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# IMPORTANT CLIENT INFORMATION

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*June 30, 2020*

**RAYMOND JAMES®**

**RAYMOND JAMES (USA) LTD.**

*Member of FINRA/SIPC*

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**TABLE OF CONTENTS**

**Section I – Raymond James (USA) Ltd.... 3**

Standard of Conduct –  
Regulation Best Interest ..... 3  
Capacity ..... 4  
Our Affiliated Entities ..... 4

**Section II – Account Types and  
Scope of Services ..... 5**

Brokerage Accounts ..... 5  
Advisory Accounts ..... 5  
Account Monitoring ..... 5  
Investment Approach..... 5

**Section III – Compensation,  
Costs and Fees ..... 6**

Costs and Fees ..... 6  
Brokerage Commissions ..... 6  
Advisory Fees..... 7  
Product Costs and Fees..... 7  
Conflicts Related to Compensation ..... 7  
Other Costs and Fees ..... 8

**Section IV – Investment Products  
and Services..... 10**

Understanding Investment Risks ..... 10  
Investment Products & Services ..... 15  
Equities..... 15  
Fixed Income..... 16  
Mutual Funds..... 21  
Closed-End Funds ..... 24  
Exchange Traded Products..... 25

Options ..... 28  
Financial Planning ..... 30  
Securities-Related Lending..... 30  
Margin ..... 30  
Fully-Paid Securities Lending..... 31  
Cash Management ..... 33  
Cash Sweep Program..... 33  
Other Services ..... 34  
Trading and Execution Services ..... 34

**Section V – Other Important  
Information..... 37**

Account Protection ..... 37  
Financial Advisor Certifications And  
Professional Designations ..... 37  
Business Continuity ..... 38  
Dealer And Advisory Services  
To U.S. Clients And  
Canadian Residents With  
U.S. Retirement Accounts ..... 39

## **IMPORTANT CLIENT INFORMATION**

This Important Client Information document provides disclosure related to clients' relationships with us, including information on conflicts of interests, costs and fees, and other investment-related information. Statements in this document (i) expound on and provide more definitive information on matters discussed in our Form CRS, which is summary in nature and limited in substance and size by the Securities and Exchange Commission ("SEC"); and (ii) are subject to the more complete terms and conditions of our brokerage or investment advisory agreements and disclosures (including Form ADV Part 2A, when we act as investment adviser). We may amend the Important Client Information document from time to time and you will be bound by the amended disclosures if you elect to continue receiving our services after delivery of the amended disclosures. Updated copies of this document are available at [www.rjlu.com](http://www.rjlu.com). If you would prefer to receive a paper copy of the information referenced in website links throughout this document, please contact your financial advisor or the compliance department (contact information for the compliance department is located on the final page of this document). We encourage you to read the contents of this document and reach out to your advisor if you have any questions.

### **SECTION I - RAYMOND JAMES (USA) LTD**

#### **STANDARD OF CONDUCT – REGULATION BEST INTEREST**

Under the SEC's Regulation Best Interest, Raymond James (USA) Ltd and its associated persons (including your financial advisor) are required to act in the best interest of a retail client (such as a natural person using our services primarily for personal, family, or household purposes) at the time they recommend any securities transaction or investment strategy involving securities (including account-type recommendations). The requirement under Regulation Best Interest that we act in the best interest of the retail client is limited to when we make a recommendation of a security or investment strategy involving securities to a retail client.

You should understand that, as a broker-dealer, we have conflicts of interest when we make a recommendation of a securities transaction or investment strategy involving securities. These conflicts of interest are described in greater detail below, as well as in other documents such as your account agreement, prospectuses and other product disclosures, trade confirmations, and account statements. When Regulation Best Interest applies, financial advisors may be required to disclose additional information specific to them, such as material limitations on the securities or investment strategies involving securities that they may recommend, differences in their investment approach from ours generally, and any conflicts of interest that may be unique to them. If that is the case, then your financial advisor will disclose such additional information to you orally or in writing before or at the time they make the recommendation to which that additional information relates.

## **CAPACITY**

### *Broker-Dealer*

As a broker-dealer, our primary service is buying and selling securities for your account at your direction. Through associates and financial advisors, we can offer recommendations to buy, sell, or hold securities, but you make the final investment decisions.

### *Investment Adviser*

For information regarding our advisory practices and accounts, please discuss with your financial advisor about the Form ADV Part 2A Brochure.

### *Financial Advisors*

We generically refer to all financial professionals who make recommendations or provide investment advice on our behalf as “financial advisors” or “advisors” in firm communications, including, among other things, our website ([www.rjlu.com](http://www.rjlu.com)), account forms, account statements, trade confirmations, disclosures, and letters. Regardless of your financial professional’s title, all recommendations regarding your brokerage account will be made in a broker-dealer capacity, and all investment advice regarding your advisory account will be made in an investment advisory capacity.

When your financial professional makes a recommendation or provides investment advice to you, your financial professional will make clear, orally or in writing, for which account the recommendation or investment advice is being made. When referring to investment advisory activities of a financial professional, we sometimes refer to them as an “investment adviser representative,” as defined in the *Investment Advisers Act of 1940*.

### *Custodian*

Pershing LLC is our custodian responsible for maintaining custody of funds and securities accounts, and performing related receipt and delivery of funds and securities. Pershing will deliver, not less than quarterly, an account statement to you detailing account securities holdings, cash balances, dividend and interest receipts, account purchases and sales, contributions and distributions from the account and the realized and unrealized gains or losses associated with securities transactions effected in the account.

## **OUR AFFILIATED ENTITIES**

Raymond James (USA) Ltd is a Canadian corporation with its head office in Vancouver, British Columbia, Canada. It is a wholly owned subsidiary of Raymond James Ltd., which is a Canadian investment dealer and member of the Investment Industry Regulatory Organization of Canada (IIROC). Raymond James Ltd. is a wholly-owned subsidiary of Raymond James Financial, Inc. (RJF). RJF is a publicly-traded company that has been listed on the New York Stock Exchange since 1983.

## **SECTION II—ACCOUNT TYPES AND SCOPE OF SERVICES**

### **BROKERAGE ACCOUNTS**

In a brokerage account, your financial professional can offer recommendations to buy, sell, or hold securities but you make the final investment decisions. Information regarding the differences between broker-dealers and investment advisers, as well as their respective service offerings, is summarized in the Form CRS.

#### *Requirements to Open a Brokerage Account*

We retain the authority, in our discretion, to decline to open or maintain any account or service, and to decline to accept or act upon any order or instruction. Without limiting the scope of the preceding sentence, for prospects and clients who reside outside of the U.S., are incorporated/formed outside of the U.S., or have other significant connections to countries outside of the U.S., we may in our discretion: (i) decline to open or continue an account or service, (ii) require a minimum account or relationship amount to open or continue an account or service, (iii) require additional information or documentation as a condition of providing an account or service, or (iv) otherwise restrict the accounts, products, or services that we will provide.

#### *Retirement Accounts*

When providing brokerage services, we act solely in the capacity of a registered broker-dealer, and not as a fiduciary under the *Employee Retirement Income Security Act of 1974*, as amended (“ERISA”).

### **ADVISORY ACCOUNTS**

Information regarding our advisory business practices and accounts is summarized in the Form CRS and more fully described in the Form ADV Part 2A

Brochure, and the advisory disclosure documents.” A copy of these disclosure documents is available from your financial advisor.

### **ACCOUNT MONITORING**

In an investment advisory account or relationship, we conduct ongoing monitoring of advisory accounts tailored to the advisory relationship with the particular client and type of advisory account, except for certain periodic or point-in-time investment advice, such as financial planning. In contrast, in a brokerage account or relationship, we are neither required nor agree to provide account monitoring services. Although individual financial advisors may voluntarily consider holdings in your brokerage account or brokerage relationship for purposes of determining whether to provide any recommendations to you, this does not constitute an account monitoring service for that brokerage account or relationship.

This distinction between a brokerage account or relationship from an advisory account relationship is important, and you should consider this distinction, among other factors such as the payment of commissions versus asset-based fees or the availability of discretionary advice, when deciding what kind of account or relationship to have with us.

### **INVESTMENT APPROACH**

We support your advisor’s use of a disciplined process for developing investment recommendations to achieve your financial objectives.

Your advisor will seek to understand your objectives through clear communication with you about your financial situation, as well as your unique needs and preferences, prior investment experience, risk tolerance, and other important information about you. In making a recommendation, your advisor will evaluate a range of potential investment products and financial services. We provide a variety of resources to assist your advisor in evaluating the costs, risks, rewards, and other characteristics of investment options.

Your advisor may recommend a comprehensive strategy, or may address a particular component of your financial objectives, based on the information you provide. Periodically reviewing and refreshing your investment strategy with your advisor is essential to ensuring your investment portfolio remains appropriately diversified and aligned with your risk tolerance and objectives. With that in mind, please notify your advisor of any changes to your financial or personal circumstances.

## **SECTION III—COMPENSATION, COSTS AND FEES**

### **COSTS AND FEES**

In a brokerage account, you will incur transaction charges when you buy or sell securities, including commissions; markups and markdowns (analogous to commissions in a principal transaction); upfront or ongoing fees that you pay to a mutual fund or other product issuer, a portion of which is paid to us in connection with your transaction; and handling and processing fees on securities transactions.

