

## REG BI CONFLICTS DISCLOSURE DOCUMENT

Regulation Best Interest (“Reg BI”) issued by the Securities and Exchange Commission (“SEC”) requires that Broker-Dealers (“BD”), including CoreCap Investments, LLC (“CCI”), and Registered Investment Advisory firms (“RIA”), including CoreCap Advisors (“CCA”) disclose and, to the extent possible, eliminate or mitigate all conflicts of interest which might cause a BD or an RIA to act in its interests rather than in the interest of its clients. As part of that process, you were provided with a Form CRS (“Customer Relationship Statement”) at the time of your account opening or earlier, along with this Reg BI Conflicts Disclosure Documents (“CDD”). This document will lay out in plain terms:

1. Potential and actual conflicts in Compensation, Trading and Gifts & Entertainment;
2. Material fees and costs;
3. Type and scope of services to be provided;
4. Material limitations of recommendations.

### Conflicts related to Compensation

**Transaction-Based Compensation:** Unlike an Investment Advisor Representative (“IAR”) of an RIA, who is compensated based on the assets s/he holds for a customer, a Registered Representative (“RR”) of a BD is only paid when a buy or sell transaction actually takes place. In other words, an RR has an interest making a lot of buy and sell transactions in your account because that is when s/he will make the most income. However, this conflict, which cannot be eliminated, is mitigated by supervisory policies and procedures of CCI which require that all trades placed be suitable and in the best interest of the customer. Principals of CCI also review each trade executed through its trade surveillance systems, which has built-in flags to detect trades that do not match up with the information about yourself, and your investment goals and objectives that you gave us when you opened your account. In addition, accounts are monitored periodically for the same purpose – to ensure that the overall trading in your account matches up with the information you provided and that your goals and objectives are being met.

**Licensing-Based Compensation:** Representatives who are registered as both an IAR at CCA and as an RR of CCI may have an incentive to recommend a particular type of account to a prospect based on his or her own financial interests rather than the type of account most suitable for the prospect. A conflict arises out of the fact that an IAR is paid periodically based on a percentage of the assets under management in an advisory account while an RR only receives a commission when a trade is made in a brokerage account. For this reason, a client with a “buy-and-hold” investment strategy resulting in a small number of transactions is probably better off in a brokerage account, while a client who trades actively and frequently is likely to be better off in an advisory account with its regular and predictable flat fees. All brokerage firms, including CCI, are aware of this potential conflict and have policies and procedures designed to prevent this conflict from being acted out, while frequent reviews of client accounts are designed to prevent or correct any inappropriate decisions on account type.

**Proprietary or Affiliated Products:** Many BDs offer their own mutual funds, that is, mutual funds managed by the BD or an affiliate of the BD. In addition, such firms will often provide a higher commission rate to their RRs for such products, to encourage their sales. CCI does not offer proprietary products at this time and, should it do so in the future, it will not offer a different payout rate to its RRs for selling such products.

## **Conflicts Related to Trading**

**Firm Trading Positions:** Many BDs engage in proprietary trading, that is, they buy and sell securities for their own accounts in order to make money off the investments. This trading can present a conflict of interest in that the BD may take a position opposite to those it is recommending to its clients. CCI does not engage in proprietary trading, except for a very limited number of what are called “riskless principal” trades where it buys bonds to fulfill an existing client order for those bonds. This prevents the occurrence of this conflict at CCI.

**Employee and RR Trading:** RRs, IARs, and employees of CCI & CCA are permitted to have investment accounts, either at CCI or at another brokerage firm. The investments made in these accounts may not always be the same as those recommended by your RR or IAR. This is because suitable investments are based on the circumstances of each investor, but also because our RRs & IARs make their recommendations independently and they are unaware of the investments of any other RR, IAR, or employee of CCI or CCA. CCI & CCA have policies and procedures relating to trading, including prohibitions of front-running (trading ahead of a client to profit from changes that will be created by the client’s trade) and other such violations. In addition, all employee trades are reviewed by the CCI & CCA Compliance groups, whether held at CCI or another brokerage firm.

**Trade Allocation:** On occasion, particularly at an RIA, orders may be placed in batches. When the batch trades are filled, they are allocated out among the clients for whom the trades were made. Often, the trades will not have been made all at the same price and therefore some clients may be allocated a trade at a better price than others. All BDs and RIAs have policies and procedures mandating fair and random allocations of such trades so that no advantage will always accrue to certain clients.

**Conflicts Related to New Offerings:** CCI does not engage in market making but does occasionally participate in selling groups of new offerings in private placements such as limited partnerships and real estate investment trusts. However, the firm engages in these offerings only on a best-efforts basis, so there is no pressure to sell a particular amount of any given offering.

