and not actively managed or traded; the portfolio's securities are held relatively unchanged for the life of the UIT.

The UIT prospectus includes a fee table that lists the charges you pay. UIT investors generally pay an initial sales charge, a deferred sales charge, a creation and development fee, organizational costs, and an annual trust-operating expense. The application of these charges can vary, depending on the sponsor, the length of the trust, and whether the UIT is an equity trust or a fixed-income trust. In addition to the fees outlined in the prospectus, you

can be assessed a transaction charge or an administration fee for purchases and sales prior to maturity of unit investment trusts through us.

*Additional Disclosure* - When we recommend a UIT, you will receive the UIT prospectus and/or marketing materials containing specific product information. In addition, our clearing firm will send you a trade confirmation upon completion of your transaction

### Brokered Certificates of Deposit (CDs)

Brokered CDs, or secondary CDs, are bought and sold between dealers and investors much like other fixed-income instruments. Dealers trade the investments at a net cost, which includes their own spread, or profit, on the transaction. We receive compensation in the form of a commission or markup from most transactions. For most purchases, a financial professional's compensation is based on the dollar amount purchased or sold.

*Additional Disclosure* - When you purchase a brokered CD, our clearing firm will send you a trade confirmation upon the completion of your transaction.

### Cash Sweep Program/Bank Deposit Sweep

Our brokerage services include a Cash Sweep Program feature. Brokerage account clients can provide consent, through the general account opening agreement, to use our Cash Sweep Program. Under our Cash Sweep Program, uninvested cash balances in your account are automatically swept into interest bearing deposit accounts ("Bank Deposit Sweep Program") or, if available, stable-value money market mutual funds ("Money Market Funds"), or such other sweep arrangements made available to you (collectively "Cash Sweep Vehicles"), until these balances are invested by you or otherwise needed to satisfy obligations arising in connection with your account. The Cash Sweep Program is subject to the terms and conditions of the Cash Sweep Program Disclosure Statement, which you will receive. Prior to receipt of the general account opening documents, cash deposited in your account and not otherwise invested, will be held as a free credit balance and



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not placed in the Cash Sweep Program until written consent is provided to participate in our Cash Sweep Program.

## WHAT CONFLICTS DO SUNBELT OR YOUR FINANCIAL PROFESSIONAL HAVE?

Below is a description of additional conflicts of interest, in addition to those found above or at [www.sunbeltsecurities.com/disclosures](http://www.sunbeltsecurities.com/disclosures), which exist when SBS or your financial professional has a financial interest or incentive that could affect our investment advice to you. These conflicts are typical to our industry as a whole and SBS has adopted policies and procedures and is required to comply with applicable rules and regulations which mitigate these conflicts of interest. SBS or your financial professional may have conflicts of interest beyond those described here. Your financial professional will verbally disclose, where appropriate, any additional material conflicts of interest no later than at the time of a recommendation.

**Recommendations regarding Account Type:** Your financial professional may recommend that your account be either a brokerage or an advisory account. Financial professionals have an incentive to recommend that you have a brokerage account if you place trades on a frequent basis. We have a conflict because when you trade frequently in a brokerage account your commissions may be comparable or higher than the advisory fee to conduct similar trades in an advisory account. In an advisory account, you pay an ongoing investment advisory fee to SBS that is generally a percentage of the value of your account and your financial professional will monitor your account on an ongoing basis, while that is not the case with a brokerage account. In an advisory account, mutual funds can be purchased without a sales load and without ongoing 12b-1 charges. Additionally, there are a variety of services from which to choose for an advisory account, including nondiscretionary investment advice, use of third-party investment managers, and giving your financial professional

discretion to manage your account. See SBS's Form ADV Part 2A Brochure for more information.

SBS and your financial professional have an incentive to recommend that you have an advisory account because of the ongoing fees we earn if you place trades on an infrequent basis. This is a conflict because your advisory account cost may be comparable or higher than the aggregate commissions and sales loads/charges you would pay to engage in infrequent trading activity in a brokerage account. An advisory account may be appropriate for you if you would like to take advantage of the advisory services available or if you expect significant trading activity in your account during a period of time. However, due to SBS's fiduciary obligation regarding investment choices and holdings in an advisory account, advisory accounts are generally not available if you frequently select your own investments and direct your own trade activity independent of your financial professional's advice, regardless of whether an advisory account would result in lower costs. If you are not interested in taking advantage of advisory services and you do not expect to engage in significant trading activity, a brokerage account may be more appropriate.

