MSEC, LLC

REGULATION BEST INTEREST BROKER-DEALER DISCLOSURE

MSEC, LLC ("MSEC" or our "Firm") is registered with the U.S. Securities and Exchange Commission (the "SEC") as a broker-dealer, and is also a member of both the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). MSEC is not an investment advisory firm and cannot offer investment advisory services.

However, our financial professionals who work directly with retail customers and retirement plans and are registered representatives of MSEC (a.k.a. Mariner), are also investment adviser representatives ("IARs") of our affiliate Mariner, LLC ("Mariner"), an investment advisory firm. On the other hand, not all investment adviser representatives of Mariner are registered representatives of MSEC. Therefore, some individual financial professionals associated with Mariner would not be able to offer broker-dealer services with MSEC. You can check your financial professional at www.brokercheck.finra.org which will allow you to search for your financial professional by name. Their respective profile will show you if your individual financial professional (broker) is also an IAR.

We are providing you this guide because you are considering engaging with an MSEC financial professional to purchase, sell, or hold a securities product, open a new account, or make certain changes to an existing account. Among other things, this Disclosure addresses the scope and terms of our relationship with you, the capacity in which we are acting, the type and scope of our services, any material limitations on our services, the fees and costs associated with your holdings, accounts, and transactions, and the conflicts of interest that exist for us and our financial professionals.

The discussions below, except as specifically noted otherwise, apply solely when our Firm and financial professionals act as your broker (and not when our affiliate Mariner acts as your investment adviser).

OUR CAPACITY, AND RELATIONSHIP, AS YOUR BROKER

All recommendations of securities transactions and investment strategies involving securities (such as account type recommendations, rollovers and transfers of assets) that are made by MSEC and your MSEC financial professional regarding your brokerage account or investments held directly with an investment sponsor (known as "direct business") will be made in our Firm's capacity as your broker-dealer firm, and your financial professional's capacity as an associated person of a broker-dealer firm, respectively.

Financial professionals who are also IARs of our affiliate Mariner may also act as your investment adviser. You will know they are acting as an investment adviser because it is a distinct service you select, and you will enter into a separate agreement with Mariner to receive that service.

Recommendations of securities and investment strategies to a broker-dealer's customer must generally (at a minimum) be "suitable" for the customer, in accordance with rules issued by FINRA. In addition:

Retail Customers. Under the SEC's "Regulation Best Interest" ("Reg BI") our Firm and financial professionals are obligated to act in a retail customer's best interest and not put our interests ahead of yours when we recommend securities transactions, or investment strategies involving securities (including account type recommendations, rollovers and transfers of assets), to you. "Retail customers" means individuals (including their legal representatives) to whom we provide investment recommendations that are used primarily for personal, family, or household purposes.

Retirement Accounts and IRAs. When our Firm and financial professionals provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or section 4975 of the Internal Revenue Code (the "Code"), as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);

- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about 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 conflicts of interest.

For purposes of the special rule noted above, covered "plans" include 401(k), 403(b), profit sharing, pension and all other plans that are subject to ERISA, together with tax-qualified retirement plans (even if not subject to ERISA) such as Solo 401(k) and "Keogh" plans.

"IRAs" subject to the special rule include both traditional and Roth IRAs, individual retirement annuities, health savings accounts, Archer medical savings accounts and Coverdell education savings accounts.

TYPE AND SCOPE OF OUR BROKERAGE SERVICES

MSEC offers a limited selection of brokerage services to retail customers (and retirement plans), including buying and selling securities such as mutual funds, 529 Savings Plans and variable insurance products directly with custodians (i.e., not custodied with MSEC), making recommendations and opening non-discretionary brokerage accounts.

Your financial professional may voluntarily review your account to determine whether to make a recommendation to you; however, your brokerage relationship does not include account monitoring services. If you prefer on-going monitoring of your account or investments, you should speak with your MSEC financial professional about whether an advisory service relationship is more appropriate for you.

When providing brokerage services, neither MSEC nor its financial professionals make investment decisions for you or manage your brokerage account on a discretionary basis. Because our financial professionals do not have discretionary investment authority when acting in their brokerage capacity, this means that we cannot buy or sell investments in your brokerage account without first obtaining your consent. Our financial professionals may recommend investments to you, but you are responsible for making the decision whether to purchase or sell investments, and we will only purchase or sell investments when specifically directed by you.

We offer retail customers (and retirement plans) a limited number of brokerage account types, which are typically "direct-held" accounts with an investment sponsor (i.e., by and with a mutual fund family, an insurance company issuer of a variable insurance product or a state's 529 Savings Plan), including individual retirement accounts (IRAs), 401(k) accounts, taxable brokerage accounts, and 529 Savings Plans.

