

Compensation and Reimbursement of Expenses to Ladenburg Thalmann and Representatives

Ladenburg Thalmann Financial Services Inc. and its affiliates, which include Ladenburg Thalmann & Co. Inc., Securities America, Inc., Triad Advisors, Inc., Securities Service Network, Inc., Investacorp, Inc. and KMS Financial Services, Inc., (together “Ladenburg Thalmann”), and their representatives receive revenue on the products and services you purchase from several sources.¹ These sources include fees and charges you pay and other arrangements we have in place with affiliated and non-affiliated entities including: sales charges; commissions; periodic fees; periodic expenses paid from product assets such as 12b-1 fees from mutual funds and the funds available in variable annuities; financial planning and advisory service fees; a portion of the organization and offering fees and expenses for REITs, limited partnerships and other nonpublic securities offerings.

Ladenburg Thalmann receives compensation from mutual funds and variable product sponsors available to you through our representatives. These payments may include:

- sales charges (sometimes called loads); and
- trailing commissions (including service fees known as 12b-1 payments).

We may also receive additional payments called revenue sharing payments and/or marketing allowances from certain product sponsors under special agreements with those firms, called “Strategic Partners.” Additional details concerning the Strategic Partners Program and Non-Publicly Traded Products are set forth below. We also maintain revenue and marketing allowance payment programs involving certain Real Estate Investment Trusts (commonly referred to as REITs). Representatives of product sponsors, often referred to as “wholesalers,” work with Ladenburg Thalmann and its representatives to promote their products. These product sponsors are generally granted access to our representatives to promote their products. Consistent with rules set out by FINRA, these wholesalers and/or their firms may pay Ladenburg Thalmann for training or education of our representatives. Product sponsors may also make payments to Ladenburg Thalmann to promote the marketing of their products to clients which includes seminars for clients and potential clients. These firms may also invite representatives to due diligence or continuing education meetings regarding their products. From time to time Ladenburg Thalmann may also allow its representatives to attend off-site training sessions that may be sponsored or co-sponsored by these product sponsors. Ladenburg Thalmann prohibits the promotion of any product, including those issued by fund families, insurance carriers, or sponsors, over another based solely on additional payments or other considerations that might be received from the sale or marketing of their products. Representatives are required to make recommendations to clients based on the clients’ needs and objectives; however, receipt of such reimbursements could create an incentive by your representative to recommend products that provide such payments. We encourage you to talk with your representative about any fees or compensation they receive from the sale of investment products.

Representatives may also receive incentives to join and remain affiliated with Ladenburg Thalmann through certain Ladenburg Thalmann compensation arrangements that could include bonuses, enhanced pay-outs, forgivable loans and/or business transition loans. The receipt of such compensation may be considered a conflict of interest.

Ladenburg Thalmann may receive reimbursement from its clearing firms, which include National Financial Services, LLC (“NFS”) and Pershing LLC (“Pershing”), for all or a portion of any transfer of asset fees which customers could incur from other clearing providers upon the transfer of accounts to a Ladenburg Thalmann account carried by NFS or Pershing. If Ladenburg Thalmann receives this type of reimbursement, Ladenburg Thalmann may retain all or a

¹ Certain of the disclosures contained herein apply primarily to the broker-dealer business of the Ladenburg Thalmann affiliated broker-dealers. As set forth herein, certain of the disclosures apply to the Ladenburg Thalmann affiliated registered investment advisory firms, each of which maintains a Form ADV/brochure that discloses certain types of compensation and how such compensation flows from those services. To the extent you seek further information about the fee and compensation structure associated with one or more of those affiliated advisory firms, such information is contained in the appropriate Form ADV and brochure, which will be furnished upon request.

Revenue Sharing and Other Compensation



portion of such reimbursements or, at its discretion, may pass through all or a portion of such reimbursement to its clients and/or its representatives.

Ladenburg Thalmann and its Affiliates are also affiliated with SEC registered investment advisory firms, which include Ladenburg Thalmann Asset Management Inc., Securities America Advisors, Inc., Arbor Point Advisors, LLC, Triad Advisors, Inc., Triad Hybrid Solutions, LLC, SSN Advisory, Inc., Investacorp Advisory Services, Inc., and KMS Financial Services, Inc., (together "Ladenburg Thalmann Advisors"). Ladenburg Thalmann Advisors has also created the Strategic Partners Program for independent investment advisors. Investment advisors are selected to participate based on several criteria including, investment strategy, investment performance, transaction reporting capabilities and training and wholesaling support. In exchange for certain benefits, such as an opportunity to participate in Ladenburg Thalmann's national conferences and broader access to our representatives, investment advisors in the Strategic Partners Program pay to participate in the program by sharing with Ladenburg Thalmann Advisors a portion of the revenue generated by distributing their products and services and or paying a specified annual dollar amount.