Depending upon your account and relationship, you may also incur periodic account maintenance or Individual Retirement Account (“IRA”) custodial fees, as well as processing, service, and account fees upon certain events or occurrences.

You will incur interest charges if you borrow on margin or through a securities-based loan in any of your accounts. Certain investments, such as mutual funds, have embedded fees that are generally paid by you to the companies that sponsor, manage, or promote the investment. You will pay costs and fees whether you make or lose money on your investments.

Costs and fees will reduce any amount of money you make on your investments over time. Please make sure you understand what costs and fees you are paying. You have the option to purchase almost all investment products that we recommend through other broker-dealers, and it may cost you more or less to do so.

### **BROKERAGE COMMISSIONS**

#### *Commissions, Generally*

Certain charges are levied on the purchase and sale of securities in brokerage accounts. These charges, commonly referred to as “commissions,” are imposed by us for providing brokerage services, including trade execution and handling. Generally, commissions are calculated based on the principal purchase or sale amount involved and vary depending on product type, quantity of securities purchased, and other factors. Specific fees are itemized on the periodic account statements for the period in which the charge was incurred and are included in the “Income and Expense Summary” section that appears on each account statement. For additional information regarding charges which may be incurred, please refer to “Other cost and fees” in this document.

Typically, a brokerage commission and other transaction fees are charged to clients by adding to the principal amount of a purchase or subtracting from the proceeds of a sale of a security, which is deducted from the client account.

#### *Financial Advisor Compensation*

We pay financial advisors a portion of the commissions that we receive. Financial advisor compensation generally will increase as the volume of trades increases in a brokerage account. Please consider whether a fee-based advisory account may be beneficial if you anticipate frequent trading or whether paying an annual fee may be more costly than paying commissions in a brokerage account, such as if you plan to hold investments for longer periods of time, purchase and hold high-quality fixed income securities until maturity, or otherwise trade relatively infrequently. You should also consider that there are often embedded costs in advisory accounts, even if these investments are purchased in an advisory or fee-based account. When investment managers for a portfolio buy or sell stocks, bonds, or other underlying securities, there is a bid/ask spread and transaction costs to the manager that are absorbed by the investor in the form of reduced returns.

When a financial advisor chooses to become an associated person of our firm, we may pay the financial advisor compensation in connection with their transition from their prior firm. We often offer both an upfront payment and additional potential compensation based on the revenues generated from the accounts of the financial advisor's clients in the first few years, or in some cases based on the growth in total assets that the financial advisor manages. This creates incentives for the financial advisor to encourage you to move your assets to Raymond James and to produce greater

revenues for us.

#### **ADVISORY FEES**

Information regarding our advisory business practices, advisory accounts, and applicable fees is summarized in the Form CRS and more fully described in the Form ADV Part 2A Brochure, and the "Advisory" disclosure documents." A copy of these disclosure documents is available from your financial advisor.

#### **PRODUCT COSTS AND FEES**

In addition to commissions, most products and services have other associated costs and fees, as summarized below in Section IV-Investment Products and Services. These costs and fees are detailed in the product's relevant offering, and will be reflected on your trade confirmations and account statements.

#### **CONFLICTS RELATED TO COMPENSATION**

*Compensation and Advisory Accounts, Generally*

Transaction charges differ from one product to another, which creates an incentive for us to recommend products that have higher transaction charges. You will incur greater total transaction charges when there are more trades in your account, which creates an incentive to encourage you to trade more often.

Commissions and certain service and administrative fees earned by financial advisors or us may not apply if such products and services are purchased or utilized in a fee-based advisory account where you pay a fee in lieu of a commission for investment transactions in the account (in contrast to a fee-based advisory account that also incurs investment transaction charges). You should review the *Advisory Fees* subsection above and the related links for additional information regarding advisory

fees.

Clients should carefully review the Form CRS, the above section on *Account Types and Scope of Services*, the client agreements, and the additional advisory disclosure documents when deciding whether a fee-based account or a brokerage account is a better fit.

## **OTHER COSTS AND FEES**

*Administrative Fees/Charges, Generally*  
Part of our commitment to providing you the professional guidance you need to meet your financial objectives is helping you to understand what you may be charged for services. Certain fees may not apply or discounted based on the type of account you have and/or the amount of assets you hold in your Raymond James accounts. Other fees only apply when the associated services are requested or when special processing is required. As a result, many fees listed below may not apply to your account.

The fees and charges noted in this section may not be comprehensive, and there may be different or additional fees or charges depending on the products or services selected. If you have any questions about fees, please contact your financial advisor.

***Retirement Accounts Annual Fee***  
*Traditional, Roth, SEP, or SIMPLE IRA fee:* \$48.50

*Profit sharing, money purchase, or 401(k) fee:*

- Employee account: \$58.50
- Employer account: \$75
- Document establishment: \$10
- Mutual fund only IRA, Roth IRA: \$12

*Termination Fee:* \$100

(In addition to the annual fee. Please note if a termination fee applies, there is no

transfer fee)

***Manual Investment Fee:*** \$150  
(For transactions that exceed normal brokerage activity or require manual handling)

***Annual Inactive Account Fee***

- Retail Account: \$25
  - Mutual Fund Only: \$12.50
- (Inactive accounts are defined as account holding a security position for a calendar year (January 1-December 31) without generating a) a trade, or b) a free credit or margin interest of at least \$100. Mutual fund systematic reinvestments and exchanges will be considered a trade. Dividend reinvestment activity is not considered a trade)

(Inactive fees do not apply to Corestone Gold or Platinum, LoanAdvance, Directed Trust Services, Lockwood and Pershing Managed Account Solutions, or retirement accounts where Pershing acts as custodian or servicing agent and collects service fees. Accounts exclusively holding “book entry only” fixed income positions, an aggregate FundVest position of \$10,000 or more, or a Choice Plus – Group 1 sweep balance of \$10,000 per month or more are exempt from this fee. Raymond James (USA) Ltd., reserves the right to charge this fee on a pro rata basis for accounts that terminate their relationship with Raymond James (USA) Ltd., and upon termination of the Fully Disclosed Clearing Agreement for any reasons by either Raymond James (USA) Ltd., or Pershing.)

## ***Processing Fee***

***Re-registration of Physical Certificates:*** \$150

(Applies to certificates submitted for service transfers, such as change of registration or certificate breakdown)

### *Foreign Security Processing*

(excluding Canadian securities): \$150  
(Costs associated with the deposit of foreign physical securities vary depending on the foreign depository that holds your security. Additional out-of-pocket expenses such as depository or mailing costs may also be charged.)

*Physical Certificate Deposit Rejects:* \$80  
(This fee is assessed when a certificate presented to Raymond James (USA) Ltd for processing is discovered to have been either stopped by the shareholder or canceled through participation in a corporate action. The fee is the amount determined by the Depository Trust & Clearing Corporation or other depository)

### *Reorganization items:*

- *Voluntary* \$20
- *Mandatory* \$20

*Handling/Processing Fee:* \$4.95  
(Charged on most transactions as indicated on the confirmation you receive. Please note that certain transactions and account types, such as managed accounts and those introduced through an independent investment advisor, may exempt from this fee. Also note that broker/dealers clearing through Raymond James (USA) Ltd. may charge an additional fee)

*Confirmation Fee:* \$0.50

### *Service Fee*

#### *Outgoing Wiring Funds*

- Domestic: \$30
- Foreign: \$30

#### *Incoming Wiring Funds*

- Domestic: \$20
- Foreign: \$20

*Returned Deposit Items (Non-Corestone Accounts):* \$20

*Check Stop Payments (Non-Corestone Accounts):* \$20

*Insufficient Funds/NSF:* \$30

*Extension for Payment or Securities Received After Settlement Date*

- First Extension: \$20
- Second Extension: \$40
- Additional Extension: \$40

(Fee is assessed when filing requires regulatory notification of extension beyond settlement date)

*Mailgram:* \$10 (Client notification of past due funds and securities)

### *Check Disbursement by Courier*

- Standard: \$20
- Overnight: \$30
- International: \$25

*Transfer to Beneficiary:* \$100 (Process direct transfer for assets to beneficiary service)

*1099 Tax Statement:* \$2 per annum

*Additional Statement Copies for Alternate Addresses (per statement/confirm)*

- First Alternate Address: \$0.75
- Each Additional Alternate Address

*Transfer Fees:* \$100 (Transfer of an Account from Raymond James (USA) Ltd)

### *Transfer of a Foreign Security:*

- Euroclear: \$50
- All other Foreign Depositories: \$75

### *Foreign Exchange Conversion*

The costs of this service are built into the foreign exchange rate.

### *Safekeeping - Physical Securities (\$ per account, per position, per month)*

- In name: \$2
- Foreign Securities: \$2

### *Short Sales*

(Contact your Financial Advisor for fees that may be associated with borrowing shares)

### *Low Price Security Deposit*

Administration Fee: \$250 per security

## **SECTION IV—INVESTMENT PRODUCTS AND SERVICES**

### **OVERVIEW**

We offer a wide range of investment products. Deciding which products and services to invest in can be complex. It is important for you to work with your financial advisor to evaluate whether the objectives, risks, costs, and other characteristics of a product or service are aligned with your individual needs and objectives.