Our General Investment Philosophy and Approach. Our belief is that investing should be personalized, and we do not believe in a "one size fits all" approach. When your MSEC financial professional recommends securities, strategies involving securities, or an account type, to you, he or she will consider the potential risks, rewards, reasonably available alternatives and costs in light of your investment profile. Our target retail customers are typically also investment advisory clients of Mariner.

We do not have any minimum account requirements for our brokerage accounts, but some of the investments you can purchase through us have minimum investment requirements. More information about these minimum investment requirements is available in the investment's offering document or prospectus.

Choosing Between a Brokerage Account and an Advisory Account. When we recommend an account type (including whether to establish a brokerage account with MSEC or an investment advisory account with our affiliate, Mariner), we are required to act in your best interest and consider your investment profile, including your financial situation, investment objectives, anticipated level of trading activity, service needs, and preferences.

Brokerage and investment advisory accounts differ in the scope of services provided, the nature of the relationship, and how fees are charged.

A **brokerage account** with MSEC may be more appropriate if you:

- Prefer recommendations on a transaction-by-transaction basis;
- Wish to make the final investment decisions;
- Do not require ongoing monitoring of your account;
- Anticipate limited trading or a buy-and-hold approach; and/or
- Prefer to pay through commissions or other transaction-based charges.

An **investment advisory account** with Mariner may be more appropriate if you:

- Desire ongoing monitoring of your account;
- Prefer discretionary management or continuous portfolio oversight;
- Anticipate more frequent trading or rebalancing;
- Seek ongoing financial planning or wealth management services; and/or
- Prefer an ongoing asset-based fee arrangement.

We will consider the services you desire, the anticipated level of trading activity, and the costs associated with each account type before making a recommendation. Depending on your circumstances, one account type may be more cost-effective than the other over time.

You should also consider the scope of available investment options when evaluating account types. As described above, MSEC offers a limited range of brokerage investments, which are generally restricted to mutual funds, 529 Savings Plans, and variable insurance products held directly with an investment sponsor. If you require access to a broader range of investments, products, or investment strategies, an investment advisory account (with Mariner or another firm) or a brokerage relationship with a firm offering a wider selection of investments may be more appropriate.

As described below, our Firm and your financial professional have financial incentives to recommend certain account types, including investment advisory accounts. We address these conflicts through policies and procedures designed to ensure recommendations are made in your best interest.

MATERIAL FEES AND COSTS

If you engage MSEC to provide you with brokerage services, you will pay certain fees and costs.

We are paid each time you trade in your brokerage account or make a new investment. This payment is typically called a "commission," but it may also be called a "sales charge" or a "trail." This kind of payment presents a conflict for us because it creates an incentive to encourage you to trade more and make additional investments. The commission rate or amount varies depending on the investment and the size or amount of the transaction.

In addition, investments that are interests in investment funds, such as mutual funds, or products, such as college savings plans and variable insurance products, bear ongoing fees and expenses that are embedded into the cost of the investment holding. You pay these ongoing fees and expenses indirectly because they are factored into the cost of the investment.

Below we summarize the material fees and costs associated with the investments and insurance products that MSEC and our financial professionals are able to recommend and sell to you. If we recommend an investment to you that is not addressed below, you will receive information about material fees and costs at the time or before the recommendation is made. Further, as required we will provide additional, more detailed information with respect to the fees and costs associated with any specific investment or insurance product we recommend to you, which is typically provided in the prospectus or other offering or policy documents for the relevant investment or insurance product.

Mutual Funds. Mutual fund shares come in different classes, each with different fees and fee structures. The specific fee and fee structure of each share class, including the amount charged and when it is collected, vary depending on the particular mutual fund and are described in the fund's prospectus. Not all share classes are available to all account types and/or investment programs. The principal differences among the classes are the fees and expenses charged by the mutual fund. Fees and expenses in a mutual fund reduce the net asset value ("NAV") of the fund and its investment return.

The primary sources of fees and expenses associated with mutual fund investments, and which are paid as compensation to MSEC, include:

- <u>Up-Front Sales Charges (Front-End Loads)</u> – In many cases you will pay an up-front sales charge upon the purchase of the fund, as described in the prospectus. Many mutual funds allow for a reduction or waiver of the up-front sales charge based upon, among other things, the amount of your total investments in the particular mutual fund family, investor type, and the type of account in which the assets are invested. These sales charges usually range from 0% to 6% and reduce the amount of your principal investment.
- <u>Back-End Sales Charges (Back-End Loads)</u> – These are sales charges that are applied by the applicable mutual fund upon the sale of a mutual fund share within a specified number of years (the exact number of years varies by fund, as explained in its prospectus). These sales charges are also referred to as Contingent Deferred Sales Charges or "CDSCs." These charges often range from 1% to 4% but can be reduced or eliminated based on how long the shares are held as described in the prospectus.
- <u>12b-1 Fees</u> – Many mutual funds pay a 12b-1 fee (or "trailing commission") to MSEC directly from the fund's assets on a monthly or quarterly basis. Like other fees and expenses in the mutual fund, the payment of 12b-1 fees reduces the investment return. The amount of the 12b-1 fees paid varies among funds and share classes but is disclosed in the fund prospectus.