Ladenburg Thalmann Advisors representatives may receive reimbursements, marketing and distribution allowances, due diligence fees, or other compensation based on deposits and/or assets under management directly from third-party asset manager program sponsors for the costs of marketing, distribution, business and client development, educational enhancement, and/or due diligence reviews incurred by Ladenburg Thalmann Advisors and/or Ladenburg Thalmann Advisors representatives relating to the promotion or distribution of the program sponsor's products or services.

Ladenburg Thalmann Advisors Strategic Partners pay a flat annual fee. In addition to a flat fee, which may be up to \$150,000 per year, Strategic Partners pay basis points on sales on assets, or a percentage of the Partner's net advisory fee derived from assets invested through their models. It is important to understand that none of the payments made by the firms participating in the program are paid or directed to any representative who utilizes the services of these investment advisors.

Strategic Partners

Sponsors participating in the Strategic Partners Program currently include:

- Allianz Global
- American Funds
- BlackRock
- Deutsche Asset and Wealth Management
- Fidelity Advisor
- Franklin Templeton
- Invesco
- Ivy
- John Hancock
- JP Morgan
- Lord Abbett
- Oppenheimer
- PIMCO
- Pioneer Investments
- Principal Funds
- Prudential Funds
- Putnam

Non-Publicly Traded Products

Ladenburg Thalmann, through its affiliated firms and representatives, also offers several non-publicly traded products, including, but not limited to, non-listed real estate investment trusts (“REITS”), limited partnerships (“LPs”), and 1031 exchange programs; hedge fund or funds; managed futures; tax credit programs; oil and gas programs; venture capital funds; and private equity funds. Ladenburg Thalmann conducts or causes to be conducted a due diligence analysis of these products prior to making them available to the public through its representatives. Such due diligence is not a guarantee or assurance the products will not lose their value and you should read any offering document or prospectus for such products carefully as they describe the risk associated with such investments. In addition to receiving commissions on the sale of these products, Ladenburg Thalmann may receive due diligence and/or marketing allowance payments from certain sponsors. While the arrangements with each sponsor may vary, each product sponsor may pay a due diligence or marketing allowance fee based upon the amount of assets held at the sponsor or on the gross amount of each sale, depending on the product.

Ladenburg Thalmann Advisors representatives may receive reimbursements, marketing and distribution allowances, due diligence fees, or other compensation based on deposits and/or assets under management directly from third-party asset manager program sponsors for the costs of marketing, distribution, business and client development, educational enhancement, and/or due diligence reviews incurred by Ladenburg Thalmann Advisors and/or Ladenburg Thalmann Advisors representatives relating to the promotion or sale of the program sponsor’s products or services.

The current sponsors of non-publicly traded products include some or all of the following:

AEI Capital
Altegris
Atlas
CAIS
Carter Validus
Central Park Group
CION
CNL
Cole
Crystal Capital
Dividend Capital
Franklin Square
Griffin
Hamilton Point
Hines
Infinity
Inland
Jones Lange LaSalle (JLL Income Property Trust)
KBS

Mewbourne
MDS
Moody
Northstar
Passco
Preferred Apartment Communities
Resource Real Estate
SC Distributors
Steadfast
Steben
Strategic Storage

TriLinc Global
WP Carey

Income Distribution Partner Program

Ladenburg Thalmann created the Income Distribution Partner program for certain third party money managers, variable products, mutual fund and fixed insurance product sponsors. These Product Sponsors are selected to participate based on several criteria including product breadth, investment performance, training, wholesaling support, and brand recognition. In exchange for certain benefits, such as broader access to Ladenburg Thalmann representatives, sponsors participating in the Income Distribution Partners program are required to pay Ladenburg Thalmann for participation. The Ladenburg Thalmann income distribution planning desk is available to assist with the development of distribution plans for clients. The income distribution plans use suitable products available from both the Income Distribution Sponsor Partners and products on the Ladenburg Thalmann Approved Product list. Advisors using the planning services are not required to use the products included in the proposal and do not receive a greater or lesser commission for utilizing these products. The marketing educational, and distribution activities paid for with revenue sharing, however, could lead representatives to consider products that make revenue sharing payments to Ladenburg Thalmann, as opposed to sponsors that do not make such payments.

