

# BROKERAGE & INSURANCE DISCLOSURE



I. **INTRODUCTION.** The following information and disclosures "Terms of Service" are provided for the clients benefit, protection, and understanding so that the client can make an informed investment decision. This document is supplemental and is not intended to replace, supersede, or amend any other document including the Client Relationship Summary "Form CRS" or the Regulation Best Interest Disclosure. The words "I", "me", "my", "us", "you", and "your" refer to the person(s) or entity that is engaging the services of Etico Partners, LLC and has completed and signed the "Client Questionnaire". The word "Etico" refers to Etico Partners, LLC a broker-dealer ("B-D") in the business of buying and selling securities for its customers and is regulated by FINRA. The word "Party" or "Parties" refers collectively to Etico Partners, LLC, your Registered Representative, and you the client engaging the services of Etico Partners, LLC

## II. DEFINITIONS

1. **Etico Partners, LLC.** Referred to as "Etico", is a broker-dealer ("B-D" in the business of buying and selling securities for its customers and is regulated by FINRA. Registered representatives with Etico offer brokerage services and receive transaction-based compensation "commissions". The way registered representatives receive compensation inherently creates some conflicts of interest with our client's interest. Registered representatives with Etico operate under a special rule that requires them to act in their client's best interest and not to put their interest ahead of their clients.
2. **U.S. Securities and Exchange Commission.** Commonly referred to as "SEC" is an independent of the United States Federal Government. The SEC oversees broker-dealers like Etico Partners and FINRA the self-regulatory organization that oversees all broker-dealers.
3. **Financial Industry Regulatory Authority.** Commonly referred to as "FINRA" is a government authorized, not-for-profit organization, that self-regulates broker-dealers like Etico under the supervision of the U.S. Securities and Exchange Commission" SEC". You can learn more about FINRA at [www.finra.org](http://www.finra.org) and the SEC at [www.sec.gov](http://www.sec.gov). You may contact us directly by calling (518) 348-0060 for a copy of our or our Financial Representative broker check reports and other regulatory disclosures.
4. **Registered Representatives.** Offer brokerage services and receive transaction-based compensation ("commissions"). The way Registered Representatives make money creates some conflicts with our clients' interests, so Etico Registered Representatives operate under a special rule ("Regulation Best Interest") that requires us to act in our client's best interest and not put our interest ahead of our clients.
5. **FINRA Broker Check.** Information about our registered representatives can be found at [brokercheck.finra.org](http://brokercheck.finra.org).
6. **Client Disclosures.** By signing this term of service, you acknowledge that you have received and reviewed the following disclosure document which are also available at <https://www.investor.eticofinancial.com/disclosures>:
  - a. Regulation Best Interest: Referred to "Reg BI", this document establishes a standard of conduct for broker-dealers and their Registered Representatives and summarizes important information concerning the scope and terms of brokerage services that Etico offers and details the material conflicts of interest that arise through the delivery of brokerage services to clients of Etico Partners.
  - b. Client Relationship Summary: Referred to "Form CRS" tells our clients about the types of services that Etico offers; the fees, costs, conflicts of interest, and required standard of conduct associated with those services; whether our firm and our Registered Representatives have reportable legal or disciplinary history; and how to get more information about Etico Partners. A relationship summary also includes questions to help our clients begin a discussion with our Registered Representative about the relationship, including their services, fees, costs, conflicts, and disciplinary information.

# BROKERAGE & INSURANCE DISCLOSURE



- c. **Business Continuity:** Referred to as either the "Business Continuity Plan" or "Disaster Recovery Plan" is a document that outlines the processes that will be implemented to an event that significantly disrupts our business operations.