Information regarding our advisory business practices, advisory accounts, and applicable fees is summarized in the Form CRS and more fully described in the Form ADV Part 2A Brochure. A copy of these disclosure documents is available from your financial advisor. Clients should carefully review the Form CRS, this document, the client agreements, and the advisory disclosure documents when deciding whether a fee-based account or a brokerage account is a better fit.

### *Product Limitations, Generally*

All securities available to the market are not offered by us due to structure, size, and liquidity of the security or similar characteristics of the security or underlying investments.

### *Additional Information, Generally*

Certain products have offering documents that are created by the issuer to provide additional information specific to that product, including specific conflicts of interest.

These offering documents are often referred to as “prospectuses,” “official statements,” “offering circulars,” or “offering memoranda.” It is imperative that you read and understand a product’s relevant offering documentation prior to deciding to invest in that product. Offering documents for products or services offered by our affiliates will contain additional information related to conflicts of interest specific to the affiliate relationship. You will also be subject to additional terms, conditions, and disclosures in additional agreements, documents, and other disclosures we send you from time to time.

### **UNDERSTANDING INVESTMENT RISKS**

Investing is a serious business, which, while offering potentially positive returns over the long run, merits your attention to the associated risks, to the decision-making process, and to changes in your financial needs that may necessitate alterations to your investment approach.

You should remember that you bear the risk of loss when investing, and that usually the higher the potential reward, the greater the potential risk of an investment.

While we will take reasonable care in developing and making recommendations to you, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Please consult any available product offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you, or help you find them.

Securities investments, including mutual funds and even government bonds, are not insured by the federal government against market loss. All investments contain some measure of risk, from the high risks attendant to investing in small, unproven companies to the risks of price fluctuations based on interest rate changes in investments issued by the U.S. Treasury, if sold prior to maturity. Furthermore, reasonable investment objectives can be hindered by factors outside of anyone's control. Among others, you face the following investment risks:

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is created by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.

**Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, standardized products with active trading markets are more liquid. For example, U.S. Treasury securities are highly liquid, while real estate properties are not.

**Reinvestment Risk:** The risk that future proceeds from investments will be reinvested at a potentially lower rate of return (interest rate). This primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk to profitability than an electric company, which generates its income from a steady stream of customers who buy electricity regardless of the economic environment.

**Financial Risk:** Excessive borrowing to finance a company's operations increases the risk of loss, as a company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy or a decline in the market value of a company's securities. Senior debt instruments (*e.g.*, secured bonds) generally have a higher priority of payment if an issuer's financial strength declines when compared with equity investments (*e.g.*, common stocks), and a company facing financial challenges generally must stop paying dividends to shareholders before interrupting interest payments to bondholders.

**Correlation Risk:** This is the risk that the actual correlation (a statistical measure of how two or more variables move in relation to each other) between two assets (or variables) will be different than the correlation that was assumed or expected. Differences between the actual and expected correlation may result in a security being riskier than was anticipated.

**Counterparty/Default Risk:** This is the risk that a party to a contract will not live up to (or default on) its contractual obligations to the other party to the contract.

**Valuation Risk:** This is the risk that an asset is improperly valued in relation to what would be received upon its sale or redemption at maturity.

**Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk:** Foreign investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Tax Risk:** This is the risk that tax laws may change and impact the underlying investment premise or profitability of an investment.

**Cybersecurity Risk:** Intentional cybersecurity breaches include unauthorized access to systems, networks, or devices (such as through "hacking" activity); infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. In addition, unintentional

incidents can occur, such as the inadvertent release of confidential information. A cybersecurity breach could result in the loss or theft of client data or funds, the inability to access electronic systems ("denial of services"), loss or theft of proprietary information or corporate data, physical damage to a computer or network system, or costs associated with system repairs. Such incidents could cause an investment fund, the advisor, a manager, or other service providers to incur regulatory penalties, reputational damage, additional compliance costs, or financial loss.

**Technology Risk:** Digital and network technologies are critical to conducting business and we maintain substantial computerized data relating to client account activities. These technologies include those owned or managed by us as well as those owned or managed by others, such as financial intermediaries, pricing vendors, transfer agents, and other service providers. Technology systems may fail to operate properly or become disabled as a result of events or circumstances beyond our control or the control of our service providers. Technology failures, including those arising from use of third-party service providers or client usage of systems to access accounts, could have a material adverse effect on our business or our clients and could result in, among other things, financial loss, reputational damage, regulatory penalties, or the inability to conduct business.

In addition to the above risk factors, certain trading strategies may involve additional risks. For example, a "**day-trading strategy**" refers to a trading strategy characterized by the regular transmission by a client of intra-day orders to effect purchase and sale transactions in the same security or securities, which can involve significant risks.

Additionally, investing in **speculative securities**, such as low-priced stocks and newly issued equity securities, as well as securities of historically unprofitable companies, involve more than average risk and can experience volatile price behavior. For example, with respect to new industries, stocks issued by relatively unproven companies typically have valuations that materially exceed valuations based on traditional business methods. Options are similarly speculative as the price declines over the option's life unless the underlying stock price moves quickly. Although prospective investment returns may be higher than normal, only investors capable of sustaining the complete loss of their investments should purchase speculative securities.

## **INVESTMENT PRODUCTS & SERVICES**

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### **EQUITIES**

#### *Product Description*

Equity investments are purchases of shares of securities issued by individual companies, which are typically traded on an exchange. Equity ownership may have a different format depending on the capital structure of a company. For example, ownership interests in Master Limited Partnerships (MLPs) and Real Estate Investment Trusts (REITs) are not structured as "shares," but instead are typically structured as "units" (*i.e.*, MLP Units) or REIT Shares of Beneficial Interest (SBI), usually for the purpose of maximizing tax efficiency.

#### *Features and Characteristics*

- Generally more liquid than other products, if traded on an exchange.

- Some offer dividends.
- Some have voting rights.
- Relatively low minimum investment amounts, when compared to other products.

#### *Risks*

- Can lose value based on poor performance of the issuer or during periods of low trading activity (*i.e.*, illiquidity).
- No FDIC insurance.
- Rights are junior to other creditors (*e.g.*, bondholders) in the event of bankruptcy.

#### *Considerations*

**General Market Risk:** Stock prices of companies with excellent results and fundamentals can decrease materially for substantial periods of time (*e.g.*, in a bear market).

**Tax Considerations:** Certain equity investments, such as MLPs and REITs, may pass tax liabilities directly to investors.

**Initial Public Offerings:** Investments in equity securities of newly-listed public companies have their own considerations. Please visit [www.sec.gov/files/ipo-investorbulletin.pdf](http://www.sec.gov/files/ipo-investorbulletin.pdf) for an overview.

#### *Costs and Fees Paid by Clients*

- **Commissions.**
- **Markup or Markdowns:** When equities are purchased or sold from our inventory, a markup or markdown (analogous to a commission) will be charged.

## *Compensation*

### **Raymond James & Financial Advisor**

#### **Compensation**

- Commissions.
- Additional costs and fees may be paid to us as described in *Section III—Compensation, Costs and Fees*.

## **FIXED INCOME**

### *Product Description*

Most fixed income securities are debt instruments offering investors defined cash flows, *i.e.*, a fixed amount of interest, and a specific timeline for return of the par or face value on the bond. In general, specific characteristics of higher quality fixed income cause it to be one of the most predictable asset classes and thus a more conservative means to protect an investor's wealth and/or to provide steady income.

### *Features and Characteristics*

**Insurance:** Some fixed income securities are insured. Any guarantees such as that of the United States government, FDIC, or any other insurance applies only to the face value of the investment and not to any premium paid, nor does it protect the investor from market risk. There is always the risk that the insurer itself could declare bankruptcy or otherwise fail to meet its obligations under the insurance terms.

**Optionality:** Optionality refers to special options available to either the issuer or the bondholder. A common option is a call feature. An issuer with a call option is allowed to “call” or retire the bond issue on a predetermined date, at a predetermined price or according to a predetermined formula, prior to the stated maturity date.

Callable bonds often provide investors higher yields versus non-callable bonds to compensate investors for the additional risk associated with a call. An issuer would typically call a bond if interest rates are lower and it is advantageous to them to reissue new debt at a lower interest rate.

Conversely, a put feature allows the investor, or bondholder, to “put” (retire) a bond early and retrieve their invested principal prior to the maturity date, subject to limitations. Additionally, some bonds have a convertible feature, allowing the holder to convert the bond into stock of the issuing company.

**Redemption Provisions:** These provisions provide the issuer an option to repay principal prior to maturity and may change the term of the investment, which may affect price or yield calculations.

**Estate Protection Feature (Survivor's Option):** Certain bonds include a feature allowing the estate of the beneficial holder to redeem the bond for face (par) value in the event of the beneficial holder's death, regardless of the price at which the security is trading at that time. If this security has a zero coupon, then it will be redeemed at the accreted value. As certain limitations may apply such as holding periods or annual limitations, please refer to each individual issuer's offering documents. Brokered certificates of deposit (CDs) also generally include an estate protection feature.

**Original Issue Discount (OID):** These securities are issued at a price less than the stated redemption price at maturity. OID may be deemed interest income and may be reportable for tax purposes as it accrues whether or not you receive any interest payments from the issuer during the year. Please consult with your tax advisor regarding specific OID tax treatment.