The current Income Distribution Partner Program Participants include:

AIG
Allianz Life
AXA
Global Atlantic (formerly Forethought)
Jackson National
Lincoln
MetLife
Nationwide
Ohio National
Pacific Life
Prudential
Sammons
Security Benefit
Transamerica
Voya

Distribution Partner Program

Ladenburg Thalmann focuses on a select group of mutual fund, variable annuity and investment management companies providing them greater access to our financial advisors to provide training, education presentations and product information. The purpose is to identify creative ways to help these firms increase field visibility, identify meaningful advisor networking opportunities, present timely products and grow assets. In return for these increased services, these sponsors compensate the firm in the form of revenue sharing payments. In addition to the customary sales commissions paid in connection with sales of mutual funds, variable annuities, third party models and money market funds, these sponsors make payments to Ladenburg Thalmann to participate in the program. The payments consist of amounts up to 10 basis points on a sponsor's sales, up to 5 basis points on assets. In addition, Ladenburg Thalmann may be reimbursed by the Distributor Partner for expenses incurred for various promotional activities including but not limited to sales meetings, conferences and seminars held in the ordinary course of business. Ladenburg Thalmann may receive a flat fee of up to \$100,000 per year, per sponsor, for such reimbursements.

The following sponsors currently participate in these revenue sharing arrangements:

Cedar Capital
First Investors Funds
IronHorse Capital
Jefferson National
Newfound Research
Pacific Funds
Sierra Investment Management
Swan Global
Weitz Investments

Due Diligence and Product Administration Expenses

Consistent with prudent product approval and due diligence practices Ladenburg Thalmann may require an independent third party to conduct a review of a product sponsor, investment company, investment advisor, or one of their products or services prior to making the product or service available for solicitation to the general public by representatives. Ladenburg Thalmann may incur costs in connection with the analysis provided by the due diligence analyst. Ladenburg Thalmann may in turn require that the investment company or investment advisor reimburse Ladenburg Thalmann for such expenses. In addition, Ladenburg Thalmann may at its discretion require investment companies and investment advisors to pay annual fees to reimburse Ladenburg Thalmann for ongoing due diligence and product administration expenses.

Revenue Sharing and Referral Arrangements with our Clearing Firms

Ladenburg Thalmann receives various forms of revenue from NFS and Pershing based upon client activity, as well as the amount of assets custodied with these firms. In general, Ladenburg Thalmann and its affiliates share with these clearing firms the expenses of trade execution and account servicing. The revenue sources include, but are not limited to, a percentage or portion of fees and transaction charges collected by the clearing firms and shared with Ladenburg Thalmann, which may include ticket charges, margin interest charges, IRA fees, inactivity fees, and other fees set forth in the Schedule of Client Fees and Charges and money market fund 12b-1 trails.

Ladenburg Thalmann may also participate in revenue sharing arrangements based on fees paid by mutual funds to participate in no-transaction-fee (NTF) platforms made available by NFS or Pershing; Ladenburg Thalmann also shares in revenue received relating to client balances swept into money market funds and bank deposits.

Ladenburg Thalmann has a referral arrangement with NFS, whereby Ladenburg Thalmann may receive business credits or other compensation from NFS based on the amount of Ladenburg Thalmann client assets custodied by NFS which may be transferred to the advisory platform maintained by Fidelity Institutional Wealth Services Group (IWS), a division of NFS' affiliated company Fidelity Brokerage Services, LLC, by representatives, as well as representatives who may terminate their registration with Ladenburg Thalmann and FINRA and conduct business as an investment advisor representative of an independent registered investment advisor (IRIA). Ladenburg Thalmann may recommend the IWS advisory platform and provide ongoing service and support to IRIAs representatives of Ladenburg Thalmann. IRIAs are under no obligation to transfer client assets to IWS and do not receive any additional compensation or remuneration for selecting IWS. Similarly, clients do not incur any additional fees or expenses as a result of payments of business credits or compensation by NFS to Ladenburg Thalmann.

Other Revenue Sharing

Revenue Sharing and Other Compensation



Revenue may be shared from transactions in fixed income, structured products and unit investment trusts (UITs). Based on the spread of a fixed income transaction both Advisors Asset Management (AAM) and the Ladenburg Fixed Income desk (LFIX) at Ladenburg Thalmann & Co. Inc. share a dealer concession that can float with the type of bond and maturity. Currently only AAM conducts structured products business and shares revenue based on sales levels reached. Both AAM and LFIX provide a revenue share component with UITs.

Nationwide Smart Credit is a collateralized loan product which may provide a revenue share with Ladenburg Thalmann, none of which is paid to our representatives.

Fixed Insurance

Ladenburg Thalmann affiliates include licensed insurance agencies which may receive commissions in connection with the sale of fixed insurance products by representatives who are licensed to sell fixed insurance products. Ladenburg Thalmann, in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for marketing, training, and distribution support. None of these additional payments, however, are paid or directed to any representative/insurance agent who sells these products. In addition, Ladenburg Thalmann representatives/insurance agents do not receive a greater or lesser commission for sales of these insurance products from which Ladenburg Thalmann receives revenue sharing payments. The marketing, educational, and distribution activities paid for with revenue sharing, however, could lead our representatives/insurance agents to consider insurance products that make revenue sharing payments to Ladenburg Thalmann – as opposed to insurance sponsors that do not make such payments – when recommending insurance products to their clients.