

# Ways to Work with Us

## BEST INTEREST DISCLOSURE GUIDE

EFFECTIVE JUNE 30, 2020

### Introduction

Coordinated Capital Securities, Inc. (CCS or Firm) is registered with the Securities and Exchange Commission (SEC) as both a broker-dealer and an investment adviser and is a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). We are providing you this guide because you are considering engaging with a CCS Financial Professional to purchase, sell, or hold a securities product, open a new account, or make certain changes to an existing account. Before you make any decisions, it is important for you to understand certain important information about the services we provide, including the capacity in which your CCS Financial Professional is acting, applicable fees and costs, and the scope of our services, including any material limitations on what we can offer. This guide is meant to help you consider in determining what type of account and product or service is best for you, alert you to situations where our interests may not align with yours and discuss the fees and costs you will pay so you can decide if these costs line up with the services you need or want. If you are viewing a hard copy of this guide, an electronic version, as well as and other information it references, can be viewed at our website <http://www.ccsmadison.com/#disclosures> under the heading "Ways to Work With Us".

### Scope and Cost of Services we Provide

We are registered and can act as both a broker-dealer and investment advisor. Our responsibilities will differ depending on whether we are providing brokerage or advisory services. Where we act as your broker, our primary services is executing transactions according to the investment decisions you make. Any recommendations provided as part of our brokerage services are incidental to executing transactions on your behalf. In a brokerage account, you make all investment decisions. When we act as an investment advisor, our primary service is the advice we provide or ongoing monitoring of your account. It is important for you to understand what capacity your Financial Professional is acting in when providing you with a recommendation. Recommendations regarding your brokerage accounts are made in a broker-dealer capacity. Recommendations regarding your advisory account are made in an advisory capacity. Your Financial Professional must tell you what capacity they are acting in before making a recommendation. For detailed information regarding the distinctions between our brokerage and advisory services, please see our Customer Relationship Summary (Form CRS) at our website <http://www.ccsmadison.com/#disclosures> under the heading "Ways to Work With Us".

**Transaction-Based Brokerage Account Relationship and Pricing.** With this account relationship, you pay for the services you request, such as buying and selling stocks, bonds and mutual funds, and trading and exercising options. Payment may be in the form of commissions or other fees for each transaction, or as deferred sales charges or built-in expenses in products such as mutual funds and variable annuities. You can conduct transaction-based business with us through investment, education savings, retirement, trust and other accounts we offer. Annuities and insurance are made available by our insurance-licensed financial professionals through third-party insurance companies unaffiliated with us.

**Factors that affect pricing.** You may purchase many of our products and services in either brokerage or advisory accounts, or a combination of both. Advisory services, however, are available only in advisory accounts. You may pay more or less in an asset-based advisory program than you would pay if you purchased the products and services separately in a transaction-based brokerage account. The costs of either type of account depend on a number of factors, including: product and service preferences, size and value of your account(s), mix of products you hold, frequency with which you trade, and administrative or management fees associated with the products or services you purchase.

**How our financial professionals are compensated.** We offer brokerage and advisory services to you through financial professionals located across the country. Our financial professionals are independent contractors and not employees of CCS. In general, we pay a percentage of your commissions and fees, called a payout rate, to our financial professionals, according to an established schedule based on the revenues the financial professional generates with his or her entire client base. A financial professional may also be eligible for bonuses based on his or her annual total revenues and/or length of service with us.

- For transaction-based Clearing Accounts, excluding mutual funds, the payout schedule ranges from 75%-85% of the commissions paid to us.
- For all other transaction-based products, including mutual funds in a clearing account, the payout ranges from 60%-92% however most Financial Professional's payout is 80% or higher.
- For our advisory fee programs, the payout ranges from 60%-92% however most financial professional's payout is 85% or more.