**Step-Up Coupon Securities:** These securities increase their coupon payments over a period of time according to a predetermined schedule, unless called at the issuer's option. Coupon adjustments may not reflect changes in interest rates. When investing in a step-up security, you may be accepting lower yields initially than comparable fixed-rate securities in return for the potential of receiving higher yields over the life of the investment. However, there is a greater likelihood that the issuer will call these bonds when prevailing interest rates are lower than the current coupon, potentially affecting the yield on the security.

**Variable Coupons:** Also referred to as "floater" or "adjustable" rate bonds, these pay interest at rates which vary over time and are tied to a specific index such as Treasuries, the London Interbank Offered Rate (LIBOR), an inflation index, or some other benchmark or combination of indices. Interest payments may fluctuate. Variable rate bonds provide the holder with additional interest income if the underlying rates rise, or with reduced interest income if the rate falls. On July 27, 2017, the United Kingdom's Financial Conduct Authority (FCA) announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021. A change in the reference rate may have a material impact on the value of any securities based on or linked to a LIBOR benchmark.

**Zero Coupon Bonds:** These securities may have higher price fluctuations since there are no regular interest payments. These are bonds issued at a deep discount. The redemption is for the full face value making up for the lack of periodic interest payments through a lump sum payout at maturity.

#### *Risks*

**Credit Risk:** Generally, bonds with a lower credit rating indicate a higher potential for financial risk and will generally command a higher offering yield. Conversely, bonds with a higher credit rating indicate less likelihood for financial difficulties and generally provide a lower yield to investors. The absence of a rating may indicate that the issuer has not requested a rating evaluation, insufficient data exists on the issuer to derive a rating, or that a rating request was denied. Non-rated securities tend to be more speculative in nature and are less liquid. Although rating agencies assist in evaluating the creditworthiness of an issuer, ratings are not recommendations to buy, sell or hold a security, nor do ratings remove market risk. In addition, ratings are subject to review, revision, suspension, reduction, or withdrawal at any time, and any of these changes in ratings may affect the current market value of your investment. A rating agency may also place an issuer under review or credit watch, which may be another indicator of a future rating change. Your trade confirmations, online accounts, and monthly statements display only the ratings of those rating agencies to which we subscribe.

For more information on rating agencies, including important disclosures regarding the rating process, please visit [www.moodys.com](http://www.moodys.com), [www.standardandpoors.com](http://www.standardandpoors.com), and [www.fitchratings.com](http://www.fitchratings.com).

**Default Risk:** An obligor's inability to remain solvent and pay any outstanding debt obligations in a timely manner. Adverse changes in the creditworthiness of the issuer (whether or not reflected in changes to the issuer's rating) can decrease the current market value and may result in a partial or total loss of an investment.

**Interest Rate Risk:** Generally, as interest rates rise, the price of a bond will fall and conversely, as interest rates fall, the price of a bond will rise. The yield offered on bonds is based upon a collective associated-risk evaluation, coupled with a market-determined spread over a similarly traded riskless transaction (historically measured versus a similar maturity U.S. Treasury bond). As interest rates fluctuate, the yield on most bonds will be adjusted accordingly.

**Reinvestment Risk:** Timing of reinvestment of returning interest or principal can cause an investor's return to fluctuate. In a falling interest rate environment, an investor will likely benefit from higher coupons and longer maturities as this prevents the need to reinvest into a lower, less favorable interest rate environment. If interest rates are rising, higher coupon and/or short maturities allow an investor to take advantage of rate increases and put their money to work at improving interest rates.

**Liquidity Risk:** Liquidity is the ability to sell (liquidate) a position. Many fixed income securities trade in an active secondary market and many broker/dealers, including us, may maintain a secondary market in securities; however, there is no assurance that an active market will be maintained.

**Purchasing Power Risk:** The risk that, over time, inflation will lower the value of the returned principal. This means that an investor will be able to purchase fewer goods and services with the proceeds received at maturity.

**Non-U.S. Bonds:** These securities are subject to additional risks, including without limitation, liquidity, currency fluctuations, differing accounting standards, political and economic instability, and differing tax laws.

#### *Common Types of Fixed Income Securities*

**Brokered Certificates of Deposit (CDs)** purchased through a securities broker and held in a brokerage account are considered deposits with the issuing institution and are insured by the Federal Deposit Insurance Corporation (FDIC). FDIC deposits are insured up to \$250,000 per issuer (including principal and interest) for deposits held in different ownership categories, including single accounts, joint accounts, trust accounts, IRAs, and certain other retirement accounts. Brokered CDs are redeemable at par upon the death of the beneficial owner. Only the par or face value (not the premium paid) is FDIC-insured.

Additional information is available from the FDIC at [www.fdic.gov/deposit/deposits/index.html](http://www.fdic.gov/deposit/deposits/index.html). And from the SEC at [www.sec.gov/investor/pubs/certific.htm](http://www.sec.gov/investor/pubs/certific.htm)

**Corporate Bonds** are debt obligations issued by U.S. and foreign companies, most of which represent unsecured promises to repay the principal at a pre-determined future date, although some may be secured by a lien on certain corporate assets. In most instances, the issuing company also agrees to pay interest to investors. As bonds are obligations of the issuer to pay back borrowed funds, they generally have a higher priority to pay interest prior to any dividend distributions on the issuer's preferred or common stock.

**GSE securities** are issued by government-sponsored enterprises (GSEs). Payment of principal and interest is the obligation of the issuer. These securities are also known as agency securities. Although they are not guaranteed by the U.S. government, they maintain an implied backing. They are subject to market risk if sold prior to maturity. Ginnie Mae (GNMA) securities are backed by the full faith and credit of the United States Government.

**Mortgage-Backed Securities and Collateralized Mortgage Obligations** are priced based on an average life, which includes prepayment assumptions that may or may not be met, and changes in prepayments may significantly affect yield and average life. The actual maturity date may be shorter than stated. For more information, please review FINRA's Investor's Guide to Mortgage Securities and collateralized mortgage obligations at [www.finra.org](http://www.finra.org).

**Tax-Exempt Municipal Bonds** are issued by state and local governments as well as other governmental entities to fund their capital expenditures, such as the construction of highways, hospitals, schools, and sewer systems. Interest on these bonds is generally exempt from federal taxation and may also be free of state and local taxes for investors residing in the state and/or locality where the bonds were issued. However, municipal bonds may be subject to the federal alternative minimum tax (AMT), and profits and losses on bonds may be subject to capital gains tax treatment. Municipal securities may lose their tax-exempt status if certain legal requirements are not met, or if tax laws change. Additional information about individual municipal securities is available on the Electronic Municipal Market Access website (EMMA) of the Municipal Securities Rulemaking Board (MSRB) at [www.emma.msrb.org](http://www.emma.msrb.org).

**Taxable Municipal Bonds** are issued by state and local governments as well as other governmental entities to fund redevelopment districts, stadiums, pensions, utilities, and other projects. Interest or other investment return is included in gross income for federal income tax purposes and may also be subject to state and local income tax. A municipal security may be issued on a taxable basis because the intended use of proceeds does not meet federal tax law requirements for the exclusion from gross income, because certain other federal tax law requirements are not met, or because the issue qualifies for a tax credit or subsidy. Additional information about individual municipal securities is available on the EMMA website at [www.emma.msrb.org](http://www.emma.msrb.org).

*Preferred Securities* are comparable to fixed income investments as their coupon/dividend payments are generally fixed over the term of the investment and will react similarly to other debt investments to changes in market conditions. Some preferred securities pay variable payments that fluctuate and may provide the holder with additional income if the underlying rates rise or with reduced income if the rate falls. Please refer to description of “Variable Coupons” paragraph referenced above. Preferred securities present a greater risk than corporate bonds because they are generally subordinate to debt in liquidation priority. Preferred securities are quoted on either a current yield basis, or a yield-to-call basis if trading at a premium. For preferred securities that pay dividends, the dividend is paid at the discretion of the issuer’s board of directors and holders generally do not have voting rights. Preferred dividends may be cumulative or non-cumulative.

Some preferred securities may have a deferred interest feature, which allows the issuer, in certain circumstances, to defer payments between 5 to 10 years or longer depending on the security. The deferred income will generally accumulate, and may be treated as ordinary income for the year in which it is accrued, even though the holder of the security receives no payment until the issuer reinstates interest payments. If deferred, the ability of the issuer to reinstate interest payments is subject to the creditworthiness of the issuer. Changes in income payments may significantly affect yield and final term of the investment and consequently the price may decline significantly. Additionally, preferred securities generally carry no change of control provisions.

*U.S. Treasury securities* are issued and guaranteed by the U.S. government and, if

held to maturity, generally offer a fixed rate of return and guaranteed principal value. U.S. government bonds are guaranteed as to the timely payment of principal and interest; however, these securities are subject to market risk if sold prior to maturity. The U.S. Treasury also issues two-year maturity floating rate notes that pay interest and adjust payments quarterly, as well as Treasury Inflation-Protected Securities (TIPS) for which the principal is adjusted periodically to reflect changes in the Consumer Price Index. Since interest is paid on the adjusted principal, the semi-annual payments may fluctuate. At maturity the investor receives either the higher adjusted principal or the face value.