7. **Rules of Construction.** The following rules shall be followed in interpreting the provisions of this Terms of Service: (i) All attached schedules and exhibits, if any, are incorporated into this document by this reference and are made a part of this document. The term "Terms of Service" shall be deemed to include all such exhibits and schedules and any other documents expressly incorporated, by reference, into this Terms of Service include the Client Disclosures as amended; (ii) All words and phrases in this Terms of Service shall be construed to include the singular or plural number, and the masculine, feminine, or neuter gender, both as the context requires; (iii) The captions and headings in this Terms of Service are for convenience only and in no way define, limit, or describe the scope or intent of any provisions of this Terms of Service; (iv) All references to "Sections" are references to sections of this Terms of Service unless some other reference is established; (v) The term "include" or "including" shall be deemed to mean "without limitation"; (vi) This Terms of Service may be executed in any number of counterparts with the same effect as if all Parties had signed the same document. All counterparts shall be construed together and shall constitute one Terms of Service; (vii) Any statutory reference in this Terms of Service shall include a reference to any successor to such statute and/or revision thereof; (viii) this Terms of Service shall be construed as having been drafted by both Parties, jointly, and not in favor of or against one Party or the other; (ix) Whenever possible, each provision of this Terms of Service and every related document shall be interpreted in such manner as to be valid under applicable FINRA, SEC, or other government rules. If, for any reason, a provision is found by a court of competent jurisdiction to be illegal, invalid, or unenforceable, such shall not affect the validity of the remaining provisions provided that doing so does not adversely affect, in any material respect, the economic or legal substance of the transactions contemplated by this Terms of Service as to any Party. In that case, in lieu of the illegal, invalid, or unenforceable provision, there shall be automatically added, as a part of this Terms of Service, a provision as similar in terms as necessary to render the provision legal, valid, and enforceable; and (x) "Client" is the Person identified in the Etico Client Questionnaire.
8. **Rights and Remedies/Waiver.** With respect to the rights and remedies provided by this Terms of Service: (i) they are cumulative and are given in addition to any other rights the Parties may have by Applicable FINRA, SEC or other government Rules, or otherwise; (ii) the use of any one right or remedy by any Party shall not preclude or waive its right to use any or all other remedies; and (iii) no waiver of any right or remedy shall be enforceable unless it is in writing, identified as a waiver, and signed by all of the Parties in interest that may be adversely affected by such waiver. In no event shall a waiver, even if in writing and properly executed, operate as a waiver of any other right or remedy or of the same right or remedy on a future occasion.
9. **Relationship of Parties.** Each Party shall always be an independent contractor under this Terms of Services. Nothing in this Terms of Service shall be deemed or construed to constitute or create a partnership, association, joint venture, or agency between the Parties.
10. **Electronic Reproduction.** This Terms of Service and all documents which have been or may be hereafter furnished by either Party may be reproduced by either Party by any photographic electronic process (e.g., .pdf, .png, .jpg, .gif, etc.), and any such reproduction shall be admissible in evidence as the original itself, whether or not the original is in existence.

### III. GENERAL RELATIONSHIP TERMS.

1. Investing involves a high degree of risk and there is always the potential of losing money when you invest in securities. Past performance does not guarantee future results. Our firm and our Registered Representatives do not guarantee any performance or that any financial objectives will be met.
2. Etico Registered Representatives are engaged in the sale of securities for commissions and do not provide legal, tax, or accounting advice. Clients should consult their legal and/or tax advisors before making any financial decisions or engaging our services.

