

Regulation Best Interest (Reg BI)

Potential Conflicts of Interest

Custodial Accounts

There are three major types of accounts providing a savings and investment vehicle for minors: Uniform Transfers to Minors Accounts (UTMA in California), 529 Plan accounts, and Coverdell Savings Accounts. Each plan type provides differing tax advantaged treatment of assets, contribution limits, investment choices, and provisions around ownership and disposition of the assets for the benefit of the named owner or beneficiary.

We have attached a spreadsheet, created by our clearing firm, Fidelity Investments/National Financial Services LLC (NFS), which we feel will provide a good comparison and reference sheet on the features and benefits of each type of custodial account for minors.

Potential Conflicts of Interest

Different account types and investment choices are available for each type of account discussed above. 529 Plans offer a range of mutual fund choices, as well as a range of classes of mutual fund. Each class of mutual fund offered in 529 Plans has a different structure of up-front, back-end, or ongoing charges and fees. The differing fee structure may give our representatives incentive to choose one class of fund over another.

| Class 529-A | Class 529-C | Other Share Classes* |
|---|---|---|
| Initial sales charge, ranging from approximately 5.75% to 0% based on amount purchased. | No initial sales charge. | Typically no initial sales charge. |
| May be deferred sales charge on short-term sales of large purchases. | Deferred sales charge on short-term sale of shares (typically 12 or 18 months). | Deferred sales charge on short-term sale of shares (typically 12 or 18 months). |
| Lower annual expenses than Class 529-C shares, due to lower distribution fees. | Higher annual expenses than Class 529-A shares, due to higher distribution fees. Typically convert to Class 529-A shares after a period of time, frequently 10 years. | Certain share classes are offered to specific groups of investors. For example, 529-F shares are offered to investment advisor clients, and 529-E shares are offered to retirement plan participants. Annual expenses are typically higher than Class 529-A shares. |

*Each mutual fund family may offer different classes of shares to different classes of investors. Please see your representative to determine which share classes are available to you.

Virtually all mutual fund family have discontinued issuing 529-B shares, which carried a declining deferred sales charge for a number of years after purchase.

On purchases of Class A shares, the initial sales charge percentage is gradually reduced as certain aggregate dollar amounts are purchased; this is called a break point.

Letters of Intent: Most mutual funds allow you to qualify for breakpoint discounts by signing a Letter of Intent, which commits you to purchasing a specified amount of Class A shares within a defined period of time, usually 13 months, but potentially as much as 36 months. Additionally, some funds offer retroactive Letters of Intent that allow you to rely upon purchases made in the recent past to qualify for a breakpoint discount. However, if you fail to invest the amount indicated on the Letter of Intent, the fund is entitled to retroactively deduct the correct sales charges based on the amount actually invested.

UTMA and Coverdell Savings Accounts established as brokerage accounts also provide the ability to purchase equity and fixed income securities in addition to mutual funds. Due to the fact that fees apply to most transactions in brokerage accounts, our representatives may have incentive to encourage you to trade more frequently.

Different types of investment choices may provide SLR or our representatives with different levels of compensation. They may therefore have incentive to offer certain products or types of investments.

How We Eliminate or Mitigate Conflicts of Interest

We prohibit any sales contest that would provide representatives incentive to offer one type of custodial account over another, or in the case of accounts offering mutual funds, one share class or one mutual fund company over another. During our discussions with you regarding establishing a custodial account, we discuss and document, at minimum:

- Your potential investable assets.
- What proportion these investable assets comprise your overall assets.
- Your overall investment profile, including your investment objectives, time frame, and level of investment experience and sophistication.
- The ultimate purpose of the assets in the account.
- Your desire for an irrevocable gift versus an educational savings vehicle.
- Fees, expenses, and restrictions.
- Ease of access to funds, and ease of transfer between funds.
- Reputation and strength of the custodial company.
- Level and range of services provided by the custodial company.
- Tax treatment and ability to provide tax advantaged handling in the various options.
- Any other relevant factors, including your personal preferences.

In addition, for accounts that offer mutual funds, we use the FINRA Mutual Fund Analyzer, or another mutual fund analyzer tool, to discuss the various options for your mutual fund investment. We consider:

- The various share classes offered for an investment strategy, and the charges for each.
- The management fees (“expense ratio”) for each fund considered.
- The expected time frame for the funds invested.

We believe the information collected in this discussion will provide us with the ability to help you make an informed choice as to the type of account that is in your best interest.