#### *Costs and Fees Paid by Clients*

**Identify whether your transaction occurs in the new issue (primary) or secondary market:** Like other investments, fixed income securities purchased as new issues take place in the primary market and most bonds bought or sold after the issue date occur in over-the-counter secondary markets which do not generally publish closing prices. Two websites offer information about the prices of transactions in specific bonds including trade history as well as additional market data, offering disclosure documents and education material. For municipal bonds, please visit EMMA at [emma.msrb.org/](http://emma.msrb.org/). For other bonds and fixed income securities, please visit [bondfacts.finra.org/](http://bondfacts.finra.org/).

- **Primary Market:** Details of costs and fees incurred in new issue purchases are disclosed on trade confirmations and in the applicable offering documents.
- **Secondary Market:** The price paid by you (and by extension, the amount received by us and your financial advisor) may be increased or decreased by a markup or markdown,

respectively. Markups and markdowns are based on the prevailing market price at the time of trade and represent compensation paid to the advisor and us. In addition to any markup or markdown, you should expect that we will realize a trading profit or loss on a secondary market transaction.

A processing/handling fee, as described in *Section III—Compensation, Costs and Fees*, is charged for each buy or sell for all fixed income products, *except* for brokered CDs, which have no processing/handling fee.

#### *Compensation*

#### **Raymond James & Financial Advisor**

#### **Compensation**

##### Secondary Market:

- Your purchase or sale of a fixed income security in the secondary market executed in a riskless principal or agency capacity may include a commission paid to your advisor and us. The price paid or received may also result in a trading profit or loss to a firm other than us.

#### *Additional Information*

Before investing in any fixed income investment, we encourage you to read the relevant offering documents, which are available from the issuer and your financial advisor.

Trade confirmations should also be carefully reviewed and will disclose additional information regarding the capacity in which we are acting and information regarding compensation

Fixed income products are available for purchase as a standalone investment; however, they may also be available as a part of other products, such as a Unit Investment Trust, or as part of a separately managed account, which offers different risks, benefits, and potentially different costs and fees. These costs and fees could be more or less than those paid by purchasing the product individually.

## **MUTUAL FUNDS**

### *Product Description*

A mutual fund is a collection of securities owned by a group of investors and managed by a professional investment adviser. A mutual fund pools investors' money to invest in a specific asset class or classes by investing in individual, or a combination of several, underlying securities including, but not limited to, stocks, bonds, money market funds, options, and currencies. Most mutual funds have a particular objective such as immediate income, income and growth, or long-term growth.

### *Features and Characteristics*

- Professional management.
- Potential diversification.
- Daily pricing and redemption.
- Low minimum investment amounts.
- Generally lower management-related expenses when compared to other forms of professionally advised investments.

### *Risks*

- May lose value based upon market movements in individual securities within the portfolio.
- Concentration within a particular asset class, security type, industry sector, or geographic region.
- Illiquidity of underlying investments within a mutual fund.

- Offshore mutual funds are not registered on any U.S. exchange, so there may be limited information regarding the risks and tax consequences.
- Underlying investments may carry additional risks. Please see the applicable prospectus and the relevant sections of this document, such as the descriptions of fixed income or equities, for additional risks related to underlying securities.

### *Costs and Fees Paid by Clients*

Costs and fees vary between mutual fund products—it is imperative that you review the relevant mutual fund prospectus for a detailed description of charges you will incur.

### *Ongoing Costs*

- Management and operational fees.
- “12b-1” or “Shareholder Servicing” fees.

### *Sales Charges*

**A Shares:** Front-end sales charge/commission based on initial investment, which may be discounted for numerous reasons, including larger investments, subsequent investments, or investments in other mutual funds within the same family.

**B Shares:** Back-end sales charges/commission assessed on an annual basis, based on initial investment, and potentially additional charges, known as a Contingent Deferred Sales Charge (CDSC), if sold in a short period of time. After a holding period, B shares usually convert to A shares. New purchases of B Shares are generally not permitted.

**C Shares:** Annual sales fee or commission charged over life of investment, based on initial investment amount. Frequently impose a CDSC if you sell within a short period, usually one year. Many C shares convert to A shares after a period of time, at which point the annual charges end. Conversion occurs within the period of time specified by the fund company’s policy or our policy, whichever is shorter.

**Other Share Classes:** Some shareholders may qualify to invest in share classes that are intended for specific types of investors, such as retirement plans. Additionally, share classes meant for fee- based or advisory account types can take a number of forms, such as Institutional or P shares, and do not generally contain sales loads or 12b-1 fees.

### *Reducing Sales Charges*

**Breakpoints:** Fund families often offer discounts on the sales charges for Class A shares based on the total amount you have invested with the fund family. Such discounts could significantly reduce, and in some cases eliminate, the sales charge that clients pay. The level at which you qualify for the discount is the “breakpoint.”

**“Rights of Accumulation”:** These allow you to combine your existing investments in a fund family with your new purchases to reach a breakpoint.

**Letters of Intent:** You can take advantage of rights of accumulation from the time you make your initial share purchase by agreeing to invest a certain dollar amount over a specified period of time. However, if the amount stated for investment in the letter of intent is not invested, the mutual fund can retroactively charge you the higher sales charge amount.

**Net Asset Value (“NAV”) Transfers and Buybacks:** After you redeem your fund shares, some fund families will allow you to “buy back” into certain funds within a certain time frame without a sales charge for Class A shares.

**Switches:** If you select funds that are part of a family of funds and purchase Class A shares in a commission-based account, then you can switch among the funds in the family without incurring additional sales charges.

Other discounts and fee waivers may apply based on certain criteria—please refer to the applicable prospectus or the mutual fund’s statement of additional information.

### ***Redemption Fees***

Mutual funds are generally part of a longer-term investment strategy, and some mutual fund companies will impose a redemption fee (also called an exit fee, a market-timing fee, or a short-term trading fee) if shares are sold within a certain time period, as outlined in the prospectus.

### ***Compensation***

#### ***Raymond James & Financial Advisor Compensation***

- Portion of the commission/sales charge, which varies in amount by fund.
- Portion of 12b-1 or shareholder servicing fees, which vary in amount by fund.

### ***Product Limitations***

Funds available for purchase through us are generally limited to fund companies that provide us with the compensation described above, with a few exceptions, and that have been positively evaluated through the due diligence process.

Thus, not all mutual funds available to the investing public will be available to you through Raymond James, including funds with lower fees and expenses.

We do not make available all share classes offered by a fund company for which a client might otherwise be eligible to purchase. We generally make available share classes that pay us Sub-TA Fees at the individual account level. This means that lower cost share classes might not be available to you through Raymond James, even though you might otherwise be eligible to purchase those lower share classes elsewhere.

Please refer to the *Product Limitations, Generally* subsection above.

### ***Additional Information***

***Prospectus.*** Before investing in any mutual fund, we encourage you to read the relevant prospectus, which is available from the fund company and your financial advisor, and to review the investment manager’s experience, qualifications, tenure, and track record.

***Mutual Funds vs ETFs.*** There are a variety of ways to invest in the market and many products offer the same or similar strategies and investments, but are structured or packaged in different ways. One example is exchange traded funds (“ETFs”), which share many characteristics with mutual funds, but have some important differences. Both are suitable options if you are looking for low minimum investment amounts. ETFs offer slightly more price variation—you can buy or sell as the price changes throughout the day, whereas mutual fund prices are held constant for an entire day.

Mutual funds generally have more active management whereas ETFs are generally passive and designed to track the market

index.

There are other relevant factors to consider when choosing an investment, such as liquidity and specific product costs. You should speak with your financial advisor about which options may be best for you.

**No FDIC Insurance.** While money market mutual funds are often considered cash alternatives and are traditionally lower risk products, they are not insured by the FDIC. If cash was held at a registered bank entity, you could receive the additional protection of FDIC insurance.

## **CLOSED-END FUNDS**

### *Product Description*

Closed-end funds (CEFs) are publicly traded investment vehicles that are actively managed by investment advisers. CEFs have many characteristics that are similar to other pooled investment products, but also have several unique structural differences that should be understood before purchasing shares of a CEF.

Shares of CEFs are offered through an initial public offering (IPO), after which they are traded on a stock exchange, similar to equities. The number of shares traded after an IPO are then fixed and the fund is “closed” to additional investment. Similar to open-end mutual funds, each closed-end fund has a net asset value (NAV) which is calculated as net assets of the fund divided by shares outstanding. Unique to closed-end funds, however, buyers and sellers interact throughout the day in an exchange, providing intraday liquidity. As a result of trading in the secondary market, CEFs will have both a market price and a net asset value (NAV).

The market price of the fund will then fluctuate based on supply and demand and the value of the underlying securities, which will often lead to a disconnect between price and NAV. This imbalance is what is described as a premium (when a fund’s market price is above its NAV) or a discount (when a fund’s market price is below its NAV). This is one of the characteristics that differentiate CEFs from their open-end mutual fund counterparts.

### *Features and Characteristics*

- Professional management.
- No minimum investment restrictions or minimum holding periods on purchases.
- Potential intraday liquidity.
- Typically have lower fees than standard open-end mutual funds.

### *Risks*

- Investor sentiment for a particular portfolio manager, fund sponsor, sector, or investment style of a CEF all interact to push the price of a fund to a discount or premium.
- Potential illiquidity of shares since shares cannot be purchased or sold directly through the fund company; liquidity is subject to the fund’s trading volume in the market.
- CEFs typically trade at a premium to NAV immediately after their IPO.

