



# Imperial Capital

## *Regulation Best Interest Disclosure*

*This guide summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you receive from us.*

### ***Brokerage services***

When you establish a brokerage account with us, you have the ability to buy, sell and hold investments within your account. The primary service we provide is our trading capability. We execute purchases and sales on your behalf, and as directed by you. In a brokerage services relationship, we can trade with you for our own account, for an affiliate or for another client, and we can earn a profit on those trades. The capacity in which we act is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

### ***Cash Brokerage and Margin Brokerage Accounts***

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account you may use borrowed funds, in addition to the initial margin requirement, to cover the purchase. This is generally referred to as a “margin loan”. The portion of the purchase that is loaned to you is secured by securities in your account, also referred to as “collateral”. You will incur interest charges as a result of your margin balance. While many securities are eligible to be used as collateral for a margin loan, some assets are not eligible to be used for margin collateral.

Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, our default brokerage option is a cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship. For more information on our margin brokerage services, contact a financial professional or refer to [ImperialCapital.com/CRS/Margin](https://ImperialCapital.com/CRS/Margin) for a copy of the Margin Disclosure Statement.

### ***Brokerage Account Types***

We offer many different brokerage account types including individual and joint accounts, custodial accounts, Delivery Versus Payment (DVP) accounts, estate and trust accounts, partnership accounts, individual retirement accounts (IRA) and other types of retirement accounts as outlined in our account agreement(s). You should refer to our account agreement(s) for more information concerning available account types or speak with a financial professional.

## ***Incidental Brokerage Services, Recommendations and Account Monitoring***

Within your brokerage account, we may also provide other incidental services such as research reports, and recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you.

It is important for you to understand that when our financial professionals make an investment recommendation to you, we are obligated to ensure the recommendation is in your best interest, by considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. You may accept or reject any recommendation. ***It is also your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. We do not commit to provide on-going monitoring of your brokerage account.*** If you prefer on-going monitoring of your account or investments, you should speak with a financial professional about whether an advisory services relationship is more appropriate for you.

Please also consider that from time to time we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

### ***Clearing Services***

We have entered into an agreement with BNY Mellon - Pershing (also referred to herein as “Clearing Firm”) to carry your account and provide certain back office functions. We and Pershing share responsibilities with respect to your account as set forth in the Designation of Responsibilities that was delivered to you upon opening of your account. Please refer to the Designation of Responsibilities for more information on how such responsibilities have been allocated between us.

### ***Understanding Risk***

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Further, 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 (see below). You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs.

***Investment goals*** typically have different time horizons and different income and growth objectives. Generally, investment goals are on a spectrum, with “***Income***” investors typically holding the smallest percentage of higher- risk investments, followed by “***Long-Term Growth***” investors holding some higher-risk investments, and finally “***Short-Term Growth***” investors holding a significant portion of their portfolio in higher-risk investments. ***Risk tolerance*** also varies and we measure it on a continuum that increases from “***Low (Conservative)***” to “***Moderate***” to “***Speculation (Aggressive)***” and finally “***High-Risk***”.

See the chart on the following page for details.

Investment Objective	Investment Objective Description	Risk Tolerance	Risk Tolerance Definition
Income	An investment approach by which an investor generally seeks current income over time.	Low Moderate Speculation	<p><b>Low Income</b> investors generally assume lower risk, but may still experience losses or have lower expected income returns.</p> <p><b>Moderate Income</b> investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest income returns.</p> <p><b>Speculation Income</b> investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.</p>
Long-Term Growth	An investment approach by which an investor generally seeks capital appreciation through buying and holding securities over an extended period of time.	Low Moderate Speculation	<p><b>Low Long-Term Growth</b> investors generally assume lower risk, but may still experience losses or have lower expected returns.</p> <p><b>Moderate Long-Term Growth</b> investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest returns.</p> <p><b>Speculation Long-Term Growth</b> investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.</p>
Short-Term Growth	An investment approach by which an investor generally seeks short-term capital gains through buying and selling securities over a short period of time.	Low Moderate Speculation	<p><b>Low Short-Term Growth</b> investors generally assume lower risk, but may still experience losses or have lower expected growth returns.</p> <p><b>Moderate Growth</b> investors are willing to accept a modest level of risk that may result in significant losses in exchange for the potential to receive returns.</p> <p><b>Speculation Short-Term Growth</b> investors seek a higher level of returns and are willing to accept a high level of risk that may result in more significant losses.</p>
High-Risk	<p><b>High-Risk</b> investors seek out a maximum return through a broad range of investment strategies which generally involve a high level of risk, including the <b>potential for unlimited loss of investment capital.</b></p>		

**Our recommendations are based in part on your risk tolerance and investment objective as outlined above. We encourage you to carefully consider your investment objective and risk tolerance before investing.**