## Account Types and Limitations

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When you open an account with us it will be held at our clearing firm (clearing account) or held directly with the product sponsor or custodian (direct account). Accounts in our asset-based advisory programs must be held at the clearing firm or third-party manager. Brokerage accounts can be held either at the clearing firm or held directly with the product sponsor. We and our clearing firm share responsibilities with respect to clearing accounts. These responsibilities are detailed in the Designation of Responsibilities available at our website <http://www.ccsmadison.com/#disclosures> under the heading "Clearing Firm Accounts".

**Cash versus Margin Accounts.** Clearing accounts can be opened as a cash or margin account. In a cash account, you must pay for your purchases in full at the time of purchase. In a margin account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm. Given that a margin-enabled Clearing account has specific eligibility requirements, unique costs, and regulatory requirements, our default clearing option at account opening is a cash clearing account. You must sign a separate margin agreement before your account will be margin-enabled. You can view the current Margin Disclosure Statement at our at our website <http://www.ccsmadison.com/#disclosures> under the heading "Clearing Firm Accounts".

**Account Minimums and Activity Requirements.** Clearing accounts do not require a minimum initial account balance however, if you either fail to fund your clearing account or do not return account opening documents as required, your clearing account will be closed. In addition, some types of clearing accounts have minimum account activity requirements and/or minimum on-going balance requirements that must be maintained, or your clearing account will be closed. These requirements are detailed in the account agreement(s) you receive when you open your clearing account. Direct accounts generally require a minimum investment that will vary by product and will be disclosed in the product sponsor's prospectus or other offering document. You should also understand that your financial professional may establish their own minimum account balance requirements for the clearing and direct accounts they service.

**On-Going Monitoring.** We do not monitor your brokerage account unless we state otherwise in writing. As a broker-dealer our primary service is executing securities transactions. It is your responsibility to monitor the investments in your brokerage accounts, and we encourage you to do so regularly. If having a financial professional monitor your account for you is important to you, speak with your financial professional about whether an advisory relationship is more appropriate for you.

## How we Charge for Our Services

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Our primary source of revenue is from our customers, but we also receive revenue from certain third-party product sponsors and through arrangements with our clearing firm. Some examples of the sources of revenue we receive from providing brokerage services for customers include:

- Commissions paid by customers in connection with securities transactions,
- Markups (an increase in the amount you pay) and markdowns (a reduction in the amount you receive) for fixed income securities (e.g., bonds) where we act as principal, and
- Sales loads, commissions, or concessions received in connection with transactions in various packaged products, such as mutual funds, unit investment trusts, alternative investments, insurance and annuities (these amounts are generally paid to us from the amount invested in the product).

We receive the following indirect revenue from certain product sponsors, whose products and services are purchased by our customers. This revenue impacts the value of certain investments you hold in your account, such as mutual funds and annuities. We share a portion of this revenue with your financial professional.

**Trail Compensation.** Certain products pay us on-going compensation for fees you pay to hold (referred to as 12b-1 fees). These fees typically range from 0.25% to 1.00% of the amount invested in a particular product, however most are at the lower end at 0.25%. 12b-1 fees are deducted from your assets and paid to us as ongoing compensation. Certain products offer various share classes, with the primary difference among share classes being how fees are charged and paid to the parties involved. The more you invest in assets that pay 12b-1 fees, the more income we receive. Therefore, your financial professional has an incentive to encourage you to invest in, or increase amounts invested in, assets that pay these fees.

**Non-Cash Compensation.** We and our financial professionals receive non-cash compensation from sponsors of products that we make available to our customers, including mutual fund companies, annuity providers, and insurance vendors. This compensation includes occasional gifts up to \$100 per vendor per year, occasional meals, tickets or other entertainment of reasonable and customary value, and product sponsor support of educational or training events (which include educational events financial professionals arrange for clients and prospects) and seminars and/or payment of expenses related to training and education of financial professionals, which can (and often do) include a non-training element of the event.

We receive the following indirect revenue through arrangements with our clearing firm. Unless indicated below, this revenue is not shared with our financial professionals.