Typical mutual fund share classes often have the following characteristics:

- <u>Class A</u> – Class A shares typically impose front-end sales charges, but lower 12b-1 fees (often between 0.15%-.50%).
- <u>Class C</u> – Class C shares do not generally impose front-end sales charges, and relatively lower, short-term back-end sales charges (for example, 1% if you sell your shares within one year), but they tend to have higher ongoing 12b-1 fees (often between 0.75% and 1.00%). Some Class C shares convert to Class A shares over time (e.g., 6-10 years), but many Class C shares do not convert.

However, it should be noted that mutual fund share classes differ very significantly, and therefore <u>**it is crucial that you review a specific fund's prospectus before investing**</u>**.**

In addition, when you invest in a mutual fund, you will pay (indirectly, through deductions from your investment) your *pro rata* share of the investment management fees, auditor fees and other ongoing expenses incurred by the fund. Expressed as an annual percentage, the total operating expenses of a mutual fund are referred to as the fund's expense ratio. Fund expense ratios differ significantly; they are typically higher for actively-managed funds than passive (index) funds. More detail about the fees and costs associated with a mutual fund (and other important information) is provided in its prospectus. <u>We strongly encourage you to review these documents carefully before any purchase</u>.

529 Savings Plans. When you make contributions to a state's 529 Savings Plan, your contributions are invested among various underlying investment options from which you choose. The contributions will fluctuate in value as the underlying investment options increase or decrease, and there is no guarantee that the amount contributed to the 529 Savings Plan will equal the amount necessary for future education expenses. Although similar to mutual funds in certain ways, 529 Savings Plans are issued by state governments, and are not directly regulated or registered under the federal securities laws.

Typically, 529 Savings Plans have share class structures that mimic those of mutual funds, and thus pay us sales charges and other commissions that largely mirror those of mutual funds – we recommend that you review the discussion of *Mutual Funds* above. For example, as a percentage of the amount contributed (similar to mutual funds), many 529 Savings Plans impose up-front sales charges that typically range between 0% to 6%.

In addition to the compensation we receive for selling 529 Savings Plans, you will pay certain additional fees and costs such as the following:

- Program Management Fee – 529 Savings Plans generally deduct a program management fee to pay the program manager for providing investment advisory, accounting, and other services to the plan. This fee is typically charged annually as a percentage of your assets, and is reflected in the NAV of the plan's investment options.

- Maintenance Fee – Most 529 Savings Plans charge an annual maintenance fee. This fee, which compensates the plan sponsor for costs of maintaining the plan, may be waived in certain circumstances, such as when your plan assets exceed certain thresholds.

- Underlying Mutual Fund Expenses – Most 529 Savings Plan investment options invest in one or more mutual funds and bear a portion of the fees and expenses of these underlying funds. The underlying mutual fund expenses are deducted from fund assets and reflected in the NAVs of the underlying mutual funds, which means they are also reflected in the NAV of the 529 Savings Plan's investment options. More information on the mutual funds that underlie the plan's investment options is available in the 529 Savings Plan's offering document. In addition, more information on the underlying mutual funds, including their ongoing fees and expenses and overall expense ratio, is available in the funds' prospectuses.

You pay these fees and expenses indirectly as they are deducted from your investment option assets, or the assets of underlying mutual funds, on an ongoing basis.

More detail about the sales charges and other fees and costs associated with a state's 529 Plan (and other important information) is provided in its offering document, which we strongly encourage you to carefully review before making contributions.

Variable Annuity, Registered Index Linked Annuity (also known as a "RILA," structured annuity, index linked annuity or buffered annuity) and Other Variable Insurance Products. If your MSEC financial professional is licensed to sell annuities and other insurance products, he or she can recommend that you purchase a variable annuity, registered index linked annuity or a variable life insurance policy. Variable annuities, RILAs and variable life insurance policies are regulated by the SEC as securities (in addition to state insurance regulation). These products are issued by different insurance companies and will be in the form of a contract or policy between you and the insurance company.

Variable products and RILAs are not short-term savings vehicles. Withdrawing funds or surrendering a variable product in the short term after purchase will likely trigger surrender fees and charges, and may also trigger tax penalties. You can lose the money you invest in variable products and RILAs, including potential loss of your initial investment, due to poor performance of the investment options or crediting strategies you select and/or the cumulative impact of fees and charges on your cash value.

