



## **General Conflicts of Interest Disclosure**

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### **INTRODUCTION**

Laidlaw & Company (UK) Ltd., (“Laidlaw,” the “firm,” “we,” “us” or “our”) is a broker-dealer registered with the Securities and Exchange Commission (“SEC”) ([www.sec.gov](http://www.sec.gov)) pursuant to the Securities and Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) ([www.finra.org](http://www.finra.org)) and Securities Investor Protection Corporation (“SIPC”) ([www.sipc.org](http://www.sipc.org)). We offer products and services to you through financial professionals (“FPs”) located across the country as well as the United Kingdom. These FPs are all FINRA-registered representatives (RRs) authorized to offer securities brokerage products; some are also licensed as investment advisory representatives (IARs) able to offer investment advisory services. The differences between brokerage and advisory products and services are discussed in our Relationship Summary (Form CRS), which is available on our Disclosure Website ([www.laidlawltd.com/regbi](http://www.laidlawltd.com/regbi)). But in essence, what we are offering to you is guidance, informed by industry experience and knowledge, regarding the investments and/or strategies that are best suited to help you meet your financial goals.

In providing this guidance, whether with respect to brokerage or advisory products or services, we are obligated to act in your best interest. However, as is the case no matter which financial services company you choose, our interests are not always the same as yours. We and our FPs have business and financial interests “that might incline (us or our FPs)—consciously or unconsciously—to make a recommendation that is not disinterested.”<sup>vi</sup> This is what we mean when we refer to “conflicts of interest.” You will see words like “incentive” and “influence” in this disclosure, in addition to “incline”; these words should alert you to conflicts of interest and are used to describe the potential effects of those conflicts. For instance, and as discussed in greater detail later, Laidlaw has corporate affiliates that issue private placements and investment products sold by FPs. Sales of these offerings serve the interests of the affiliated companies’ corporate parent and, accordingly, create a conflict of interest for Laidlaw and its FPs. Separately, if you are retiring or separating from employment and need guidance as to what your options are regarding your existing

retirement account, Laidlaw and your FP will generally not receive compensation if you stay invested in the existing account (if that option is available to you), but will receive compensation if you liquidate or otherwise transfer those assets into an Individual Retirement Account (“IRA”) or other investment. This again creates an incentive that could conflict with your own best interests. So how do we address conflicts of interest—how do we ensure that our own interests do not interfere with our obligation to act in your best interest? First, we tell you about our conflicts; that is the main purpose of this document.

Second, we take steps to mitigate the effect of those conflicts. For example, we offer a robust, diverse, and competitively priced selection of financial products and services, and we have training, tools, and processes in place to help our FPs recognize and recommend only the products and services that best address your needs. We have designed our compensation structure to disfavor or mitigate economic incentives that can influence your FP’s recommendations in a way that conflicts with your best interest; and we have a committee tasked with identifying and helping avoid or mitigate conflicts of interest.

Finally, we conduct supervisory oversight to ensure that each recommendation meets all regulatory requirements. Laidlaw is providing you this disclosure because you are considering engaging with an FP to purchase a product or service, or to open a new account (using the term broadly herein to include an account, a contract, or a policy). As you make your decision, it is important that you are aware of all facts that you would consider important (these are called “material facts”); we believe that conflicts of interest are important facts you should consider, as are the fees and costs that you are likely to incur, and what options are available for you to consider. Having this information will help you to make the right choices and to know whether we are living up to our commitment to act in your best interest whenever our FPs make recommendations to you.

Please be aware this document is only a summary; it does not include everything you may wish to know about our products, services, fees, or conflicts. But in addition to the matters summarized, this disclosure cites other sources (including hyperlinks, if you are online) where you can get additional information relevant to your investment decisions which, taken together, provide you with information to help you make informed investment decisions—and to recognize, we hope, the value of the guidance and knowledge our FPs have devoted their careers to sharing with you. Please note if you do not have online access, you may obtain all of the materials referenced in this disclosure by contacting your FP or calling 212-697-5200.