**Outside Business Activities:** Almost all of the RRs and IARs who work at CCI & CCA also work as independent insurance agents, selling life, and annuity products. In that capacity, RRs and IARs may recommend insurance products and receive commission if clients decide to follow the recommendation and purchase the insurance product. The commissions received by licensed insurance agents will vary between products and insurance companies and can be anywhere from 0.50% to up to 10%. These insurance products may include fixed annuities, fixed-index annuities, and life insurance. An annuity product may pay an IAR, acting as an insurance agent, more than the cost of the investment advisory fee incurred. Clients are under no obligation to purchase insurance products and, other than customary commission received, there is no additional compensation provided by CCI or CCA relating to insurance sales by RRs or IARs. In some circumstances, CCI & CCA may receive an override commission from M & O as a result of CCI RRs or CCA IARs submitting insurance business. Insurance companies with whom insurance agents are appointed may provide their own incentives for recommending certain products. Additionally, marketing compensation may be received from M & O Marketing, LLC (“M & O”), an insurance marketing organization which shares common ownership with CCA and CCI. This compensation can include paying for seminars, leads, and other marketing support. As stated previously, commissions on insurance products are usually much higher than those on securities products and this could cause your RR/IAR to seek to sell you the higher paying product. However, Reg BI, FINRA Suitability Rules, and the National

Association of Insurance Commissioners' ("NAIC") rules on suitability, as well as state law and firm policies and procedures, all prohibit sales for such motives.

RRs & IARs may have other outside business activities ("OBA") which can affect their availability during market hours and therefore their ability to properly serve you. FINRA rules require that firms authorize all outside business activity to ensure availability of RRs for clients. CCI has such policies and procedures and requires regular updates from its IARs and RRs regarding all OBA.

### **Conflicts Relating to Gifts & Entertainment:**

On occasion, a RR or IAR will provide a gift or entertainment to a prospect or to an existing client for new business or business retention. Such gifts and entertainment could lead someone to make a decision based upon the gift or entertainment rather than upon the wisdom of the recommended trade or strategy. For this reason, industry rules in the securities and insurance industries limit the size and frequency with which gifts can be given to clients. Insurance rules are set by state regulators and vary widely from state to state. FINRA has placed a limit of \$100 from one person to one person annually, and provide that, while entertainment costs can be more than that limit, the costs and frequency of entertainment provided to a client must be within the spirit of the limitation and must be reasonable. CCI IARs and RRs are required to report all gifts and entertainment received and given on a regular and such reports are reviewed by Compliance.

### **Material Fees and Costs:**

Our RRs and IARs are independent contractors and, within CCI & CCA, and industry guidelines, negotiate the commission and fees paid by their clients. The differences in such fees and commissions tend to be related to the amount of individualized attention a client receives.

CCI clients generally pay a commission on brokerage products, which will generally range from 1.00 to 2.5% of the principal of the trade for each trade made in their account. This is a general commission schedule and each RR may choose to charge outside of this general range. The range varies depending upon the price of the underlying security and the quantity of the order.

When you buy securities directly, such as when you buy an annuity from an insurance company, you do not pay a commission, but the insurance company will pay your RR a percentage of the premium paid, which it will recover from what they call "surrender charges" if you liquidate your annuity before these charges expire.

Some mutual fund shares have up-front charges, usually 5% or less depending on the size of your purchase, and some others have expiring contingent sales charges for early sales. You should discuss how long you plan to hold mutual fund shares with your RR to make sure that you buy the type of shares right for you.

CCI's clearing broker, RBC, may charge you a fee for opening or closing certain types of accounts, such as an IRA or an inactive account.

CCA clients are charged an investment management fee that is based on the value of the client's assets under management. Fees are negotiable and range between 1% and 3% annually, depending on the size and complexity of each client's accounts. Fees are charged either monthly or quarterly as of the last day of the prior billing period.

CCA's clients may bear transaction fees when we buy or sell investments. Clients also pay fees to the broker-dealer or bank that maintains each account (called "custody" fees). Our IARs often select and purchase mutual funds and exchange traded funds for a portion of clients' portfolios. Such investment vehicles pay their own management, transaction, and administrative fees and expenses, and those fees and expenses are indirectly borne by the investors in those vehicles, including CCA's clients.

CCA's new parent company Simplicity has its own advisor platform called Simplicity Wealth in which CCA takes part in a fee split, which creates a potential conflict of interest for advisors that use this platform.

### **How RRs & IARs are Compensated**

CCI RRs are compensated based upon a percentage of the fees and commissions they charge. The percentage which the RR gets paid generally varies from 50% to 96%, based upon such factors as industry experience, number of clients, and commissions earned. CCI does not pay higher percentages for the sale of any particular product and does not require sales of any specific products. CCI does not provide signing bonuses or forgivable loans to new RRs.

CCA's IARs are paid a percentage of investment management fees collected on assets they manage for clients, and/or a percentage of hourly and financial planning fees received from their clients for providing financial planning services or advice. CCA does not provide signing bonuses or forgivable loans to new IARs.

### **Type & Scope of Services to be Provided**

CCI offers brokerage services to retail investors, including buying and selling securities. CCI primarily offers products such as mutual funds, variable insurance products, equities, bond, and options amongst other products.

Your CCI RR will make recommendations for possible investments in your account and will periodically monitor it as frequently as quarterly, particularly in periods of volatility in the markets.

CCA offers investment advisory services to retail investors, including portfolio management and financial planning services. Portfolio investment decisions are made according to the investment objectives and risk tolerances of each client, and also the client's stated investment restrictions (if any) and special circumstances. Investment decisions are made on a consultative basis with the client or the client's designated financial advisors, financial planners, attorneys or accountants.

Your CCA IAR will monitor or review all accounts on an ongoing and regular basis (as frequently as quarterly or as needed) for performance.