Commissions and Product Premiums/Contributions for Variable Products. If you buy a variable annuity, variable life insurance policy or RILA through MSEC, we will receive an insurance commission from the issuing insurance company. While you do not pay this commission directly, the insurer factors this commission into the product's fees and costs in the case of variable products. In this way, you indirectly pay the commission. We receive this commission for our sales efforts and for assisting you with the insurance application and the underwriting and delivery processes related to the purchase of a variable product. We share a portion of this commission with your financial professional. Like mutual funds and 529 Savings Plans, many variable annuities offer different share classes. Typically, some share classes will pay us higher up-front commissions but lower trails, while others will pay lower up-front commissions but higher trails. Thus, insurance commissions we receive vary based on the variable product and insurance company, and we receive higher commissions for some types of variable products than for others, which creates a conflict of interest for us. In addition, in the case of variable life insurance, the commissions may vary between initial premium payments and subsequent premium payments.

With any purchase of a variable annuity, variable life insurance policy or RILA, the single most significant costs you will incur are the premiums or contributions you will pay to the insurance company for coverage. In the case of some variable products, the insurance company deducts a fee from your premium payment or contribution, with the effect that only the net premium or contribution amount is invested or allocated. In the case of variable annuities, the fee deduction is usually to cover a state insurance premium tax. In the case of variable life products, the fee deduction can also cover the insurer's sales expenses.

Fees and Costs for Variable Annuities and Variable Life Insurance. When you purchase a variable annuity or variable life insurance product, your insurance premium contributions (net of any fees and charges deducted from your premiums) are invested in the investment options – typically underlying mutual funds – that you select. The value of a variable annuity contract or variable life insurance policy, typically referred to as your cash value, is based on the value of these underlying investment options.

You will also pay various other fees, some examples of which are described below, that are deducted from the contract value by the insurance company. The specific amounts of all fees are disclosed in the contract or policy which you receive directly from the insurance company and the product prospectus, but they may include, without limitation:

- Mortality Risk and Expense (M&E) – This is an annual charge that compensates the insurance company for insurance risks it assumes under the contract. The charge often ranges from 0.50% and 1.75%, but can vary further.
- Administrative and Annual Maintenance Fees – This is an annual charge that covers recordkeeping and other administrative fee expenses. The administrative fee is a percentage of the account value and often ranges from 0.00% and 0.15%, but can vary further. The annual maintenance fee is a nominal flat fee, and is typically waived for large contract values (e.g., over $50,000 or $100,000).
- Investment Management Fees – These fees are paid to the firms that manage the investment portfolios held within the contract, who are often affiliates of the insurance company. These will vary depending on which investment portfolios you choose.
- Fees for Optional Riders – Optional riders are provisions that can be added to an annuity contract to increase or limit benefits the contract otherwise provides such as death benefit, income and accumulation guarantees. You will be charged additional fees if you select optional contract features at the time of purchase.
- Surrender Charge or Contingent Deferred Sales Charge ("CDSC") – If you surrender your variable contract or policy or withdraw money from a variable product within a certain period after purchase (often for a period of up to 10 years for annuities and longer for variable life), the insurance company usually will assess a "surrender charge" which is a type of sales charge. The surrender charges also vary by variable product, and generally begin around 10% of the purchase payment in year one. Typically, the surrender charges decrease over the duration of the surrender charge period, with the higher surrender charges applying to surrenders and withdrawals made at the beginning of the surrender charge period, and the lower surrender charges applying to surrenders and withdrawals made toward the end

of the surrender charge period. The applicable surrender charges and surrender period are described in the product contract or policy and the product prospectus. Further, you may also trigger tax penalties for surrenders or withdrawals made before age 59 ½.

- Fees for Underlying Investment Options – In addition, you will indirectly pay the ongoing fees and expenses for the mutual funds that are the underlying investment options for your variable product in which you invest. These fees and expenses are separate from the fees charged by the insurance company and will be reflected in the performance of the underlying investment options. These ongoing fees and expenses include the mutual fund's management fees, servicing fees, and 12b-1 fees, and are typically charged as an annualized rate against fund assets.

Fees and Costs for RILAs

A registered index-linked annuity ("RILA") is a type of annuity contract that provides investors a return based on the performance of a linked market index, limited by the associated terms of the RILA including the features below. When purchasing a RILA, it is important to understand that you are not investing directly in an index or in any securities or other investments underlying any index. You will not receive any distributions or dividends associated with the securities included in any RILA's subject indices. Under a RILA, positive or negative returns are credited to the contract value at the end of a set crediting period, which generally ranges from one to six years. Any growth in accumulated value grows tax deferred. Consult your Financial Professional for information regarding a RILA's tax-deferral benefits and disadvantages. For specific tax advice, consult a tax advisor. RILAs may also offer a variety of lifetime payout options and death benefit options. The terms of the RILA are determined by the issuing insurance company whose financial strength and claims-paying ability backs the guarantees.