# BROKERAGE & INSURANCE DISCLOSURE



3. Acting through your Registered Representative, you have appointed Etico as your agent for the purpose of carrying out your directions with respect to the purchase or sale of securities and, as such Etico is authorized to open or close accounts, place, and withdraw orders and take such other steps as are reasonable to carry out your directions.
4. An account will be deemed opened by Etico on your behalf upon the acceptance of this Etico "Broker-Dealer Terms of Service" document by a Etico General Securities Principal. Etico also reserves the right to decline to serve as your broker-dealer of record.
5. Etico will recognize only those securities transactions that are executed with its knowledge, control, and consent and that are duly reflected on its books and records as broker-dealer related transactions.
6. Etico Partners shall have the sole discretion to accept my securities orders. Etico reserves the right to require a deposit before accepting or executing such orders. Etico may at any time refuse or limit any transaction that I may wish to effect and will automatically reject any investment that is not deemed a security or is labeled or designated as a non- security.
7. If upon the purchase/sale of securities by Etico at your direction, I fail to pay for or deliver monies or securities, you authorize Etico to take those steps necessary to pay for/deliver such monies or securities. you further agree to reimburse Etico for any loss it may sustain on your behalf.
8. You will pay on demand any balance, including accrued interest charges, commissions and cost of collection (*including attorneys' fees*), owing with respect to your account, Etico may apply any payments of interest, dividends, premiums and principal received on any securities and other property from your other Etico accounts to reduce any outstanding debit in this account. Etico may use or transfer excess funds interchangeably between and among your Etico Securities Accounts subject to applicable law.
9. Your accounts at Etico guarantee one another. All credit balances, securities or other property in which you may have an interest and that Etico, through its clearing firm (*RBC Correspondent Services*), holds, carries or maintains for your Securities Account(s) are subject to a general lien for the discharge of all your obligations (including unmatured or contingent obligations) to Etico, regardless of whether Etico has made advances with respect to such property. Whenever Etico deems it necessary for its protection, Etico, in its sole discretion, may sell, purchase, assign or transfer any or all of the above- mentioned property in accordance with applicable law, without prior demand, tender or notice to me, to satisfy such general lien. Such sale or purchase may be made at Etico's discretion on any exchange or other market where such business is then transacted. All costs and expenses in connection with any such sale or purchase shall be borne by your account. In enforcing its lien and making any such sales, Etico shall have the discretion to determine which securities and property are to be sold and which contracts are to be closed. You will remain liable to Etico for any remaining deficit.
10. **Identity Verification.** You understand that to help the government fight the funding of terrorism and money-laundering activities and to verify your identity, federal law requires that Etico obtain your name, date of birth, legal and mailing address (*if different*), and a government-issued identification number before opening your Etico New Account. In certain circumstances, Etico may obtain and verify this information with respect to any person(s) authorized to effect transactions in your account. For certain entities, such as trusts, estate, corporations, partnerships or other organizations, identifying documentation also is required. Modifications to the required information on an existing account may also be verified. You also will provide to Etico financial and investment information for suitability purposes. You authorize Etico to obtain a credit report on you to open an account, to add or modify features that you may later request or when a legitimate business need exists. Upon written request, you will be provided with the name and address of the credit reporting agency used. Your account may be restricted or closed if Etico cannot verify your information. Etico will not be responsible for any losses or damages (*including but not limited to lost opportunities*) resulting from any failure to provide this information or from any restriction placed upon, or closing of your account. Any Information you provide to Etico or that is on the credit report may be shared in accordance with Etico Privacy Policy, of which you hereby

# BROKERAGE & INSURANCE DISCLOSURE



acknowledge receipt.

11. **Recorded Conversations.** For quality assurance, Etico may tape-record conversations with me in order to verify data concerning any transactions I may request, and I consent to such recording.
12. **Additional Terms.** The rights and obligations contained within this Terms of Service shall be in addition to those contained in any other agreement I may enter into or have with Etico.
13. **Filing a Grievance.** Please be advised that should you wish to file a grievance regarding the handling of your account, you may address your correspondence to Etico Partners, LLC and the address listed in the footer of this document or you may call us at (518) 348-0060.

**IV. YOUR FINANCIAL REPRESENTATIVE.** My Financial Representative, who is named in this Terms of Service, has engaged Etico solely to make offers to buy or sell securities for your account and has no express, implied or apparent authority to contract on behalf of Etico.

1. **Non-Discretion.** Your Financial Representative will only be empowered to place an order for your account upon your direction or that of your authorized delegate. Before any securities order is placed, you or your authorized delegate will review your financial condition and objectives shown on the Direct Subscription Account Application. Should an order be placed for a security in a greater relative risk category than you marked for pre-approval, such order will be deemed to be an automatic amendment of your objectives.
2. **Registered Representative Scope.** My Registered Representative is licensed to sell securities, including variable insurance products, on a commission basis. However, he may provide certain "Financial Planning" related services outside the scope of his role as your Financial Representative. Such services typically involve advising me in regard to the management of your financial resources based upon an analysis of your needs. All recommendations that are implemented in the form of securities or insurance purchases will cause him to be compensated on a commission basis, separate from any financial planning fees.
3. **Outside Business Activities.** Your Registered Representative may offer non-securities products and services outside the scope of this relationship and the control of Etico such as insurance, advisory services, real estate brokerage, law, accounting, tax, estate, business or financial planning, tax preparation, or any other non-securities products and/or services. You shall hold Etico harmless for any losses that I may incur in the provision of such products and services outside the scope of your relationship with Etico with respect to your account.

**V. MUTUAL FUND BREAKPOINT DISCOUNTS.** The following elements of mutual fund investing have been explained to you. You will have considered these factors in arriving at your investment decision and understand their applicability to your account.