**\*\*\*It is important for you to keep your risk tolerance and investment objectives up to date as your needs change.\*\*\***

## ***Cash Sweep Program Feature***

Our brokerage services include a Cash Sweep Program feature. This program enables you to earn a return on uninvested cash balances in your brokerage account by allowing cash balances to be automatically “swept” into a “Cash Sweep Vehicle”, until such balances are otherwise required to satisfy obligations arising in your account. These Cash Sweep Vehicles include interest-bearing deposit accounts, and if permissible, money market mutual funds or such other sweep arrangements made available to you. You will receive additional information concerning the Cash Sweep Program in your account agreement(s). More information about the Cash Sweep Program can be found in the Cash Sweep Program Disclosure Statement available upon request or [ImperialCapital.com/CRS/CashSweep](https://ImperialCapital.com/CRS/CashSweep).

## ***Account Minimums and Activity Requirements***

There is no minimum initial account balance required to open a brokerage account with us. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed. In addition, some types of brokerage accounts have minimum account activity requirements and/or minimum on-going balance requirements that must be maintained, or your brokerage account will be closed. These requirements are detailed in the account agreement(s) you receive when you open your brokerage account.

You should also understand that our financial professionals may establish their own minimum account balance requirements for the brokerage accounts they service. For example, a dedicated financial professional may choose to service only those brokerage account clients who satisfy account-specific or total household asset conditions. Minimum asset requirements are disclosed to you orally by your financial professional.

## ***Brokerage service models and products***

We offer a full-service model. This model includes our recommendations for products based upon your individual risk tolerance, investment profile, and needs. This model also includes our assistance with services such as distributions, direct deposit payments, and other types of payments.

## ***Brokerage fees***

It is important to consider that while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

### ***Transaction-Based Fees***

You will pay transaction-based fees for trades you decide to enter into, such as buying and selling stocks, bonds, Exchange Traded Funds (ETFs), mutual funds, annuity contracts, exercising options and other investment purchases and sales. These transaction-based fees are generally referred to as a “commission,” “mark up/markdown,” “sales load,” or a “sales charge.” Transaction-based fees are based on a host of factors, including, but not limited to:

- ◆ Underlying product selection
- ◆ Your brokerage service model and account type
- ◆ Size of your transaction and/or overall value of your account
- ◆ Frequency of your trading activity
- ◆ Available discounts and/or fee waivers

This fee will be disclosed on the trade confirmation.

### ***Account and Service Fees***

You may incur fees for custodial or administrative services, which are charged by our clearing firm Pershing. These fees are set at least annually and communicated to you through information included in your account statements and other notifications.

You should understand that based on the brokerage service model you choose, the same or similar products, accounts and services may vary in the fees and costs charged to you. For more information concerning these administrative and service fees, [ImperialCapital.com/CRS/Fees](https://www.imperialcapital.com/CRS/Fees).

## ***How We Are Compensated—Conflicts of Interest***

All businesses at times face conflicts of interest and it is our duty to clients to disclose them so you understand what they are and how we strive to mitigate them. A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

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 offer a broad range of investment services and products and we receive various forms of compensation. Securities rules allow for us, our financial professionals, and our affiliates to earn compensation when we provide brokerage services to you. However, the compensation that we and our financial professionals receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation to us.

We receive direct and indirect compensation in connection with your accounts. Direct compensation is taken directly from your account. Indirect compensation is compensation paid in ways other than directly from your account and may impact the value of the associated investments in your account.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing investment recommendations to you. Below you will find additional information related to our conflicts of interest. This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship.

### ***Mutual Funds***

We currently offer thousands of mutual funds varying in share class structure and investment style. If you invest in mutual funds, we may receive direct and indirect compensation in connection with such mutual fund investments, as described below.

#### ***◆ 12b-1/Shareholder Service Fees***

Quarterly 12b-1 fees, also known as trails, are paid by the fund to us. The fees are asset-based fees charged by the fund family. These fees may be passed on to your financial professional as compensation.

#### ***◆ Front-end Sales Charges/Contingent Deferred Sales Charges (CDSC)***

Front-end sales charges may be paid to us and your financial professional when you purchase a mutual fund. The front-end sales charge is deducted from the initial investment on certain share classes. This charge varies and may be as high as 5.75%. Some purchases may qualify for a reduced front-end sales charge due to breakpoint discounts. In addition, some purchases may qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account. You should contact your financial professional if you believe you are eligible for sales charge waivers.

Contingent Deferred Sales Charge (CDSC) is a fee you pay upon withdrawal of money from a fund prior to the end of the fund's CDSC period. CDSC charges vary and may be as high as 5.50%. CDSC periods can range from one to seven years. This charge typically exists only on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class purchased by the investor. A CDSC is not passed on to your financial professional.