When investing in a RILA, you may be subject to a combination of the following features:

- Caps or Triggers: Limit returns to RILA investment options relative to large increases in the value of the underlying index. Triggers can provide higher returns than the underlying index when index returns are low.
- Floors or Buffers: Protect you from some level of losses. Floors protect against any losses beyond the stated threshold level. Buffers protect you from losses up to the stated threshold levels but losses can occur if threshold levels are exceeded. A RILA's downside protection limits can be complex and overlapping and may change at the beginning of each new crediting period, subject to certain minimum guarantees stated in the contract.
- Participation Rates: Act as a multiplier or dampener on index performance. An investment option with a participation rate may also have caps or other limits on gains.

While RILAs can offer you the ability to tailor your investment by choosing from various crediting strategies, participation rates, caps and buffers, these features create complexity that you need to understand prior to investing.

A portion of the product costs you pay covers a sales commission paid to us by the issuer.

You will pay certain ongoing and periodic fees and other expenses imposed under the annuity that will be reflected in your annuity's contract value. These fees affect net investment performance, vary between RILAs, and are described in the annuity's prospectus.

- **Surrender charge**: You may pay a surrender charge to the issuer if you withdraw money from your annuity contract or surrender it during the surrender period (often for a period of up to 7 years for RILAs). The maximum surrender charge is 8.00%. Each year, you can take out a certain amount of money without incurring this charge. Further, you may also trigger tax penalties for surrenders or withdrawals before age 59 ½.
- **Interim Value Adjustments and mid-term withdrawals**: These are penalties for withdrawing money from an investment option before the end of its term. This adjustment could be positive, negative, or zero and is calculated at the time of withdrawal. This adjustment has the potential to reduce the value of the investment option. Additionally, caps, triggers and participation rates are pro-rated based on the period that the withdrawn amount

was invested which decreases your participation in any upside performance. In some instances, losses could be more than 90%.

• **Portfolio expenses**: You will pay portfolio expenses related to the subaccounts of your variable annuity contract. These will vary depending on which investment portfolios you choose.

• **Optional benefits and riders fee**: You will be charged for any additional optional living or death benefits.

The caps, downside protection options, fee structure, indices, and variable sub-accounts available and the standard death benefit varies by product, and some of these features can be changed by the insurance company periodically during the term of a contract. You should read your contract carefully to determine what changes the insurance company may make to your RILA. RILAs also require gains or losses to be realized at the end of each crediting period. This means your investment option is effectively 'reset' on a scheduled date, regardless of whether market conditions are favorable at that time. Specific RILA contract terms can also limit the ability of an investor to take certain actions generally permitted under the contract during the crediting period (such as surrender, withdrawal, payment of a death benefit, start of annuity payments, or change of investment) without bearing adjustments, which can be negative and can result in significant losses. A RILA is not necessarily a low-risk investment product as you could lose a significant amount of money if the index performs poorly, and your contract value is not guaranteed. Based on the RILA contract terms and features, an insurance company may credit your indexed annuity with a lower return than the actual index's gain. In addition, under the terms of some RILA contracts, you could lose more money in your indexed annuity when the market index goes down than is indicated by the loss of value in the index. RILAs typically do not have cost-of-living adjustments to keep pace with inflation, so your spending power from the earnings you receive may decline over time.

Marketing Expenses and Allowances for Variable Products. Some insurance companies also pay us a marketing allowance for our marketing activities on their behalf. The marketing allowances are usually calculated as a percentage of new sales (premiums paid by our retail customers), a percentage of the cash value in variable products held by our retail customers, or both. Some insurers additionally or alternatively make contributions to cover the costs of the business meetings and events that we hold for our financial professionals. Not all of the insurers we sell products on behalf of make these payments to us.

Marketing representatives of insurance companies or their affiliated distributors, often referred to as "wholesalers," work with our financial professionals to promote their variable products. These insurance companies and their wholesalers may pay for or provide training and education programs for our financial professionals. Insurance companies and their wholesalers may provide small gifts or business entertainment to our financial professionals, may cover expenses with our financial professionals attending business meetings they sponsor, and may provide financial assistance to financial professionals for their marketing events and activities.