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 or investment strategy will perform as anticipated. Please consult any available 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.

## **PART I: CONFLICTS OF INTEREST**

### **Item 1: Sales Compensation**

In a brokerage relationship, Laidlaw and your FP receive sales compensation when investments are purchased; when additional amounts are added for investment; when stocks and bonds are purchased or sold; and for certain investments, on an ongoing basis for so long as the investment is held in your account. Such compensation can take the form of a separate charge paid in addition to the amount invested in the security, or it can be built into the product itself; and it can be paid all at once, or over time, or a combination of the two. In certain circumstances, sales compensation takes the form of trails/12b-1 fees<sup>ii</sup> from the issuer and/or a sponsor of the issuer (“Investment Sponsor”) which are calculated as an annual percentage of assets invested in the mutual fund, annuity or alternative investment.

Commissions/Sales Charges. When your FP makes a recommendation that results in the purchase or sale<sup>iii</sup> of a security, Laidlaw receives and shares with your FP a commission, also called a sales load, sales charge, or placement or finder’s fee. Commonly, such as in connection with variable annuities, the commission is built into the cost of the product and paid at the time of the transaction, and is often based on the amount of assets invested (i.e. it is a percentage

of what you invest, rather than a set amount). In other cases, such as in connection with a mutual fund sale, the sales load is deducted from your account. While not all trades generate a commission (transfers among mutual funds within the same fund family or among variable annuity sub-accounts following the initial purchase are typically not subject to commissions), those that do generate a commission create an incentive to recommend that you trade more often than may be in your best interest. Moreover, commissions are not the same for every product, which creates an incentive for your FP to recommend products that pay more in commissions. Lastly, your account is charged a ticket charge for each purchase or sale that is made on our behalf. This charge is not shared with your FP. You can find a copy of our fee schedule on our Disclosure Website.

Listed below are maximum and typical commission amounts and ranges for common investment products we offer. Specific information is available in the product's prospectus, private placement memorandum or other offering document, or for products that trade on an exchange or over-the counter, the commission is described in your account opening documentation, trade confirmations and monthly statements.

Equities and Other Exchange Traded Securities. The maximum commission charged by Laidlaw in an agency capacity on an exchange-traded securities transaction, such as an equity, exchange traded fund ("ETF"), exchange traded note ("ETN") or closed-end fund ("CEF"), is 2% of the transaction amount. The maximum commission charged by Laidlaw in an agency capacity on an option trade, is 4.0% of the transaction amount. The commission is shared between Laidlaw and your FP. In addition, the FP can decide to charge a minimum commission of \$100 per transaction.

Fixed Income. In executing trades on your behalf as a client of Laidlaw, our clearing Firm, StoneX Financial Inc., ("StoneX") typically will buy from you or sell to you a security (usually fixed-income product such as a bond) in a principal capacity. This means rather than acting as an agent and pairing you with a seller (for example, as it would do with an exchange-traded security), STONEX buys the security on its own account and then sells the security to you (often simultaneously), or buys from you and then sells in the secondary market. The difference in the price of these transactions is called the "markup" or "markdown," and is shared with Laidlaw and your FP. Typically, it will not exceed 2% of the value of the security unless the security is deeply discounted.

Mutual Funds and 529s. Mutual funds (including mutual funds inside 529 plans) offer various share classes. The sales charge varies depending on the share class purchased. The most common share classes are A shares and C shares. In general, A shares have a higher upfront commission with less ongoing or "trail" compensation (see discussion of trail compensation below), while C shares have no upfront commission but have a higher trail (up to 1% of assets annually). The share class that is in your best interest depends on how long you intend to stay invested in the mutual fund. If you are a long-term investor, A shares are most likely the best choice. Notably, A shares typically carry discounts at certain asset levels known as breakpoints. The sales charge is shared between Laidlaw and your FP.