**Collateralized Lending Program.** Our clearing firm provides access to a lending program that enables customers to collateralize certain clearing accounts in order to obtain secured loans through banking institutions. We typically receive 0.70% from participant banks based on the amount of the outstanding loans. Compensation we receive varies on the bank you select, so we can earn more or less. This creates a conflict of interest in that we and your financial professional have a financial incentive for you to choose a bank in the lending program that pays more than other banks. Please be aware that the lending program offered by our clearing firm is one way, of many, to obtain a secured loan. We share a portion of this revenue with our financial professionals.

**Cash Sweep Program.** The Cash Sweep Program is offered by the clearing firm. It allows you to earn a return on the uninvested cash balances in your clearing account by automatically placing (sweeping) cash balances into an interest-bearing FDIC insured cash account. The banks participating in the program share a portion of the revenue the bank earns on the investor's deposits with the clearing firm who in turn shares a portion of this revenue with CCS. Because these payments are not shared with financial professionals, a conflict exists only at the Firm level but can create incentives for CCS to promote the cash sweep program to receive revenue sharing payments. It is important that you monitor and determine the best cash sweep for you under this program. More information about the Cash Sweep Program can be found in the Cash Sweep Program Disclosure Statement available at our website <http://www.ccsmadison.com/#disclosures> under the heading "Clearing Firm Accounts".

**Margin Balance.** When you open an account with the clearing firm you have the ability to purchase securities on credit, also known as margin purchases. When you purchase securities on margin you are charged interest on the margin balance. We will earn the difference between the interest rate charged to you and our cost of funds. This conflict exists only at the Firm level but can create incentives for CCS to encourage margin borrowing to receive this compensation. To mitigate this conflict our default clearing option at account opening is a cash account and customers must sign a separate margin agreement before the account will be margin-enabled.

**Correcting trading and other errors.** We have procedures for resolving trading and other errors that occur from time to time. We maintain an error account to facilitate handling trading and other errors. Gains attributable to trading errors are retained by the Firm and are a financial benefit to us.

**Standard Clearing Account Fee Schedule.** We add a markup to certain fees in our Standard Clearing Account Fee Schedule that are assessed by the clearing firm and paid by you or financial professionals. This compensates us for the cost of our resources utilized in processing accounts and transactions and generate additional revenue to us. This compensation presents a conflict of interest because we have an incentive for you to open accounts or conduct transactions for which we receive this compensation.

## **Conflicts of Interest**

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When our interests are not the same as yours, or we put our interest ahead of yours, it is a "conflicts of interest." Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our financial professionals, our clients and third parties. We are disclosing our conflicts of interest as described below, to help you make informed investment decisions. The conflicts described in this guide are not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship. For a similarly detailed discussion of conflicts, fees, and products and services associated with our advisory business, see the applicable Form ADV disclosure brochure available at our website <http://www.ccsmadison.com/#disclosures> under the heading "Investment Advisory Services".

**Financial Professional Compensation.** The receipt of cash and non-cash compensation from sources other than customers, and the differences in the way we compensate financial professionals for the products we offer, create an incentive for financial professionals to encourage you to purchase multiple products and services and to recommend certain products over others that pay them more. We address these conflicts of interest by maintaining policies and procedures on the suitability and supervision of the products and services we offer to you, and by disclosing these conflicts so that you can make a fully informed decision. For more information regarding compensation-related conflicts of interest see our "Financial Professional Compensation" disclosure available at our website <http://www.ccsmadison.com/#disclosures> under the heading "Ways to Work With Us".

**Products recommended must be offered by CCS.** Please note that your financial professional may only recommend investments, products and services that are offered by CCS or through our clearing firm. For most products that are offered by CCS you will receive a trade confirmation and these investments will be reflected on your statement of account. Clearing firm trade confirmations that indicate "Solicited" highlight transactions that were recommended by your financial professional. Please review your trade confirmations and account statements promptly to ensure they are accurate and consistent with your instructions and investment objectives. If you do not receive a trade confirmation or have any questions or concerns about whether a recommended product or service is offered by CCS or through our clearing firm platform, please contact your financial professional or our Firm.