1. **Value of Shares.** You understand the value of your investment in any mutual funds purchased may increase/decrease depending on market variables beyond your control or the control of your Registered Representative. Depending on the net asset value of the fund(s) at the time of redemption, you may receive more or less than the amount paid for your shares.
2. **Cost to Purchase.** You understand that many factors may enter into the decision to elect a particular class of shares including: the purchase amount, the anticipated holding period and other relevant circumstances.
  - i. **Class "A" Shares (front-end loaded):** Purchases are subject to a sales charge of a percentage of the offering price and may be subject to 12b-1 fees. Large dollar investors generally should consider "A" shares because of the availability of volume discounts ("*breakpoints*") typically offered on this class of shares. Typically, purchases involving dollar amounts in excess of \$100,000 should use Class "A" shares in view of the breakpoint benefit.

# BROKERAGE & INSURANCE DISCLOSURE



- ii. Class "B" Shares (back-end loaded): Purchases incur no up-front sales charge but are instead subject to a charge upon surrender that declines over a period of years as described in the prospectus. "B" shares may include higher 12b-1 expenses prior to conversion to Class "A". This class of shares is most appropriate for investors who do not qualify for volume discounts ("*breakpoints*") typically available on Class "A" shares and who have a long-term investment horizon. "B" shares should not be marketed as no-load funds due to the potential for a deferred sales charge on early withdrawals.
  - iii. Class "C" Shares (level loads): Purchases may or may not be subject to an initial sales charge, but on an ongoing basis generally have higher 12b-1 expenses. Class "C" shares may be assessed a charge upon surrender if redeemed within a specific period of time, usually one to two years following purchase. This class of shares is most appropriate for investors who do not qualify for volume discounts (*breakpoints*) typically available on Class "A" shares and who have a shorter-term investment horizon. The cumulative effects of the higher 12b-1 charges can make this category of shares a more expensive pricing option for longer term investors. Additional variations of share classes may exist utilizing one or more of the characteristics referenced above. For more information concerning your specific fund(s), please consult the mutual fund prospectus.
3. **Breakpoint Discounts.** Purchasers of mutual fund shares within a single mutual fund or fund family may be entitled to volume discount on the front-end sales charge for Class A share purchases, These discounts are known as "breakpoint" discounts. At certain purchase levels, some fund families may waive the front-end load entirely.
4. **Consult the Prospectus or Statement of Additional Information.** The circumstances under which a breakpoint discount is available are described in the prospectus or the Statement of Additional Information ("*SAI*") for mutual fund you are purchasing. Breakpoint rules are subject to change and differ among fund families. If I have questions concerning eligibility for a breakpoint discount, I will consult with your registered representative or the mutual fund company.
5. Breakpoint discounts generally apply only to purchases within a single mutual fund family. These discounts generally do not apply to purchases involving different mutual fund families. Thus, if I seek to diversify your portfolio by allocating purchases among several fund families, I will be less likely to obtain a breakpoint discount in any single fund family.
6. **Related Accounts.** Breakpoint discounts may apply to Class A share mutual fund purchases I make within the account I am opening, and, depending on the rules set forth in the prospectus or SAI of the particular fund family, to purchases made in accounts that are related.
7. **Rights of Accumulation.** You understand that a breakpoint discount may also be obtained by combining the value of all shares (*such as Class A, B, C, M or T shares or Section 529 plan holdings*) that you hold in a particular fund family. This ability to combine such holdings is generally known as a "right of accumulation," The circumstances under which rights of accumulation are available are described In the fund's prospectus and/or SAI.
8. **Aggregate Discount.** Any discount based on an aggregation would apply to this purchase or to a future purchase, but will not result in a retroactive reduction of an amount previously paid for a Class A purchase within a fund family.
9. **Letters of Intent.** You understand that you may obtain a breakpoint discount by signing a Letter of Intent in which you agree to purchase, and, in fact, do purchase, a specified dollar amount of Class A mutual fund shares within the same fund family within a certain period of time (*generally 13 months*). I further understand that If I fail to invest the stated amount within the prescribed time period, the mutual fund company will retroactively assess the higher sales charge against all of your purchases. Certain fund families permit investors to establish Letters of Intent that include amounts that were purchased within the fund family within a specified prior time period, such as the past 90 days. The details concerning Letters of intent are contained in the prospectus or SAI of the

# BROKERAGE & INSURANCE DISCLOSURE



mutual fund being purchased.