**When purchasing a mutual fund, you will receive the fund's prospectus which discloses the Fees and expenses associated with that specific fund.**

***\*\*\*These fees and expenses reduce the overall value of your investment.\*\*\****

### ***Fixed Income Securities***

For fixed income securities, which include market linked securities, government bonds, corporate bonds, municipal bonds, preferred securities, and CDs, we may apply a charge (i.e., markup or markdown) in addition to the amount of your transaction. The actual amount of the markup, or markdown, will be disclosed on your trade confirmation.

### ***Retirement Rollovers***

Recommending a client rollover an existing workplace retirement plan, such as a 401K, into an Individual Retirement Account (IRA) creates an inherent conflict of interest. Before moving assets you should consider a variety of factors including, but not limited to:

- ◆ Fees and expenses
- ◆ Level of services available
- ◆ Available investment options
- ◆ Ability to take penalty-free withdrawals
- ◆ Application of required minimum distributions
- ◆ Protections from creditors and legal judgements

More comprehensive information regarding IRA rollovers can be found at [ImperialCapital.com/CRS/Rollover](https://ImperialCapital.com/CRS/Rollover) .

### ***Trade Corrections***

On occasion, the firm makes an error in executing a client transaction. When these errors occur, the firm policy is to determine what the client was entitled to and make the client whole. The firm assumes the market risk in the process of correcting the error and may incur a gain or a loss. When a trade error occurs on an unsolicited trade in which a prolonged period of time has elapsed before the error is discovered, the firm will expect the client to share in the liability for the error, as the client has received a confirmation of the trade, as well as a statement. The level of that liability will be determined at the discretion of the principals of the firm.

### ***Compensation for Termination of Services***

Other than commissions associated with requests for liquidation(s) of positions for account closing purposes, the firm would not receive any additional compensation in connection with the termination of its services. However, our clearing firm may charge a termination fee. If you have questions contact your financial professional.

### ***Ownership of Similar Securities***

Imperial Capital, its affiliates, representatives and their families, charitable organizations, and retirement plans may purchase the same securities as are purchased for clients in accordance with our compliance procedures. The personal securities transactions by Imperial Capital's representatives may raise potential conflicts of interest when they trade in a security that is being recommended for a client to purchase or sell. Such conflict generally refers to the practice of front-running (trading ahead of clients), which Imperial Capital specifically prohibits. Imperial Capital has adopted policies and procedures that are intended to address these conflicts of interest. However, since Imperial Capital, its affiliates, representatives and related accounts may own similar holdings as recommended to clients, we have a similar stake in the performance of the investments we recommend. Furthermore, we generally deal in highly liquid securities, which means any position taken by the firm or its representative would not significantly influence market price.

### ***Conclusion***

While it is impossible to identify all potential conflicts of interest, the above descriptions are provided to keep you better informed and detail the inherent conflicts in our industry. If you have any questions, please speak to your financial professional or our Chief Compliance Officer.

## ***Financial Professional Compensation***

Financial professionals are compensated in a variety of ways based on the revenue generated from sales of products and services to clients. This compensation may vary by the product or service associated with a brokerage recommendation. In addition to upfront-transaction based compensation, some products feature on-going residual or “trail” payments. Thus financial professionals are incentivized to recommend products that have higher fees as well as those with on-going payments.

Typically, a financial professional’s payout schedule (periodically adjusted by us at our discretion) increases with production. As a result, financial professionals have an incentive to provide brokerage recommendations that result in selling more investment products and services, as well as investment products and services that carry higher fees. Financial professionals also have an incentive to reduce the amount of discounts available to you, and make recommendations to gather more assets from you in an attempt to increase brokerage trading activity.

Financial professionals have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they will receive. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest.

Financial professionals may also receive promotional items, meals, entertainment, and other noncash compensation from product providers.

For more information regarding policies, procedures and operations, please contact our compliance department at **(310) 246-3700** or [Compliance@ImperialCapital.com](mailto:Compliance@ImperialCapital.com).

## **Additional Resources:**

Customer Relationship Summary (Form CRS)	<a href="https://ImperialCapital.com/CRS">ImperialCapital.com/CRS</a>
Account Services Fee Schedule	<a href="https://ImperialCapital.com/CRS/Fees">ImperialCapital.com/CRS/Fees</a>
Margin Disclosure	<a href="https://ImperialCapital.com/CRS/Margin">ImperialCapital.com/CRS/Margin</a>
Cash Sweep Disclosure	<a href="https://ImperialCapital.com/CRS/CashSweep">ImperialCapital.com/CRS/CashSweep</a>
IRA Rollover Disclosure	<a href="https://ImperialCapital.com/CRS/Rollover">ImperialCapital.com/CRS/Rollover</a>