**Limitations on Securities and Investment Strategies.** CCS financial professionals can provide recommendations on your brokerage account but only some CCS financial professional can provide recommendations on both brokerage and advisory accounts based on the licenses they hold. Our financial professionals may further be limited by the types of securities they can offer based on the licenses they hold or by the states they are licensed in. These various limitations create conflict of interest because your financial professional has an incentive to recommend products and account types they are licensed to provide, even where a different product or account type may be in your best interest. If your financial professional has one or more of the above-referenced limitations, they are required to tell you about them verbally or in writing before making a recommendation. You may verify licensing and other information about your financial professional at <https://brokercheck.finra.org> and at <https://adviserinfo.sec.gov>.

**Revenue Sharing.** When CCS receives revenue sharing compensation from arrangements with the clearing firm or distribution support from sponsors of mutual funds, annuity products, UITs and other products we offer, it presents a conflict of interest between our interests and those of our customers. Because these payments are not shared with financial professional, it is a conflict only at the Firm level but can create incentives for us to promote products and services for which we receive revenue sharing payments. For more information regarding revenue sharing arrangements, see our "Explanation of Product Cost & Revenue We Receive" and "Revenue Sharing" disclosures available at our website <http://www.ccsmadison.com/#disclosures> under the heading "Ways to Work With Us".

**Rollovers from an employer-sponsored retirement plan into a CCS IRA.** When, based on the recommendation of a CCS financial professional, you roll over assets of an employer-sponsored retirement plan (such as a 401(k), 403(b), 457(b), profit sharing or defined benefit pension plan) to a CCS IRA, a conflict of interest exists due to the financial benefit for CCS and its financial professionals resulting from transferring the plan assets to a CCS IRA. Generally the fees and commissions you pay when you roll retirement plan assets over to an IRA will be greater than those you pay if you stay in your existing plan (if that is an option). You are responsible for evaluating the investment and non-investment considerations for moving your retirement assets versus continuing to hold them in your employer-sponsored retirement plan or other options available to you. For more information on the available options to consider see our "Retirement Asset Rollover Guide" available at our website <http://www.ccsmadison.com/#disclosures> under the heading "Investment Products".

**Outside Business Activities.** Our financial professional may also be engaged in activities outside of their association with CCS that present conflicts. Our financial professionals could be an accountant, attorney, real estate agent or tax preparer, for example. Financial professionals may also sell insurance through an insurance agency not affiliated with us. Our financial professionals may receive greater compensation through the outside business than through us or have another incentive to recommend or sell products and services through the outside business.

**Personal Securities Accounts and Relationships.** Our financial professionals may have personal investment accounts or manage the accounts, assets, or investments of a family member, spouse, or someone with whom the financial professional has a close relationship. Financial professionals may be motivated to place trades ahead of clients in order to receive more favorable prices than their clients. We have adopted policies and procedures designed to prevent, among other things, improper or abusive conduct when there is a potential conflict with interests of clients.

## Overview of Fees

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**Standard Clearing Account Fees.** You will pay fees for various operational and administrative services provided to you through your Brokerage Account. These fees are set at least annually by the clearing firm or product-level sponsor and communicated to you through information included in your account statement, offering document or prospectus and other notifications. These fees do not apply to all account types and may be waived under certain conditions. Unless otherwise stated in your account documentation, we will automatically deduct fees and charges from your account. For a detailed list of fees related to Clearing Accounts see our Standard Clearing Account Fee Schedule at our website <http://www.ccsmadison.com/#disclosures> under the heading the heading "Clearing Firm Accounts".