Many CEFs utilize lower-quality securities with leverage to enhance yield, which can generate principal losses, particularly in periods of rising interest rates.

### *Costs and Fees Paid by Clients*

Management and operational fees, as more fully described in the applicable prospectus. This includes the cost of borrowing if applicable.

### *Compensation*

#### ***Raymond James & Financial Advisor Compensation***

Commissions on purchases and sales.

### *Product Limitations*

Please refer to the *Product Limitations, Generally* subsection above.

### *Additional Information*

Closed-end funds come in many varieties. They can have different investment objectives, strategies, and investment portfolios. They also can be subject to different risks, volatility, and fees and expenses. Before investing in any CEF, we encourage you to read the relevant prospectus and the CEF's most recent shareholder report, which is available from the fund company and your financial advisor.

CEFs differ in many respects from mutual funds (also known as open-end funds). Both generally benefit from active professional management, diversification, and defined investment objectives; however, mutual funds issue and repurchase shares directly with the fund sponsor, as needed. Mutual fund shares are issued or redeemed by the sponsor at NAV, which is calculated at the end of the trading day.

In contrast, CEF have a fixed number of shares that are bought and sold in an intraday market at prices determined by supply and demand. Therefore, in a mutual fund, the price an investor pays reflects the value of the underlying securities, rather than demand for the fund.

Conversely, CEFs trade in the secondary market, with prices fluctuating throughout the day. CEFs do not incur the ongoing costs associated with creating and redeeming shares and typically have lower fees than standard mutual funds.

There are also no minimum investment restrictions or minimum holding periods on purchases of CEF shares.

## **EXCHANGE TRADED PRODUCTS**

### *Product Description*

Exchange Traded Products ("ETPs") are investment products that are listed on a national stock exchange and can be bought and sold in the equity trading markets. ETPs encompass a number of structures which track an underlying benchmark, index, or portfolio of securities and commodities. ETPs may be structured as registered unit investment trusts (UITs), exchange-traded funds (ETFs), exchange-traded notes (ETNs), grantor trusts, or commodity pools.

The majority of ETPs are structured as UITs or ETFs whose shares represent an interest in a portfolio of securities that either track an underlying benchmark or index. In order to achieve their objectives, ETPs generally either (a) directly invest in assets such as stocks, bonds, currencies, or commodities that underlie the benchmark, or (b) utilize a representative sampling strategy that attempts to achieve a similar performance to the benchmark without investing in all of the underlying securities of the benchmark. Further description of each ETP's underlying portfolio is available in the respective ETP's prospectus. A number of ETPs employ, to varying degrees, more sophisticated financial strategies and instruments such as leverage, futures, swaps, and derivatives, in order to achieve their investment objectives.

Those ETPs are commonly referred to as "Non-Traditional ETPs." Non-Traditional ETPs are more complex than traditional ETPs and may not be appropriate for all investors. These may include some ETNs, leveraged or inverse ETPs, some actively-managed ETPs, futures-linked ETPs, volatility ETPs, and other products.

#### *Types of ETPs*

**Passive ETPs:** These products seek to replicate the performance of an index or benchmark that they track.

**Leveraged and Inverse ETPs:** Two types of passive or non-managed ETPs are leveraged ETPs and inverse ETPs. Leveraged ETPs seek to deliver multiples of the performance of the index or benchmark they track, whereas inverse ETPs seek to deliver the opposite of the performance of the index or benchmark they track. Most leveraged and inverse ETPs "reset" daily, meaning that they are designed to achieve their stated objective on a daily basis, and meaning that they are highly subject to volatility risk.

**Actively-Managed ETPs:** These products do not seek to replicate the performance of a specified passive index of securities. Instead, they use an active investment strategy to attempt to meet their investment objective. An investor's decision would usually be based on their assessment as to whether the ETP investment manager can select securities that will lead to outperformance versus the benchmark, net of the ETPs fees, over a given market cycle or longer period of time.

**Volatility ETPs:** Some "Non-Traditional ETPs" may use a volatility component as a part of their overall strategy, while other ETPs may identify exposure to volatility as a primary investment objective.

Furthermore, some products may seek inverse, leveraged, or leveraged inverse exposure to the CBOE Volatility Index (VIX). Volatility ETPs are not based on, nor do they track, the returns of the VIX, and thus the performance of a volatility ETP will not actually mimic the performance of the VIX.

**Exchange-Traded Notes ("ETNs"):** A common name for a senior, unsecured debt obligation designed to track the total return of an underlying market index or other benchmark, minus investor fees. The repayment of the principal, interest (if any), and any returns at maturity or upon redemption are dependent on that issuer's ability to pay. Thus, the issuer's potential to default is an important consideration for ETN investors.

**Exchange Traded Funds ("ETFs"):** These products are typically managed by an investment company whose primary objective is to achieve the same or similar return as a particular market index. ETFs are similar to index funds in that they are primarily invested in the securities of companies that are included in a particular market index. ETFs can be invested either in all of the securities or in a representative sample of the securities included in the index. ETFs may be bought or sold throughout the day on the secondary market, but are generally not redeemable by non-institutional investors for the underlying basket of securities they track. ETFs are more appropriate for those willing to achieve market-like returns, with lower management fees and operating expenses, but with little potential to outperform the respective indexes the funds track.

### *Features and Characteristics*

- Professional management.
- Low minimum investment amounts.
- Generally lower management-related expenses than mutual funds.

### *Risks*

- If you hold leveraged or inverse ETPs for long periods of time, their performance can diverge significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period. This could lead to increased levels of risk, including without limitation, market risk, volatility risk, liquidity risk, and positive and negative compounding risk. This effect can be magnified in volatile markets and thus these products are primarily appropriate for short-term trading strategies.
- Actively-managed ETPs typically charge higher fees than ETPs that passively track an index.
- For ETNs, the repayment of principal, interest (if any), and any returns at maturity or upon redemption, are dependent on that issuer's ability to pay. Thus, the issuer's potential to default is a risk. Furthermore, if the issuer's credit rating is downgraded, the trading price of an ETN in the secondary market may be adversely impacted.
- Certain ETFs may be classified as partnerships for U.S. federal income tax purposes. This may result in unique tax treatment, including Schedule K-1 reporting.

- The buying and selling of contracts in the futures market, which could result in losses, could adversely affect the value of the index underlying your ETPs and, accordingly, decrease the value of your investment.
- Risks associated with municipal bond ETPs may include, without limitation, unmanaged investments, financial condition of the underlying issuers, limited diversification, market fluctuations, and illiquidity of the underlying securities.
- The ability of ETP issuers to perpetually create new shares contributes to ETPs efficiently and accurately tracking their respective indices. However, under certain circumstances, issuers may cease or suspend creating new shares, which may cause ETPs to trade at a price that differs significantly from the value of its underlying holdings or index. Furthermore, all ETPs may trade at a premium or discount to their NAV (or indicative value in the case of ETNs).
- Some ETPs may have low trading volumes, which could adversely impact your ability to buy or sell shares at the desired price and quantity.
- ETPs can be liquidated for a variety of reasons, which can cause forced taxable events for investors, including capital gains distributions. Furthermore, there can be closing costs associated with the final liquidation of the ETP as well as index tracking uncertainty as the ETP liquidates its assets.

*Costs and Fees Paid by Clients*  
Management and operational fees, as described in the prospectus.

## ***Raymond James & Financial Advisor Compensation***

- Commissions.
- Additional costs and fees may be paid to us as described in *Section III— Compensation, Costs and Fees*.

### ***Product Limitations***

Certain ETPs are only available on a limited basis due to the investment strategies or underlying investments employed by the product.

Please refer to the Product Limitations, Generally subsection above.

### ***Additional Information***

Before investing in any ETP, we encourage you to read the relevant prospectus, which is available from your financial advisor.

## **OPTIONS**

### ***Product Description***

An option is a contract that provides you with either a right or an obligation related to an underlying security, such as a stock, index, or exchange-traded fund. There are two types of options, calls and puts, and you can buy or sell either one. Options have a strike price, also referred to as the exercise price (the price at which you exercise the option) and an expiration date.

A call option gives the holder the right to buy a security at the strike price prior to the expiration date, while a put option gives the holder the right to sell a security at the strike price prior to the expiration date.

Buyers of calls believe that the market value of the security will increase substantially before the option expires, and want the right to buy the security at the lower strike price if that happens.

Conversely, buyers of puts believe that the market value of the security will decrease substantially before the option expires, and want the right to sell the security at a higher strike price if that happens.

Buyers of calls/puts hope to profit by exercising the option at a strike price that is lower/higher than the market value of the security (*i.e.* when the option is “in the money”). Instead of exercising the option, the holder of the option can also sell it to “close out the contract” and receive the difference between the strike price and the market price.

Clients can also sell calls and puts. For example, a seller of puts believes that the market value of the security will not fall before the option expires. Conversely, sellers of calls believe that the market value of the security will not rise before the option expires. Sellers of puts and calls hope to maximize their profit by generating income from the premium paid to them by the buyers and having the options expire unexercised (*i.e.* “out of the money”).