You do not pay these marketing expenses directly. However, the marketing expenses are built into the pricing of the variable product, so you indirectly pay for the cost of the marketing expenses, such as training and education programs for our financial professionals sponsored by the insurance company and their wholesalers

More Information. Variable annuities, registered indexed linked annuities and variable life insurance policies are complex products, often with intricate risk, fee and cost structures. More detail about the fees and costs associated with a particular variable annuity or life insurance policy (along with other important information) is provided in its prospectus or other policy documents. **We strongly encourage you to review these documents carefully before making any purchase.**

MATERIAL LIMITATIONS ON OUR SERVICES AND RECOMMENDATIONS

There are material limitations on the services, securities and strategies involving securities that our Firm, and in some cases certain of our financial professionals, can offer to you:

Investment Limitations. MSEC only offers limited investments and services to retail customers to whom we make recommendations, and retirement plans for which we recommend investments. The investments we make available and recommend to such customers are generally limited to mutual funds, 529 Savings Plans and variable annuities, RILAs and variable life insurance held directly with the product issuer (i.e., not custodied with MSEC or any other broker-dealer). We cannot sell these products except where we have selling or distribution agreements with the issuers. If you need access to broader types of investments and strategies, you should consider whether an investment advisory account (with Mariner or another investment advisory firm), or a brokerage account with a brokerage firm that offers more investment options, would better serve your needs.

Licensing Limitations – Individual Financial Professionals. Our individual financial professionals who are registered representatives of MSEC and recommend securities directly to retail customers and retirement plans are also investment adviser representatives of Mariner; however, not all investment adviser representatives of Mariner are registered representatives of MSEC. This means that some individual financial professionals associated with Mariner would not be able to offer brokerage services to you. In addition, you can research your financial professional's experience and licenses on FINRA's BrokerCheck website at brokercheck.finra.org.

No Investment Monitoring. When we act as your broker, our Firm and our financial professionals do not monitor your brokerage account investments after effecting a securities transaction for you, including those investments our financial professional recommends. If you wish to receive regular monitoring of your investments, you should consider whether an investment advisory account (with Mariner or another investment advisory firm) would better serve your needs. You should periodically review your account and consult your financial professional as needed.

Not a Discount Broker. MSEC is not a discount brokerage firm, and our services for retail customers are typically more expensive than those of discount brokers. If you only wish to trade securities based on your own research, and you do not wish to receive recommendations, an online or other discount broker would likely be a better overall choice for you than opening a brokerage account with MSEC.

No Discretionary (Investment Management) Services. When we act as your broker, our Firm and our financial professionals cannot make investment decisions for you, and we cannot manage your brokerage account on a discretionary basis. This means that we cannot generally buy or sell investments for your account without first obtaining your authorization. While we can recommend certain investments to you, you are responsible for making the ultimate decision whether to purchase or sell investments. If you are uncomfortable making investment decisions even with recommendations from a financial professional, you should consider whether an investment advisory account (with Mariner or another investment advisory firm) would better serve your needs.

MSEC, LLC

REGULATION BEST INTEREST BROKER-DEALER DISCLOSURE

MATERIAL CONFLICTS OF INTEREST ASSOCIATED WITH OUR RECOMMENDATIONS

Brokerage Services (MSEC) vs. Advisory Services (Mariner). In most cases, the total compensation that our Firm receives (consisting primarily of commissions and commission-equivalents) for providing brokerage services is less than our affiliate Mariner receives (consisting primarily of advisory fees) for providing investment advisory services. Also, the rate of fees you would pay in an investment advisory account to Mariner does not decrease even where the level of investment trading activity in your advisory account is low. Further, while some of our financial professionals receive only a salary, other of our investment professionals who are licensed both as registered representatives of MSEC and investment adviser representatives of Mariner are compensated based on the total commissions, advisory fees and certain other revenues they generate for MSEC and Mariner together (See *Variable Compensation To Our Financial Professionals* below).

Therefore, both our Firm (considered together with our affiliate Mariner) and our financial professionals have a financial incentive to encourage you to choose an advisory account with Mariner over a brokerage account with MSEC. If we recommend an account type to you, our financial professionals are required to consider the level of anticipated trading activity, your financial needs and certain other factors, before doing so.

Sales Commissions, Including Trail Commissions. Our Firm receives a sales commission each time we sell a mutual fund, 529 Savings Plan, or annuity or other insurance product, and often receives trailing commissions as well so long as the product continues to be held. The amount of compensation our Firm and in turn our Financial Professionals can receive can vary depending on the product, creating an incentive to recommend the product paying the highest overall compensation. The higher the amount of your investments, and the more frequently you buy and sell investments, the more sales commissions we will receive. While some of our investment professionals receive only a salary, others are compensated based on the total commissions they generate (See *Variable Compensation To Our Financial Professionals* below). Thus, our Firm, and in many cases our financial professionals, have financial incentives to recommend that you invest in products that pay us higher commissions, that you make larger investments, and that you buy and sell investments frequently.

Variable Compensation To Our Financial Professionals. Some of our financial professionals who work directly with retail customers and retirement plans receive only a salary, or a salary and a bonus based primarily on overall firm performance. This is typical of our wealth advisors who are not Senior Wealth Advisors/Senior Wealth Consultants. Those wealth advisors who receive a bonus have an incentive to maximize the revenues to the Firm and our affiliates, even if they do not receive a share of those revenues directly, because they will generally receive larger bonuses if the Firm and our affiliates make more money.