**Transaction-Based Account Relationships.** The following is an overview of fees or ranges of fees that are charged to you for the types of products we offer. For more information see our "Explanation of Product Cost & Revenue We Receive" and "Revenue Sharing" disclosures available at our website <http://www.ccsmadison.com/#disclosures> under the heading "Ways to Work With Us". While we believe that we have covered the charges most important to you, please note that not every fee or pricing detail is listed in this guide or in our Explanation of Product Cost disclosure. You should read all prospectuses, offering materials and other disclosure documents in connection with any investment for more information on charges.

For each investment product described on the following page, your financial professional receives a percentage of the commissions, sales charge and trails, if any, based on his or her payout rate.

<b>Equity Securities.</b> Commissions are negotiable and generally range from .75% to 3% of the principal involved.
<b>Options Puts and Calls.</b> Commissions are negotiable and generally range from .75% to 3% of the principal involved.
<b>Fixed Income.</b> The markup or markdown we receive when acting in a principal capacity may not exceed 2.5%. Our charge in may be lower than 2.5% based on factors such as quantity, price, type of security, rating, maturity and other factors.
<b>Mutual Funds.</b> The most common share class we recommend in a Brokerage Account are A shares (you typically pay a front-end sales charge, called a load, which is deducted from the initial investment) and C shares (you are normally not charged a front-end sales charge or a back-end charge (CDSC) unless the shares are sold within a short period of time, usually one year.) Front-end sales load charges range from 0% to 5.75% however we typically are paid in the range of 3.75% to 5.75%.
<b>529 Education Plans.</b> Like mutual funds, 529 Plans generally carry sales charges, either front-end or deferred. Front-end sales load charges range from 0% to 5.75% however we typically are paid in the range of 3.75% to 5.75%. Trail compensation for certain mutual fund shares range from 0.25% to 1.00% however most trail payments we receive are 0.25%.
<b>Unit Investment Trust.</b> The maximum upfront sales charge paid typically ranges from 1.85% to 3.95% and depends on whether the UIT is equity or fixed-income and can depend on the length of term of the UIT.
<b>Annuities.</b> Annuity providers pay our Firm commissions ranging from 1% to 7% of your annuity contributions. Variable annuities may also pay an annual percentage (ranging from 0.25% to 1.00%) of variable annuity assets.
<b>Alternative Investments.</b> Alternative investments we offer include real estate investment trusts, private placements, and limited partnerships. Alternative investments have upfront costs that are generally based on the total amount of your investment and can be as high as 5.5%.

If you believe that a product or service we provide is not covered in this guide or supplemental disclosure on our website, please contact your financial professional. For fees and costs associated with advisory programs, you should refer to the program agreement and/or the applicable Form ADV disclosure brochure available at our website <http://www.ccsmadison.com/#disclosures> under the heading "Investment Advisory Services".

## Our Investment Approach and Understanding Risk

Our investment approach starts with you. If you choose to work with a CCS financial professional, they will work with you to develop your investment plan based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. Our financial professional must have a reasonable basis that the recommendation they provide to you is in your best interest, taking into account the potential risks, rewards, and costs associated with a recommendation.

All investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Some investments involve more risk than other investments. Higher-risk investments may have the potential for higher returns but also for greater losses. The higher 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 you may decide to invest in higher-risk investments offering the potential for greater returns. We align risk tolerances with investment needs to offer you different investment objectives from which to choose. You should select the investment objective and risk tolerance best aligned with your goals and needs. To learn more about how to determine your investment objective and risk tolerance, see our "Understanding Objectives and Risk" disclosure available at our website <http://www.ccsmadison.com/#disclosures> under the heading the heading "Ways to Work With Us".

**Still Have Questions?** Please speak with your CCS financial professional or visit our website for additional information.

RELATIONSHIP SUMMARY



FORM CRS



BEST INTEREST



DISCLOSURE GUIDE



ADDITIONAL




INFORMATION

AVAILABLE AT



<http://ccsmadison.com/#disclosure>

CONTACT

 Your Financial Professional

or CCS directly at

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