Trail Compensation<sup>iv</sup>. Laidlaw and its FPs receive ongoing compensation from certain investment products, such as mutual funds, annuities and alternative investments. This compensation (commonly known as trails or Rule 12b-1 fees) is a form of Third-Party Compensation (defined below) and is typically paid from the assets of the investment under a distribution or servicing arrangement with the Investment Sponsor. It is calculated as an annual percentage of invested assets, and is shared between Laidlaw and your FP. The more assets you invest in the product, the more we will be paid in these fees. Therefore, we have an incentive to encourage you to increase the size of your investment. The amount of trails received varies from product to product. This creates an incentive to recommend a product that pays more trail compensation. For more information about trail compensation received with respect to a particular investment, please refer to the prospectus or offering document for the investment. Trail compensation in part is designed to pay over time what is not paid upfront. Thus, if the upfront sales charge is lower, trail compensation will be higher, and vice versa.

Mutual Funds and 529s. The ongoing payment depends on the class of shares (see discussion above) but is typically between 0.25% and 1% of assets annually. It is shared between Laidlaw and your FP.

Annuities. As discussed above, trail commissions for annuities are not in addition to the commission maximums discussed above (for example, 5.5%); all commissions are included in the price of the product.

Laidlaw receives and shares with your FP some of its 5.5% (using the same example) in the form of a trail commission from the annuity issuer for the promotion, sale and servicing of a policy. The amount and timing of trailing commissions vary depending on the agreement between Laidlaw and the issuer, and the type of policy purchased; moreover, as noted above, your FP may have the option to receive different splits between up-front and trail commissions.

Alternative Investments. For alternative investment products, trail payments can be as high as 1.25% on an annual basis. These payments are not shared between Laidlaw and your FP.

Affiliate Products. Laidlaw offers special purpose venture investment vehicles which are created to offer (the “Offering”) its member interests (the “Member Interests”) and to use the net proceeds of this Offering to attempt to make venture capital investments in private businesses operating in various technology sectors, including, but not limited to, payments solutions, fin-tech, mobile security, enterprise software, data storage, e-commerce, social media and digital technology. Each Offering is conducted with a private placement memorandum. Laidlaw’s affiliate, Laidlaw Private Equity (“LPE”), is the controlling member of the Managing Member of each of the Offerings which are available for purchase in a brokerage transaction.

Each Offering has a Member Manager which has the sole discretion over all decisions regarding the Company, the Member Interests, the acquisition and disposition of Portfolio Securities, and whether to cause Member Interests to be redeemed by the Company or sold to third parties and at what prices. This creates a number of conflicts. For instance, a FP of Laidlaw, is also the Managing Member, President and Chief Operating Officer of the Member Manager, serves as the Executive Director, Investment Banking & Alternative Investments, of Laidlaw and is a member of the Board of Directors of Laidlaw Holdings, the parent company of Laidlaw. Such relationships can create conflicts of interest between the Laidlaw and its affiliate on one hand and the investors in this Offering on the other hand. There are also potential conflicts of interest between Laidlaw and the Member Manager. Laidlaw, in its capacity as a broker-dealer, may affect transactions in Portfolio Securities, either for its own account or for its brokerage customers.

Conflicts of interest may arise as to, among other things, the order in which the Member Manager’s affiliates and the Company proceed to acquire and/or dispose of Portfolio Securities. The Member Manager and related parties will seek to resolve these conflicts in as equitable a manner as possible under the prevailing facts and circumstances, but there is no assurance that any such conflicts will be resolved in a manner advantageous to the Company and the Members. The Member Manager and its principals will devote to these Companies as much time as the Member Manager deems necessary and/or appropriate to manage the business of the Company in the Member Manager’s sole discretion.