**Rollovers and Transfer of Accounts to SBS:** SBS and your financial professional will offer education to you regarding the advantages and disadvantages of rolling over your retirement plan to SBS prior to making a recommendation to you. If you accept your financial professional's recommendation to roll over your retirement plan SBS and your Advisor will have an opportunity to increase their compensation through commissions or advisory fees. Leaving assets in your retirement plan or rolling the assets to a plan sponsored by your new employer likely is less expensive for you and results in little or no compensation to SBS and your financial professional. SBS and our financial professionals have a financial incentive to encourage investors to rollover retirement plan assets into an IRA maintained at SBS. You are under no obligation to roll over retirement plan assets to an IRA maintained by SBS. Similarly, when we recommend that you transfer any of your investment accounts with another financial



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services firm to SBS or to add assets to your existing SBS accounts, we have a conflict because we and your financial professional will earn more fees for services and recommendations provided to you. For additional information related to retirement account rollovers, please visit [www.sunbeltsecurities.com/disclosures](http://www.sunbeltsecurities.com/disclosures).

**Cash Compensation:** SBS financial professionals receive compensation from SBS. Your financial professional generally is compensated based upon their total annual commission level, which takes into account all of the advisory fees, commissions, 12b-1 charges and similar compensation paid to SBS by you and all third parties. The amount SBS pays to our financial professionals is a percentage of their annualized production. The percentage will vary based on their relevant annualized production tier. The percentage is lower for lower annualized production tiers and higher for higher tiers. Accordingly, as the amount of a financial professional's production increases, their cash payout will increase. As a result, your financial professional has an incentive to charge higher commissions and recommend more frequent trades for brokerage accounts. They also have an incentive to recommend that you establish accounts, add assets to existing accounts, and recommend additional transactions in brokerage accounts. Financial professionals also have an incentive to recommend more transactions to increase their production so that they can rise to the next annualized production tier and increase their cash payout percentage.

**Revenue from Third Parties:** We receive payments from certain third-party product sponsors and managers (or their affiliates) when we recommend or sell certain products. As such, we have an incentive to recommend (or to invest your assets in) products of third parties that pay us over products of third parties that do not pay us or pay us less. Certain managers and sponsors (or their affiliates) share the revenue they earn when you invest in certain of their investment products (primarily mutual funds and variable annuities) with us. As such, we have an incentive to recommend (or to invest your assets in) products of sponsors and

managers that share their revenue with us, over other products of sponsors or managers that do not share their revenue, or who share less.

**Revenue from Clearing Firm:** Customers maintaining an account with our clearing firm are subject to ancillary fees, including but not limited to, transaction fees for purchases of products, wire transfers, outgoing account transfers, account maintenance fees, IRA custodian fees and account inactivity fees. These charges are assessed against the customer's account and may include additional charges, or markups, SBS assesses for account service. When a new financial professional joins SBS it may receive a one-time payment for new assets transferred to its clearing firm. We do not share this revenue with your financial professional.

**Money Market Funds Compensation:** SBS offers a cash sweep option through NFS and receives revenue sharing payments for assets held within the Money Market Deposit Program. Our financial professionals do not share in any revenue generated in this program.

**Cash Sweep Program Compensation:** If you elect to be part of SBS's Sweep Program, SBS receives a fee from one or more banks participating in the program ("Program Bank") equal to a percentage of your deposit balance in your account.

**Interest Payments:** SBS shares in the interest paid to our clearing firm when you carry a margin balance. Financial professionals are not compensated on margin balances. Therefore, SBS has a conflict when your financial professional recommends a margin loan to you and when encouraged to borrow at greater amounts.

**Non-Cash Compensation:** SBS and its financial professionals also receive non-cash compensation and other benefits from companies that provide investments for financial professionals to recommend to clients on our platform. Such non-cash compensation includes promotional gifts (e.g., coffee mugs, logoed shirts or gift baskets), invitations to attend conferences or educational seminars sponsored by product sponsors and

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providers, which include payment of related entertainment, travel, lodging and meal expenses.