10. **Reinstatement or "Buy Back" Privileges.** Certain fund families permit investors who redeem shares to repurchase, within a specified period of time, an amount of that fund family's shares equal to the amount previously redeemed without having a front-end sales charge assessed. The circumstances under which reinstatement or "buy back" privileges are available are set forth in the mutual fund's prospectus or SAI.
11. **Money Market Funds.** The aggregation of funds for sales reduction charges may not apply to certain funds, such as money market funds, within a particular fund family. Consult the fund prospectus and/or SAI for additional details.
12. **NAV Transfers.** Certain mutual fund companies allow the purchase of their funds at net asset value (*i.e. with no sales charge*) when the proceeds are from the sale of mutual funds held at other fund companies. Such transactions are referred to as NAV Transfers. The use of the NAV transfer feature is not universal to all mutual fund companies and may or may not be offered. Information regarding whether a specific mutual fund company offers such a program and the specifics of such program, if applicable, can be found in the mutual fund prospectus and/or SAP.
13. **Clarification of Distributions.** You are aware that there is no benefit to purchasing shares in anticipation of a dividend or capital gains distribution. Any subsequent dividend is actually part of the offering price and thus becomes a refund of part of your investment.
14. **Tax Aspects.** You understand that your investment activity may affect the amount of tax you owe. You will consult a qualified tax professional for advice.
15. **Reduced Sales Charge.** You understand that based upon the disclosures outlined above, the fund prospectus and discussions with your Registered Representative that by purchasing Class "A" shares, you may be able to obtain a reduced sales charge through volume discounts ("*breakpoints*") or through agreement to purchase larger amounts over a set period of time (*letter of intent*).

## VI. IMPORTANT DISCLOSURES RELATED TO PRODUCT REVENUE/MARKETING/EDUCATION ALLOWANCE

1. **Marketing Support.** Etico seeks to have some of the companies we do business with provide support for marketing, education/training and other support for our Registered Representatives. It is important to note that Etico Registered Representatives do not receive any portion of these fees which are separate from and in addition to other fees and charges applicable to each product. Since this information may be an important consideration in your decision to purchase a particular product, you should call our office at (518) 348-0060 and ask for that information or any other information that may involve your decision process. You should also read each product's prospectus, offering memorandum, any other form or document that describes their product and the statement of additional information. If you cannot or do not wish to access this information, you may request a written disclosure from your Registered Representative.
2. **Other Expense Reimbursements.** Etico and/or your Financial Representative may be reimbursed by these companies or their affiliates or other service providers for the expenses Etico and/or your Registered Representative may incur for various sales meetings, seminars, and conferences held in the normal course of business. Although these companies independently decide what they will spend on these activities, we are aware that some of these companies allocate their promotional budgets based upon prior sales and asset levels and that they work with our branch offices or Registered Representatives to plan promotional and educational activities on the basis of such budgets. We do not control how these companies allocate their promotional budgets or their spending decisions in this regard.

## VII. INVESTMENT CERTIFICATIONS

1. You understand that securities investing involves risks and that many variables, including but not limited to market and economic fluctuations, may have a substantial negative effect on the value of your securities positions. Furthermore, you represent to Etico that you are willing to assume these risks

# BROKERAGE & INSURANCE DISCLOSURE



and that you are in fact financially able to bear these risks. You also understand that you have an affirmative obligation to promptly notify Etico in writing should your financial condition adversely change or should your investment objectives differ from what is disclosed on the Etico Client Questionnaire Form.

2. You will obtain from your Financial Representative and review the current Prospectus and/or Memorandum (Offering Document') that fully describes the investment, including potential risks and costs, prior to purchasing an interest in a partnership, mutual fund, variable product, unit investment trust or any other securities issue.
3. You understand that when purchasing interest in a mutual fund, it is normally advisable to take advantage of any available quantity discount privilege ("*breakpoint level*") as discussed in the applicable Offering Document, although doing so may limit your portfolio diversification.
4. You understand that it is generally not advisable to switch from one variable product or mutual fund to another, especially where the exchange will cause the client to incur an additional up-front or contingent sales charge for such transfer of assets, unless there exists a reasonable basis for such switch.
5. You understand that you should not be induced by a pending dividend when purchasing or selling securities.
6. You agree to review and complete the appropriate product disclosure forms pertinent to your investment.