The Member Manager, Laidlaw and their respective affiliates may engage for their own account and/or for the account of others, including other investors, in all aspects of the investment business, including, without limitation, making investments outside the Company in the same or other securities (on the same or different terms from those offered to the Company), establishing other investment funds, or the management of investments. The Member Manager, Laidlaw and/or their respective affiliates may begin or continue such activities, individually, jointly with others, or as owners or managers of any person, regarding the same types of investments in which the Company may likewise be investing; may deal with the Companies as counter-parties or through any other person in which they may be interested; may sell securities to or buy securities from the Companies; may participate in other investment funds, as investors or otherwise; and shall not be required to permit the Companies or the Members to participate in any other funds or investments in which the Member Manager, Laidlaw or any of their respective affiliates may be interested or share in any profits or other benefits therefrom. Therefore, situations may arise in which the interests of the Member Manager, Laidlaw and/or their respective affiliates conflict with the interests of the Company and/or its members.

When our affiliates are successful, we and our FPs may benefit directly or indirectly. When investors (“Members”) of the Offerings have received distributions equal to 120% of their contributions, future distributions shall be made 80% to the Members and 20% (the “Carried Interest Allocation”) to the Member Manager. The Member Manager may distribute up to 40% of any net Carried Interest Allocation to Laidlaw and Laidlaw then may distribute all or a portion of such allocation to its FPs, contingent upon their ongoing compliance with certain conditions. Notwithstanding the above, Laidlaw, with the exception of the Managing Member, is not involved in the management of the Company or

the Member Manager, and is not authorized to make investment decisions on behalf of the Company including, but not limited to, the Portfolio Securities. This too creates an incentive to recommend these products and Affiliate Products over other, otherwise similar products.

From time-to-time Laidlaw will offer private placement offerings for healthcare related issuers. Owners, Officers, Directors or FP's of Laidlaw may be affiliated with these issuers. Further, these issuers may have consulting agreements with limited liability companies that are operated by members of Laidlaw. The Officers, Directors or FP's or Laidlaw may be compensated either with cash or stock from these issuers either directly or through the limited liability consulting companies. The ownership of the issuer's capital stock may be concentrated and acquired for prices substantially below the prices per share of the offering. Potential conflicts of interest between management of the issuer and Laidlaw could result in a divergence of interest between management and investors.

We address these conflicts of interest through disclosure here and in the prospectus, private placement memorandums and/or other offering materials, as well as through training, tools, and processes to ensure our FPs' recommendations are in their clients' best interest, and through supervisory oversight designed to ensure that each recommendation meets all regulatory requirements.

Third-Party Annuities and Life Insurance. Laidlaw FPs have the ability to offer non-proprietary life and annuity products through selling agreements with numerous third-party carriers. Laidlaw receives compensation from issuers of annuities and life insurance (universal, variable universal, whole life, and term) and other insurance contracts available to you. The amount of commission varies depending on the issuer, coverage and the premium amount, and comes from the assets of the carrier, not from your policy account. FPs receive a percentage of the commissions the insurance company pays to Laidlaw. Laidlaw and FPs also receive additional compensation from issuers whose aggregate sales exceed premium thresholds specified in selling agreements with Laidlaw.

Direct Fees and Charges. Laidlaw charges miscellaneous fees directly to the account such as fees for transaction processing, account transfers, and retirement account maintenance. For fees that apply per transaction, the more transactions that result from an FP recommendation, the more fees that Laidlaw receives. These miscellaneous fees, which are set out in the miscellaneous fee schedule provided to you when you opened your account and available on our Disclosure Website, are not shared with FPs. If you hold your account directly with a product sponsor (i.e., "Direct Business" or "Subscription-Way Business") rather than on the Laidlaw platform, the product sponsor or its custodian may charge fees as well but direct held accounts typically have fewer or lower fees. See product offering documentation for information regarding fees charged in such circumstances.

### **Item 2: Third Party Compensation**

Where the sales charge or other compensation is paid by the issuer and/or a sponsor of the issuer ("Investment Sponsor"), we refer to it as Third-Party Compensation. In addition to the sales compensation described above (such as trails) that is paid by the Investment Sponsor and shared by Laidlaw and your FP, Laidlaw and your FP in some cases receive Third Party Compensation in the form of gifts and entertainment and other non-cash compensation from Investment Sponsors of mutual funds, annuities and alternative investments.