**Transition Assistance:** In general, if your financial professional is joining SBS from another firm, you should discuss the reasons your financial professional decided to change firms and any costs or changes in services you would incur by transferring your accounts to SBS. In many cases, SBS provides financial professionals transition assistance when they join the firm.

## CONFLICTS OF INTEREST SUMMARY

This document alone is not a comprehensive description of all conflicts of interest SBS has in its brokerage services. Rather it describes the most significant and common conflicts in our brokerage relationship with you. Similarly, not all of the conflicts we describe here will apply each time a recommendation is made or a service is provided. Regardless of the context, SBS will observe high standards of honor and just and equitable principles of trade when making recommendations or providing services to you. This document also contains links to our website, where you can find descriptions of our services, investments, costs and related conflicts. You should consider this document along with the Client Relationship Summary (“CRS”) you received separately, additional written investment and account specific disclosures, and verbal disclosures made by your financial professional when evaluating recommendations your financial professional makes to you. SBS encourages you to go to [Investor.gov/CRS](https://www.investor.gov/CRS) to access free and simple tools to research firms and financial professionals, such as SBS, and our financial professionals, and access educational materials about broker-dealers, investment advisors and investing. Layered together, these disclosures provide a full and fair description of all material facts and an explanation of our duty to make recommendations to you that are in your best interest.

## ADDITIONAL RESOURCES

Sunbelt Securities Form CRS  
<https://www.sunbeltsecurities.com/disclosures>

SBS Form ADV Part II  
<https://www.sunbeltsecurities.com/disclosures>

Investment Objectives and Risk Tolerance  
<https://www.sunbeltsecurities.com/disclosures>

Margin Disclosure Document  
<https://www.sunbeltsecurities.com/disclosures>

Characteristics and Risks of Standardized Options  
<https://www.sunbeltsecurities.com/disclosures>

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## APPENDIX A – General Investment Risk Factors

The following is a summary of some of the general risks associated with investing. Please note that this list is not exhaustive and is provided as an indication of some of the factors that can impact the value and performance of your investment.

### Business Risk

Business risk refers to the basic viability of a business—the question of whether a company will be able to make sufficient sales and generate sufficient revenues to cover its operational expenses and turn a profit. While financial risk is concerned with the costs of financing, business risk is concerned with all the other expenses a business must cover to remain operational and functioning. These expenses include salaries, production costs, facility rent, office, and administrative expenses. The level of a company's business risk is influenced by factors such as the cost of goods, profit margins, competition, and the overall level of demand for the products or services that it sells.

### Call Risk

Call risk is the risk that a bond issuer will redeem a callable bond prior to maturity. This means the bondholder will receive payment on the value of the bond and, in most cases, will be reinvesting in a less favorable environment—one with a lower interest rate.

### Concentration Risk

Concentration risk is the potential for a loss in value of an investment portfolio or a financial institution when an individual or group of exposures move together in an unfavorable direction. The implication of concentration risk is that it generates such a significant loss that recovery is unlikely.

### Credit or Default Risk

Credit risk is the risk that a borrower will be unable to pay the contractual interest or principal on its debt obligations. This type of risk is particularly concerning to investors who hold bonds in their

portfolios. Government bonds, especially those issued by the federal government, have the least amount of default risk and, as such, the lowest returns. Corporate bonds, on the other hand, tend to have the highest amount of default risk, but also higher interest rates. Bonds with a lower chance of default are considered investment grade, while bonds with higher chances are considered high yield or junk bonds. Investors can use bond rating agencies—such as Standard and Poor's, Fitch and Moody's—to determine which bonds are investment-grade and which are junk.

### Country Risk

Country risk refers to the risk that a country will not be able to honor its financial commitments. When a country defaults on its obligations, it can harm the performance of all other financial instruments in that country – as well as other countries it has relations with. Country risk applies to stocks, bonds, mutual funds, options, and futures that are issued within a particular country. This type of risk is most often seen in emerging markets or countries that have a severe deficit.

### Currency Risk

Currency risk applies when you own foreign investments. It is the risk of losing money because of a movement in the exchange rate. For example, if the U.S. dollar becomes less valuable relative to the Canadian dollar, your U.S. stocks will be worth less in Canadian dollars.