## VIII. INVESTMENT OBJECTIVE DESCRIPTIONS

The typical investments listed with each objective are only some examples of the kinds of investments that have historically been consistent with the listed objectives. However, Etico can not assure you that any investment will achieve your intended objective. You must make your own investment decisions and determine for yourself if the investments you select are appropriate and consistent with your investment objectives as past performance is not a guarantee of future results.

1. **Income.** An investment objective of Income indicates you seek to generate income from investments and are interested in investments that have historically demonstrated a low degree of risk of loss of principal value. Some examples of typical investments might include high quality, short and medium-term fixed Income products, short term bond funds and covered call options.
2. **Growth/Capital Appreciation.** An investment objective of Growth/Capital/Appreciation indicates you seek to grow the principal value of your investments over time and are willing to invest in securities that have historically demonstrated a moderate to above average degree of risk of loss of principal value to pursue this objective. Some examples of typical investments might include common stocks, lower quality medium-term fixed income products, equity mutual funds and index funds.
3. **Aggressive Growth.** An investment objective of Aggressive Growth indicates that you aggressively seek a higher rate of return from the principal value of your investments and are willing to invest in investments that have historically demonstrated an above average risk of loss of principal to pursue this objective. Some examples of typical investments might include buying stocks of rapidly growing companies, trading on margin, and uncovered options trading.
4. **Speculation.** An investment objective of Speculation indicates you seek a significant increase in the principal value of your investments and are willing to accept a corresponding greater degree of risk by investing in securities that have historically demonstrated a high degree of risk of loss of principal to pursue this objective. Some examples of typical investments might include lower quality long-term fixed income products, initial public offerings, volatile or low priced common stocks, the purchase or sale of put or call options, spreads, straddles and/or combinations on equities or indexes, and the use of short-term or day trading strategies.

# BROKERAGE & INSURANCE DISCLOSURE



5. **Tax Advantage.** An investment objective of Tax- Advantage indicates that you seek to minimize tax liability and are willing to invest in securities that provide a tax benefit. Some examples of typical investments might include municipal bonds, tax exempt mutual funds or municipal bond mutual funds.

## IX. LIFE INSURANCE & ANNUITY.

**Life Insurance.** Life insurance upon the death of the insured provides a cash benefit to help pay for things like; income replacement, mortgage payoff, retirement savings, estate taxes, and burial expenses. All types of life insurance fall under two main categories:

Term life insurance. These policies last for a specific number of years and are suitable for most people. If you don't die within the time frame specified in your policy, it expires with no payout.

Permanent life insurance. These policies last your entire life and usually include a cash value component, which you can withdraw or borrow against while you're still alive.

What type of life insurance is best for you? That depends on a variety of factors, including how long you need coverage for, how much you want to pay and whether you're looking for a life insurance policy that builds cash value over time. Read the descriptions below to learn more:

1. **Term – Level.** Death benefit protection with set premium amount over a specified term. This is the most basic and typically least expensive life insurance type. Optional riders for a fee. Pros: Easy to understand, initially inexpensive compared to “permanent” life insurance. Cons: No opportunity for cash value accumulation and if insurance is still needed after the policy term expires, a significant cost increase will likely apply.
2. **Term – Annual Renewal.** Death benefit protection with premiums that may increase per a set schedule over the policy's specified term. Optional riders for a fee. Pros: Easy to understand, initially inexpensive compared to “Permanent” life insurance. Cons: No opportunity for cash value accumulation. Over time, the cost to maintain the policy may become significantly more expensive than the initial premium amount.
3. **Term – Return of Premium.** Death benefit protection with the opportunity to receive a prorated Return of Premium if the policy is cancelled. Optional riders for a fee. Pros: Easy to understand, in expensive compared to “Permanent” life insurance. Cons: Protection needs may change over time. Cash value accumulation generally is limited to the cumulative amount of premium payments, or less.
4. **Permanent – Whole Life.** Death benefit protection with premiums that remain constant. Tax-deferred cash value increases via credited interest or dividends. Optional riders for a fee. Pros: If the cash value is sufficient, you can use cash value to skip premium or withdraw it for other uses. Cons: Generally, the most expensive type of insurance policy. Interest rate sensitive. May have adverse claims experience reflected in the premium payments.
5. **Permanent – Guaranteed Universal Life.** Death benefit protection with known premium payments. Tax-deferred cash value increases via interest rate. Optional riders for a fee. Pros: Automatic long-term no lapse guarantee. Cons: Typically has less cash value accumulation compared to other products. Lacks flexibility in timing and amount of premium payments required to maintain the guarantee.
6. **Permanent – Current Assumption Universal Life.** Death benefit protection with premium payments based on current interest rate assumptions. Tax-deferred cash value growth. Optional riders for a fee. Pros: Some policies also offer life expectancy guarantees. More cash value accumulation opportunities than Term or Guaranteed Universal Life. Premium payments flexible depending on the cash value. Cons: May have long surrender charge periods. Interest rate assumptions may fluctuate. Typically, no lapse guarantees. Accumulation opportunity is less than Indexed Universal Life and Variable Universal Life.