- In addition to salary and bonus, some of our individual financial professionals are entitled to receive variable compensation equal to percentage shares of the (i) commissions and commission-equivalents they generate for MSEC, (ii) advisory fees they generate for Mariner, and (iii) commissions they generate through annuity and insurance sales. This is more typical for our Senior Wealth Advisors/Senior Wealth Consultants. While there are variances from individual to individual, certain Senior Wealth Advisors/Senior Wealth Consultants would be entitled to receive variable compensation of up to 25% of the related “net revenues” generated from advisory fees and/or commission (annuity/insurance) sales associated with clients serviced by the Senior Wealth Advisor/Senior Wealth Consultant.
- If a financial professional, including Senior Wealth Advisors, recently became associated with MSEC and our affiliate, Mariner, after working for another financial services firm, they may for a period of time receive incentives based on investment advisory revenue in lieu of variable compensation. The financial professional will have an incentive to recommend investment advisory services over broker-dealer commissionable investments.

Therefore, many of our financial professionals have additional financial incentives to recommend investments that will generate higher amounts of commissions and fees for the Firm and our affiliates, over those that generate lower commissions and fees. Our compensation incentives are intended to help mitigate the conflict that exists between different business lines, and we do not generally employ "increasing" commission grid rates (i.e., that entitle financial professionals to receive higher percentages of higher revenues as their revenues increase, which can magnify this type of conflict).

Firm Profits Interests. Some of our individual financial professionals have been granted a profits interest in our parent company. Because such individuals share in our Firm's profits, they have an additional financial incentive to increase those profits by recommending that you increase your investments, purchase investments that pay us higher fees and commissions, and trade frequently. Our individual financial professionals who have been granted a profits interest, and who recommend investments to retail customers and retirement plans, are typically Senior Wealth Advisors.

Rollovers. Regardless of the investments and services you select, MSEC and your MSEC financial professional will make more commissions and other revenues if you roll over assets from a retirement plan or IRA for which we do not provide services, to a retirement plan or IRA for which we do provide services. Therefore, both our Firm and our financial professionals have a financial incentive to recommend retirement plan and/or IRA rollovers to retirement plans and IRAs serviced by us.

Mariner Institutional, an affiliated registered investment adviser, provides institutional investment consulting services to a wide variety of institutional plan types, including employer-sponsored retirement plans ("Institutional Plans"). MSEC and its financial professionals do not provide services to these plans. Participants of Institutional Plans who take a distribution or rollover may choose to roll plan assets to an IRA or other account managed by Mariner or an account with MSEC. Participants of Institutional Plans may therefore encounter our affiliate, Mariner Institutional, in its capacity as the investment consultant to the Institutional Plan (or its plan sponsor), before becoming a retail investor of the Firm. The advisory services provided to the Institutional Plan are separate and distinct from any services provided to individual participants following a decision to terminate from or roll plan assets out of an Institutional Plan, and participants are under no obligation to engage the Firm or its affiliates with respect to the management of such assets going forward. Because these entities are affiliated, there is a financial incentive for assets from Institutional Plans to be rolled over into accounts managed by our affiliates, which creates a conflict of interest. In addition, financial professionals associated with both MSEC and Mariner have a financial incentive to recommend that you roll over assets into accounts managed by Mariner or held through MSEC. To the extent we make a recommendation regarding a rollover or provide brokerage services for those assets, we have an incentive to recommend transactions or account types that result in compensation to us or our affiliates. You should consider available alternatives, including leaving assets in your current plan, if permitted.

Transfers; Additional Assets. Similar to rollovers, our Firm and your financial professional will make more commissions and other revenues if you transfer assets from an existing investment account with another financial institution to, or otherwise add funds to, a brokerage account with MSEC. Because the investments we recommend for retail customers (and retirement plans) are typically limited to directly held products (e.g., assets held by mutual fund families, 529 Plans, and insurance product issuers), the same would be true if you change the "broker-of-record" from a third-party broker to us, although in these cases there is no true "transfer" of assets. For example, this could occur if your individual financial professional recently left another firm and joined MSEC. Both our Firm and our financial professionals have a financial incentive to recommend transfers of account assets, and the addition of assets, to accounts and relationships serviced by us.

Share Classes. Many of the products we offer and recommend to clients feature share class structures, including mutual funds, 529 Savings Plans and variable annuities. Typically, some share classes will pay us higher up-front sales charges and similar payments but lower recurring payments (such as 12b-1 fees or "trailing commissions"), while others will pay us less up-front but more on a recurring basis. For this reason, some share classes are expected to be less expensive for long-term investors, and others are expected to be less expensive for short-term investors. In most cases, our Firm and our financial professionals will receive more compensation if you choose a share class that is more costly to you. However, we are required to consider your expected investment time horizon before recommending a particular share class to you.