### Economic Risk

*Economic risk* can be described as the likelihood that an investment will be affected by macroeconomic conditions such as government regulation, exchange rates, or political stability, most commonly one in a foreign country.

### Financial Risk

Financial risk is the possibility of losing money on an investment or business venture. You cannot eliminate financial risk; however, you may be able to minimize the impact through diversification.

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## Foreign Investment Risk

Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and less stringent investor protection and disclosure standards in some foreign markets. All these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

## Horizon Risk

The risk that your investment horizon may be shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time when the markets are down, you may lose money.

## Inflation Risk

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

## Interest Rate Risk

The risk that a bond's price will fall when interest rates rise. This type of risk affects the value of bonds more directly than stocks and is a significant risk to all bondholders. As interest rates rise, bond prices in the secondary market fall—and vice versa.

## Liquidity Risk

Liquidity risk is associated with an investor's ability to transact their investment for cash. Typically,

investors will require some premium for illiquid assets which compensates them for holding securities over time that cannot be easily liquidated.

## Longevity Risk

The risk of outliving your savings. This risk is particularly relevant for people who are retired or are nearing retirement.

## Manager/Management Risk

Management risk is the risk — financial, ethical, or otherwise — associated with ineffective, destructive, or underperforming management. Management risk can be a factor for investors holding stock in a company. Management risk can also refer to the risks associated with the management of an investment fund.

## Market Risk

Market risk is the possibility of an investor experiencing losses due to factors that affect the overall performance of the financial markets in which he or she is involved. Market risk, also called "systematic risk," cannot be eliminated through diversification, though it can be hedged against in other ways

## Political Risk

Political risk is the risk an investment's returns could suffer because of political instability or changes in a country. This type of risk can stem from a change in government, legislative bodies, other foreign policy makers, or military control. Also known as geopolitical risk, the risk becomes more of a factor as an investment's time horizon gets longer.

## Reinvestment Risk

Reinvestment risk is the risk that future cash flows—either coupons (the periodic interest payments on the bond) or the final return of principal—will need to be reinvested in lower-yielding securities.

## APPENDIX B – Schedule of Account and Miscellaneous Fees

### Account Fees

Annual IRA Maintenance Fee	\$35.00 per account per year
IRA Transfer Fee/Closing Fee	\$160.00 per account
TOA Deliveries (ACAT Exit Fee)	\$100.00 each
Legal Transfers	\$150.00 per issue
Legal Returns	\$75.00 per issue
Transfer and Ship (DRS-Eligible)	\$15.00 each
Transfer and Ship (Non-DRS– Eligible)	\$500.00 each
Trade and Margin Extensions	\$12.00 each
Mailgrams	\$5.00 per mailgram
Physical Reorganizations	\$150.00 per event
Bounced Check Fees	\$25.00 each
Stop Payments	\$25.00 each
Annual Custody Fee (applies only to inactive accounts)	\$50.00 per year
Wire Transfer	\$25.00 per wire
Foreign Securities Transfer	Pass through fees
Safekeeping	\$15.00 per certificate/ month
Restricted Stock Transactions (Full Service)	\$150.00 each
Restricted Stock Transactions (Sell Without Approval)	\$40.00 each
Mutual Fund Surcharge for Funds not in Fidelity Partner Program	\$10.00 per transaction
Brokerage Account Trade Service Fee	\$5.50 per trade
Advisory Account Trade Service Fee	\$1.00 per trade
Paper Account Statements Fee	\$10.00 per Quarter

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### Alternative Investments

Initial Purchase Redemptions	\$50 per trade
Transfer/Re-registration	\$50.00 per trade
Annual Custody & Valuation Registered Investments	\$35.00 per investment
Annual Custody & Valuation Non-Registered Investments	\$125 per investment

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### Cash Management Features

Standard Brokerage Annual Account Fee (unlimited bill pay & ACH)	\$10.00 per year
Standard Brokerage Annual Account Fee (unlimited bill pay & ACH) with Checks	\$15.00 per year
Brokerage Portfolio (unlimited use of all features and rewards)	\$100.00 per year
Brokerage Portfolio (unlimited use of all features and rewards) with Card	\$110.00 per year