Prior to transacting in options, clients must receive a copy of an options disclosure document titled “Characteristics and Risks of Standardized Options,” which can be obtained from your financial advisor or at the following website and must complete and sign an Options Application and Agreement:

<https://www.theocc.com/about/publications/character-risks.jsp>

### *Features and Characteristics*

- Tool for hedging and speculation.
- Income generation- receive premiums by selling options.
- Risk mitigation- reduce exposure to downside price risk for a currently owned security.
- Targeted selling- seek sale prices by the selection of an option strike price for a currently owned security.
- Stock acquisition—target specific acquisition prices via the option strike price to purchase a security.

### *Risks*

- Complex and require a high level of attention to the trading markets.
- Speculative product that may lead to unlimited losses.
- May lose the entire amount committed to options in a relatively short period of time.
- Income generated from covered calls (a call option sold on a security owned), does not provide protection from significant downward price movement.
- A covered call writer (the person who owns the security and sold the call option on said security) gives up any appreciation above the strike price.
- The sale of shares due to assignment may result in a taxable gain for the option writer.
- Margin is required for certain option strategies. See the above section on *Margin*.

### *Costs and Fees Paid by Clients*

**Commission:** You will typically pay a commission/sales charge when you buy or sell an option within a brokerage account. Sales charges can be discounted at the discretion of your financial advisor. If applicable, sales charges will be disclosed as commissions on your transaction

confirmation.

If you plan to frequently trade options, you should discuss with your financial advisor the benefits of doing so in an advisory account. The commission charge for a single purchase of multiple contracts cannot be more than the commission that would have been charged if the trade had been calculated as a number of separate single purchases of individual contracts.

**Transaction Fee:** A transaction charge may be assessed on certain accounts that do not charge a standard commission.

**Pricing Factors:** If you are purchasing an option, its price is determined by many factors including:

- the remaining life of the option,
- the volatility of the underlying security,
- the relationship between the strike price of the option and the market price of the underlying security, and
- the underlying company's dividend payment record.

### ***Raymond James & Financial Advisor Compensation***

- Commission.

### *Other Potential Conflicts of Interest*

- None

**Payment for Order Flow:** We may receive payment for options orders routed directly to exchanges or via designated broker-dealer intermediaries for execution.

<https://www.orderroutingdisclosure.com/>

### *Additional Information*

Due to the speculative nature of options, we must pre-approve your specific trading strategy. You should have sufficient knowledge and experience to evaluate the risks associated with option trading.

Certain accounts will be limited to income and hedging strategies, and will not be allowed to engage in more speculative trading strategies (e.g., IRAs, accounts subject to ERISA, and UTMA accounts).

## **FINANCIAL PLANNING**

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### *Services Description*

We may offer financial planning as part of the investment advisory services. Your advisor can help you develop a goal-based strategy or financial plan intended to achieve your financial objectives.

## **SECURITIES-RELATED LENDING**

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### **MARGIN**

#### *Service Description*

If your account is approved for margin, Pershing (through Bank of New York Mellon) will allow you to borrow funds using the securities in your account as collateral. When you buy securities on margin, you deposit a portion of the purchase price, and Pershing extends credit to you for the remainder, resulting in a debit balance on your account. Pershing charge interest on your debit balance and requires you to maintain securities and/or cash to secure repayment of funds borrowed. Before trading in a margin account, you should carefully review the margin sections in the client agreement.

### *Features and Characteristics*

- Margin interest may be tax deductible. Please consult your tax advisor for more details.
- You may use margin for various purposes, including investments in securities, margin trading strategies, and withdrawal of funds for certain personal expenses.
- Interest is charged based on the amount borrowed, as further described below.

### *Risks*

- You can lose more funds than you deposit in the margin account.
- We can force the sale of securities in your account.
- We can sell your securities without contacting you.
- You are not entitled to choose which securities in your margin account are sold to meet a margin call.
- We can increase our “house” maintenance margin requirements at any time and are not required to provide you with advance written notice.
- You are not entitled to an extension of time on a margin call.

### *Costs and Fees Paid by Clients*

#### **Interest Rates**

Pershing may charge interest on any debit balances in cash accounts, or credit extended in margin accounts. The Base Lending Rate will be set with reference to commercially recognized interest rates, industry conditions relating to the extension of credit, and general credit market conditions. Pershing can change the Base Lending Rate without prior notice. Please refer to the *Margin Agreement and Disclosure Statement* from Pershing for more information.

### ***Ongoing Expenses***

You may incur charges and interest for maintenance of margin and short positions.

### ***Raymond James and Financial Advisor Compensation***

Raymond James and Financial advisors do not receive compensation based on the level of margin debit balances maintained with us.

### ***Other Potential Conflicts of Interest***

More sophisticated investment strategies such as short sales and margin may be offered in the certain advisory account programs. Fees for advice and execution on these securities are based on the total asset value of the account. While a negative amount may show on your statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where your financial advisor benefits from the use of margin creating a higher absolute market value and therefore receive a higher fee.

### ***Additional Information***

Before trading stocks in a margin account, you should carefully review the *Pershing Margin Agreement and Disclosure Statement*.

We believe that the use of margin generally adds risk to a portfolio that you should not assume unless you are prepared to experience significant losses. Losses in the value of an asset purchased on margin will be magnified because of the use of borrowed money—you can lose more funds than you deposit in the margin account.

In addition, you generally will not benefit from using margin unless the performance of your account exceeds interest expenses on the margin loan. You should also understand that the use of margin can negatively impact your ability to rebalance your account. You should carefully consider whether the additional risks are appropriate prior to using margin due to the increased potential for significantly greater losses associated with using margin. You assume full responsibility for the use of margin in your account.

Although not required, even if notice is provided with a specific date by which you must meet a margin call, we can still take necessary steps to protect our financial interests, including immediately selling your securities without further notice.

We may lend the securities held in your account to others if you maintain a margin debit in the account. This will result in changes in the tax treatment of dividends paid on the loaned securities and/or loss of your voting rights for those securities.

## **FULLY-PAID SECURITIES LENDING**

### ***Services Overview***

Pershing offers fully-paid securities lending program for clients interested to earn additional income. Please note that this program has eligibility criteria. Speak to your advisor to learn more about this program. The fully-paid securities lending program allows qualified clients to lend their fully paid-for, hard-to-borrow securities to Pershing. Pershing will pay you a fee for the use of your shares.

In exchange for the loan of securities, Pershing will pay you a percentage of the loan fee for the securities borrowed, and potentially a portion of the interest earned on the cash collateral. Your account will still show that you own the security position that you have loaned to us.

#### *Features and Characteristics*

- Allows you to generate additional income on an existing long position in your account.

#### *Risks*

- Loaned securities are not covered by Securities Investor Protection Corporation (“SIPC”) insurance (see *Account Protection* in *Section V—Other Important Information*).
- Not an investment strategy.
- Fees generated by lending shares may not be sufficient to offset losses incurred because the position was not sold in accordance with your investment strategy.
- Loss of voting rights with respect to loaned securities.
- Lending securities to facilitate short selling could put downward pressure on the overall price of the security. Each loan transaction is not a hedge against price decline and offers no downside price protection to client’s loaned securities.
- Potential tax implications, see *Additional Information* section below.
- The borrower pays a loan fee for the securities borrowed. This fee will fluctuate based on market demand and securities will only be borrowed for a purpose (a loan or delivery need).

*Costs and Fees Paid by Clients*  
None.

#### ***Raymond James & Financial Advisor Compensation***

- Compensation in connection with the use of your loaned securities, including lending your loaned securities to other parties for use with settling short sales, or for facilitating settlement of short sales by us and our clients.
- Additional costs and fees may be paid to us as described in *Section III—Compensation, Costs and Fees*.

#### *Other Potential Conflicts of Interest*

We have an opportunity to earn more compensation when the loaned securities are limited in supply relative to demand.

#### *Additional Information*

Please review Pershing’s loan agreement which covers the terms of the Fully-Paid Securities Lending program. You should consult with your tax advisor before participating in this program.

## CASH MANAGEMENT

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### **Corestone Account**

#### *Service Description*

Corestone™ account is a flexible asset management account designed to simplify your life by allowing you to handle all of your daily financial activities—checking, investing, bill payments and much more—all in one place. Please speak to your financial advisor about Corestone™ account.

#### *Features and Characteristics*

Each of the following services are provided to most Corestone™ account:

- Visa® debit card.
- Direct deposit.
- Unlimited check-writing.
- ATM Access.
- Daily sweep of uninvested cash.
- Electronic payments and direct deposits.
- 24/7 live client service for all bill payment and debit card-related questions.
- No minimum balance to open or maintain an account.

Note that certain services may have additional limitations or requirements (for example, debit cards are not generally issued for clients residing outside of the United States, and if a debit card is issued, an annual fee may apply).

#### *Costs and Fees Paid by Clients*

Please speak with your financial advisors about Corestone™ account.

#### *Raymond James Compensation*

Financial advisors do not receive compensation related to Corestone™ account.

## CASH SWEEP PROGRAM

### *Introduction*

The firm only offers one option under its Sweep Program. All client free cash balances will be swept into a Bank Deposit Program that is FDIC insured.

Disclosures about the program are included in the new account paperwork package. Pershing will also send out an *Annual Disclosure of Important Information* that contains information on the cash sweep program.

**Charges or costs to clients selecting a sweep option.** The Cash Sweep Program is offered at no additional charge or cost to clients.