# BROKERAGE & INSURANCE DISCLOSURE



7. **Permanent – Indexed Universal Life.** Death benefit protection with the opportunity for tax-deferred accumulation via a fixed return options or the performance of a market-based index. Optional riders for a fee. Pros: Potentially significant cash value appreciation with principal protection. Cons: Sophisticated, may have long surrender charge periods.
8. **Permanent – Variable Universal Life.** Death benefit protection with the opportunity for a market-based tax-deferred account value appreciation. Crediting based on the performance of the selected investment-like sub accounts (*similar to variable annuity investment options*) which can range from stocks to bonds. Optional riders for a fee. Pros: Potentially significant appreciation alongside with optional guarantees. Cons: Sophisticated, may lose value, may have long surrender charge periods.

**Annuity.** An annuity is a contract between an investor and an insurance company. The investor buys an annuity with a lump sum of money or a series of payments and the insurance company promises regular income disbursements for a specific period of time in return. These income disbursements begin when the investor, also called the annuitant, chooses to annuitize their investment. Similar to IRA's and 401k's annuities can grow tax-deferred. The three main types of annuities are fixed annuities, fixed indexed annuities and variable annuities, which can be immediate or deferred. The immediate and deferred classifications indicate when you will begin receiving payments. Understanding your financial goals is critical in deciding the best type of annuity for your situation.

1. **Fixed Annuity.** Come with a guaranteed, set interest rate that doesn't vary beyond the terms of the contract. While other investments may rise or fall, the fixed annuity appreciates as a guaranteed interest rate. Pros: A fixed annuity offers the least risk and the most predictability. Cons: Typically, have the least opportunity for capital appreciation and rates may be similar to a more liquid bank certificate of deposit.
2. **Index Annuity.** The capital appreciation growth is tied to a market index, like the Standard and Poors 500 ("S&P 500") or the Dow Jones Industrial Average ("Dow Jones"). There is a typically a limit set on both capital appreciation gains and losses. Pros: Provides higher capital appreciation opportunity than a fixed annuity and less risk than a variable annuity or other types of investments. Cons: Typically, less capital appreciation growth opportunity than a variable annuity or other types of investments. Fees are typically higher than other types of non-qualified (non-tax-deferred) accounts
3. **Variable Annuity.** Provides capital appreciation based on the investment performance of sub accounts which can range from stocks to bonds that fund the annuity's growth. Pros: Typically can offer the highest rate of capital appreciation. Cons: Typically riskier than fixed or indexed annuity with the potential risk of principal. Fees are typically higher than other types of non-qualified (non-tax-deferred) accounts.

These life insurance and annuity summaries are for educational purposes and not a complete discussion of all characteristics and considerations associated with life insurance, nor it is intended as an offering or recommendation of any particular policy. Overall, life insurance policies have exclusions, limitations, and terms for keeping them in force. Fees and charges generally include mortality and expense risk charges, cost of insurance charges, surrender charges, administrative fees, charges for optional benefits, and for variable life insurance specifically, investment management fees. All guarantees provided within life insurance policies are based on the claims-paying ability of the issuer.

**Very Important Insurance Disclosures.** The role of the insurance producer in any particular insurance or annuity transaction typically involves one or more of the following activities; to confer with insurance purchasers about the benefits, terms and conditions of insurance contracts; to offer advice concerning the substantive benefits of particular insurance contracts; to sell insurance; and to obtain insurance for purchasers.