You should also understand that many mutual funds offer advisory or institutional share classes that are less expensive than the share classes available to you through a brokerage account with MSEC, which could be available to you within a fee-based investment advisory account. Also, many mutual funds offer less expensive share classes that are available only to retirement plan investors, which will generally not be available to you within a brokerage account with MSEC unless you are investing retirement plan assets.

Discount Features. Certain mutual funds and other products offer discounts that will reduce the sales commissions we receive as a Firm, and thus, the compensation our individual financial professionals receive. For example, some mutual fund families offer sales charge discounts at certain "break points" based on the total dollar amount of your investments, with respect to certain "rights of accumulation," or if you sign a letter of intent (an "LOI") to invest a certain amount in their funds. Since they reduce Firm revenues, and thus the compensation our individual financial professionals receive, both our Firm and our financial professionals have a financial incentive not to encourage you to take advantage of discounts. Under applicable industry rules, we are prohibited from making certain recommendations or omitting information in a way that is designed to prevent customers from taking advantage of discount features.

Gifts and Gratuities to Our Financial Professionals. In some cases, mutual fund families, insurance companies or other parties provide our financial professionals with a small gift or token worth less than $250, or a complimentary meal, ticket to a sporting or other event, or similar entertainment item. Entertainment costs are typically considered reasonable (and thus permitted) if both the host and guest attend, and the events are not so frequent or extensive that they raise questions of impropriety. These items are not tied to specific product sales or customers and must be reported to our Firm in accordance with industry regulations. Gifts found to be worth more than $250, or entertainment costs found not to be reasonable, may be required to be returned or reimbursed. These items create a conflict of interest to the extent they cause our financial professionals to focus their recommendations to clients on these providers' products, over other competing products that are available in the marketplace.

Education, Training, Non-Cash Compensation and Sponsorships. Certain product companies work with our financial advisors to promote their products. They may pay for training and education events or due diligence meetings and may reimburse expenses. For financial professionals, these events may be held at off-site locations, and the travel, meals and accommodations may be paid for by the product company.

The Firm's parent, Mariner Wealth Advisors, LLC, may conduct events on a periodic basis such as an annual conference. The Firm's parent permits third parties to sponsor these and other events at various levels, including those who are associated with investments MSEC offers. Although the amount of compensation received for this sponsorship can vary based on the size of the event, the sponsorship level purchased, and other characteristics, this compensation is not MSEC transaction based or otherwise contingent on any of the investments MSEC sells. Although MSEC does not receive any of the sponsorship fees, these relationships may allow the third parties to have greater access to communicate, market to and interact with our advisors than investment companies who do not provide sponsorship. The level of access is dependent on the amount of sponsorship which may range from $10,000 to $315,000.

Outside Business Activities of Our Financial Professionals. Some of our individual financial professionals engage in outside business activities for compensation. As a result, they have a financial incentive to spend time on those outside activities, rather than on providing services to our brokerage customers. Our financial professionals are required to disclose any outside business activities to the Firm, and to receive pre-approval from the Firm, before engaging in them. You can research outside business activities for which your financial professional receives compensation at brokercheck.finra.org.

Referrals.

- ***Investment Banking focused on Mergers & Acquisitions.*** We are affiliated, and under common control, with W G Securities, LLC (CRD No. 140869), a capital acquisition broker registered with the SEC and various state jurisdictions, member of FINRA and SIPC. To the extent applicable, our financial professionals may refer clients in need of institutional investment banking services to our affiliate Woodbridge International, LLC, the direct owner of W G Securities, LLC. To the extent an investment banking engagement requires use of a broker dealer, the transaction will typically be executed through W G Securities, LLC. The Firm's affiliation with W G Securities, LLC and Woodbridge International, LLC creates a financial incentive for the Firm to recommend services of W G Securities, LLC and Woodbridge International, LLC over unaffiliated parties. In addition, certain eligible personnel of the Firm are generally entitled to a referral fee from W G Securities, LLC and/or Woodbridge International, LLC, as applicable, for the referral of investment banking clients and/or opportunities.

- ***Mariner.*** We refer clients to our affiliate for which certain eligible personnel of the Firm are generally entitled to a referral fee. The compensation has generally included a recurring payment of a percentage of the client's annual advisory fee.
- ***Mariner Insurance Resources, LLC.*** We are under common control with Mariner Insurance Resources, LLC ("MIR"), an insurance agency. Certain of our financial professionals are licensed insurance agents and, in such capacity, recommend the purchase of certain insurance-related products, including insurance contracts provided by third-party carriers including fixed annuities. These individuals are compensated for the sale of insurance-related products.