### **Compensation and other benefits**

Financial advisors do not receive compensation related to Cash Sweep Program.

## OTHER SERVICES

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### TRADING AND EXECUTION SERVICES

As a registered broker-dealer, we provide trading and execution services.

#### *Placing Trades*

**Best Available Price.** Once your trade is placed, we will do our best to execute the transaction at the best available price. Smaller trades are generally executed via automated systems at the best available price.

#### ***Instructions and Confirmation Review.***

You can place a trade by contacting your financial advisor or your financial advisor's licensed sales associate. Please be specific and carefully explain your instructions. Ask to have your instructions read back to you for verification. Once you receive your trade confirmation (online the day following the trade or in hard copy within a few business days of the trade), read it carefully to ensure that your instructions have been carried out. If they have not, contact your financial advisor immediately.

**Trade Aggregation.** We may combine your sale and purchase orders with similar orders being made simultaneously for other accounts if, in our reasonable judgment, such aggregation is likely to result in an overall economic benefit to you by evaluating the availability of relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other potential benefits.

Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold.

In that case, the average price of all securities purchased or sold in such transactions may be determined and you may receive the average transaction price.

**“Average Price” Per Share.** We report an “average price” per share when multiple executions are required to complete your order. It is a calculated average of the prices of all individual executions. Details regarding the actual price of each execution are available upon request. Although multiple executions may be necessary, no additional fees or commissions are charged.

#### ***Extended-Hours Trading***

In accordance with FINRA Rule 2265, we are providing the following regarding the risks associated with extended hours trading. For the purposes of this section, “regular trading hours” in equity securities generally means the time between 9:30a.m. Eastern Time and 4:00 p.m. Eastern Time, “regular trading days” generally means Monday through Friday, excluding New York Stock Exchange holidays, and “extended hours trading” means trading outside of regular trading hours on regular trading days. You should carefully consider the following items prior to engaging in extended hours trading:

**Risk of Lower Liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities; and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, an order may only be partially executed or not at all.

***Risk of Higher Volatility.*** Volatility refers to the degree the market price of a security changes during trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, an order may only be partially executed, or not at all, or an order may receive an inferior price in extended hours trading compared to regular market hours.

***Risk of Changing Prices.*** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours or upon the opening the next morning. As a result, an order may receive an inferior price in extended hours trading compared to regular market hours.

***Risk of Unlinked Markets.*** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, an order may receive an inferior price in one extended hours trading system compared to another extended hours trading system.

***Risk of News Announcements.*** Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated effect on the price of a security.

***Risk of Wider Spreads.*** The spread refers to the difference between the price at which a security can be bought and the price for which it can be sold. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

***Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value (IIV).***

For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during the opening and late trading sessions, an investor who is unable to calculate implied values for certain derivative securities products in those sessions may be at a disadvantage to market professionals.

***Trade Date and Settlement Date***

The day on which your trade is executed is the “trade date,” while the day on which you pay/are paid for a trade is the “settlement date.” Securities regulations specify two business days from trade date to settlement date for most securities. This regulation – which the industry calls “T+2” – may not provide sufficient time for you to receive the confirmation of your transaction by regular mail and then pay for an executed buy order. You should either have funds on deposit with us or arrange for payment based on oral confirmation of the trade. The vast majority of clients keep cash balances on deposit with us to ensure timely settlement of trades.

### *Long and Short Sales*

Most sales of securities are “long” sales, where you are selling a security that you own. If the security is not in your account when you place the sale order, you must deliver it to us by the settlement date. A “short” sale is the sale of a security that you do not currently own.

Delivery requirements for short sales are typically fulfilled by borrowing the security. With respect to both long and short sales, failure to timely deliver the security will generally require us to fulfill your delivery requirements by purchasing the securities sold at the current market price, in our sole discretion and without prior notice to you, which may result in significant losses to you, and for which you will be financially responsible.

### *Order Routing/Best Execution*

Absent specific routing instructions from you, our policy is to route orders to the market center or designated broker-dealer intermediary where we believe that you will receive the best execution, based on a number of factors. The potential for receipt of order flow payment or trading profits is **not** a factor in this decision. We believe, based on prior experience, that our order routing practice provides opportunity for the orders to be executed at prices at or better than the national best bid or best offer.

<https://www.orderroutingdisclosure.com/>

### *The Pitfalls of Penny Stocks*

Stocks that are trading under \$2 per share and are not listed on an exchange generally are riskier, as the companies are smaller and do not necessarily have the same reporting requirements as listed stocks.

### *Understanding the Over-the-Counter Market*

As most companies whose stocks trade over the counter are smaller, their market capitalizations are also smaller and their stocks are less liquid. This creates a larger spread between the stock’s bid and ask prices. Furthermore, because market makers often only make 100-share markets before changing their bid and ask, it generally takes longer to get pricing reports. As a result, even a market order placed at market opening might take a long time to execute at a series of prices. This generally would not happen with the stock of a large company stock listed on an exchange.

## **SECTION V—OTHER IMPORTANT INFORMATION**

### **ACCOUNT PROTECTION**

#### *Coverage Summary*

#### **SIPC**

**Covered Investments:** Registered securities and cash.

**Available Coverage:** Generally protects SEC-registered securities to a maximum of \$500,000, including \$250,000 coverage for claims for cash.

Raymond James (USA) Ltd is a member of the Securities Investor Protection Corporation (SIPC). SIPC provides coverage, as set forth above, in the unlikely event that we fail financially. Money market fund shares are not considered cash for this purpose; they are securities. An explanatory brochure is available upon request at [www.sipc.org](http://www.sipc.org) or by calling 202-371- 8300. SIPC asset protection limits apply, in the aggregate, to all securities accounts that you hold with us in a particular capacity.

SIPC coverage does not insure against the loss of your investment. SIPC coverage does not ensure the quality of investments, protect against a decline or fluctuations in the value of your investment, or cover securities not held by us.

You are responsible for monitoring the total amount of such deposits at Raymond James (USA) Ltd in order to determine the extent of insurance coverage available to you. Neither we nor any of our affiliates are responsible for any insured or uninsured portion of your deposits or CDs.

### **FINANCIAL ADVISOR CERTIFICATIONS AND PROFESSIONAL DESIGNATIONS**

The ability to provide financial advice and conduct sales activities in the securities industries requires registration with a regulatory body. Conversely, professional designations are generally administered by an issuing organization (independent from us) that determines the criteria needed to earn the designation. Some designations involve fairly rigorous standards to earn and maintain the designation, allow investors to verify the status of individuals claiming to hold that designation, and a few even have a formal disciplinary process. Other designations may have less rigorous requirements. If your financial advisor holds out a designation, you should discuss with your financial advisor the meaning of such designation.

FINRA also provides a Professional Designations tool on their website at [www.finra.org/investors/professional-designations](http://www.finra.org/investors/professional-designations).

We are not bound by the standards of any such organizations, and your relationship with us is governed by the terms of the applicable client agreements you have entered into with us and by the standards of conduct of regulatory and self-regulatory organizations with jurisdiction over us.

## **BUSINESS CONTINUITY**

Raymond James (USA) Ltd leverages the Business Continuity Planning (BCP) our parent company, Raymond James Ltd. (the “Firm”) BCP works closely with business units and the Firm’s Information Technology Department to employ a standardized framework for building, maintaining, and testing business continuity plans.

The continuity plans are created using an all hazards approach, including baseline requirements and strategies that address incidents of varying scope. Plans are designed to allow for continued operations of critical business functions, which include providing clients with prompt access to their funds and securities. For additional information please see the full Business Continuity Disclosure Statement, located at the following: <http://www.rjlu.com/bcp-disclosure.htm>

## **DEALER AND ADVISORY SERVICES TO U.S. CLIENTS AND CANADIAN RESIDENTS WITH US RETIREMENT ACCOUNTS**

The Canadian Securities Administrators (CSA) requires that we provide to you the following disclosure:

Raymond James (USA) Ltd.:

Raymond James (USA) Ltd is a Canadian corporation with its head office in Vancouver, British Columbia, Canada. It is a wholly owned subsidiary of Raymond James Ltd., which is a Canadian investment dealer and member of the Investment Industry Regulatory Organization of Canada (IIROC).

Raymond James (USA) Ltd 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).

Raymond James (USA) Ltd is not a registered dealer or adviser in Canada. Accordingly, the protection available to clients of a dealer or adviser registered under securities legislation in Canada will not be available to U.S. clients.

Raymond James (USA) Ltd has appointed an agent for service in the Province of British Columbia. It has also appointed agents for service in the various states in the United States where U.S. clients are resident. U.S. Clients may enforce their legal rights, arising out of, related to, or concerning RJLU's activities in either British Columbia or in the particular U.S. state where they reside.

Raymond James (USA) Ltd requires that any U.S. client who subsequently becomes a resident of Canada must transfer their accounts (other than accounts for their United States individual tax-advantaged retirement savings plans) to Raymond James Ltd, or another investment dealer registered under provincial securities legislation in Canada.

### **RAYMOND JAMES (USA) LTD CONTACT INFORMATION**

Please reach out to your financial advisor with questions regarding any of the materials contained in this document or our compliance department at 1.877.570.7558

Raymond James (USA) Ltd., member FINRA/SIPC.