Through the recommendation of the purchase or replacement of any Annuity or Life Insurance contract, the insurance producer (*shall have reasonable grounds for believing that the recommendation is suitable for the client on the basis of the facts disclosed by the client as to the consumer's investments and other insurance policies or contracts and as to the consumer's financial situation or needs, including the consumer's suitability information and that*) shall act

# BROKERAGE & INSURANCE DISCLOSURE



in the best interest of the client. Insurance producers use the following criteria in recommending a suitable option for a client: age, annual income, financial situation and needs, financial experience, financial objectives, intended use of the policy, financial time horizon, existing assets, liquidity needs, liquid net worth, risk tolerance, and willingness to accept non-guaranteed elements of the insurance or annuity policy.

Compensation will be paid to the insurance producer, based on the insurance contract the producer sells. Depending on the insurer(s) and insurance or annuity contract(s) the client selects, compensation will be paid by the insurer(s) selling the insurance contract or by another third party. Such compensation may vary depending on a number of factors, including the insurance or annuity contract(s) and the insurer(s) the client selects. In some cases, other factors such as the volume of business an insurance producer provides to an insurer or the profitability of insurance or annuity contracts an insurance producer provides to an insurer also may affect compensation.

The client may obtain information about compensation expected to be received by the insurance producer based in a whole or in part on the sale of insurance to the client, and (if applicable) compensation expected to be received based in whole or in part on any alternative quotes presented to the purchaser by the insurance producer, by requesting such information from our firm or the insurance producer.

## X. **UNAUTHORIZED PROHIBITED ACTS.**

Clients must take responsibility to help Etico in preventing unauthorized acts within clients' control by adhering to all of the following:

1. Clients may not pay cash for a security purchase. Etico does not accept money orders, traveler's checks, foreign checks, third party checks, bank checks below \$10,000 or other cash equivalents or non-traceable methods of payment.
2. All payments must be made payable to the product sponsor as indicated on the product application that accompanies this Direct Subscription Account Application.
3. Do not loan to or borrow from the Registered Representative any monies or securities.
4. Do not authorize or permit the Registered Representative to act as a personal custodian of clients' securities, stock powers, monies or any other personal or real property in which client may have an interest.
5. Do not accept any commission rebate or any other inducement with respect to the purchase or sale of securities.
6. Do not enter into an understanding whereby a client agrees to buy securities directly from or sell securities directly to the Registered Representative.

## XI. **RESOLVING DISPUTES – ARBITRATION**

This Terms of Service contains a pre-dispute arbitration clause. Under this clause, which becomes binding on all parties when you sign your Etico Client Questionnaire you and Etico agree as follows:

1. All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
2. Arbitration awards are generally final and binding: a party's ability to have a court reverse or modify an arbitration award is very limited.
3. The ability of the parties to obtain documents, witness statements, and other discovery is generally more limited in arbitration than in court proceedings.
4. The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with

# BROKERAGE & INSURANCE DISCLOSURE



the securities industry.

5. The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court. The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement. All controversies that may arise between you and Etico concerning any subject matter, issue or circumstance whatsoever (including, but not limited to controversies concerning any account, order, or transaction, or the continuation, performance, interpretation or breach of this or any other agreement between you and Etico whether entered into or arising before, on, or after the date this account is opened shall be determined by arbitration in accordance with the rules then prevailing of the Financial Industry Regulatory Authority (FINRA) or any United States securities self-regulatory organization or United States securities exchange of which the person, entity or entities against whom the claim is made is a member, as you may designate. If you designate the rules of a United States self-regulatory organization or United States securities exchange and those rules fail to be applied for any reason, then you shall designate the prevailing rules of any other United States self-regulatory organization or United States securities exchange of which the person, entity or entities against whom the claim is made as a member. If you do not notify Etico in writing of your designation within five (5) days after such failure or after you receive from Etico a written demand for arbitration, then you authorize Etico to make such designation on your behalf. The designation of the rules of a self-regulatory organization or securities exchange is not integral to the underlying agreement to arbitrate. You understand that judgment upon any arbitration award may be entered in any court of competent jurisdiction.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action: or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until; (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.