Non-Cash Compensation. Laidlaw, Laidlaw's associated persons, and FPs receive compensation from Investment Sponsors that is not in connection with any particular customer. This compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event or other entertainment, or reimbursement in connection with educational meetings, client workshops or events, or marketing or advertising initiatives, including services for identifying prospective clients. Investment Sponsors also pay for, or reimburse Laidlaw for the costs associated with, education or training events that may be attended by Laidlaw associated persons or FPs and for Laidlaw's sponsored conferences and events.

Revenue Sharing – General. As is common in the industry, the firm receives revenue sharing or "marketing support" payments from certain Investment Sponsors but not from others. These payments are used to support the firm's product marketing and sales force education and training efforts, including the firm's national sales and education conference. In exchange, these Investment Sponsors are provided with access to our FPs at conferences and in general so the Investment Sponsors can educate our FPs and promote their products. In some cases, these arrangements also

allow the Investment Sponsor's products to benefit from lower transaction charges that are typically paid by the firm's FPs or by you; but by contrast, some products on which no revenue sharing is paid have fees and costs that are comparatively lower. Revenue sharing payments are based on a percentage of assets sold by the firm and/or a flat fee, and vary from product type to product type, and from product to product. Payments can also vary by fund and by share class of a fund. Therefore, Laidlaw benefits when its FPs recommend a fund or share class that pays more in revenue sharing than a fund or share class that pays less or does not pay revenue sharing. These payments are generally not shared with FPs.

Revenue Sharing – Cash Sweep. Laidlaw pays STONEX for the clearing, execution, and other services it performs for the firm. For Laidlaw brokerage accounts held at STONEX, STONEX automatically transfers cash deposits in the client's account, including money waiting to be reinvested such as dividends, incoming cash deposits and money from sell orders, into an interest-bearing account, such as a bank account or a money market fund. For more information, please see the applicable disclosure booklet or the sweep money market fund prospectus, as well as your account agreement, all of which are available on our Disclosure Website. STONEX receives a fee for these services, and shares a portion of the fee with Laidlaw. Because Laidlaw benefits when clients have more funds in the cash sweep vehicles, there is an incentive to recommend STONEX brokerage accounts over other kinds of accounts that do not generate such fees; and there is an incentive within the account to recommend that the client utilize the cash sweep vehicle over other options for the investment of cash and cash equivalents. However, the fee is not shared with our FPs.

Non-Sweep Money Market Mutual Funds. Laidlaw makes available a limited number of money market mutual funds that are not part of STONEX'S cash sweep program ("Non-Sweep Money Market Funds"). Depending on interest rates and other market factors, it is possible that the fees and expenses you pay, in a low interest rate environment, could exceed the return on the investment in a Non-Sweep Money Market Fund. Moreover, the share class offered for a particular money market fund charges higher fees and expenses than other share classes that are offered by the same Non-Sweep Money Market Fund but are not available on the platform. For these and other reasons relating to the brokerage platform we use, other money market mutual funds not available through Laidlaw are likely to have higher returns than the Non-Sweep Money Market Funds.

Margin. For accounts held at STONEX, clients have the ability to purchase securities or borrow funds on credit, using the securities in the account as collateral; this is known as margin borrowing. When you borrow funds on margin, STONEX extends a line of credit to you and charges interest on the margin balance, some of which is shared with Laidlaw but is not shared with your FP. Nevertheless, margin borrowing can create conflicts of interest. For example, if you have a large expense that could be covered either with a loan or by liquidating some of your investments, your FP has an incentive to recommend that you borrow on margin rather than liquidate some of your investments, even if liquidating some of your investments may be in your best interest. The margin disclosures and rates can be found on our Disclosure Website.

### **Item 3: Financial Professional Compensation and Conflicts**

Your FP's Compensation and Conflicts. Your FP is entitled to receive compensation and other benefits from Laidlaw based on the percentage of revenue he or she generates from sales of products and services relating to your account. As a general matter, your FP's total cash compensation depends upon his or her agreements with Laidlaw and increases as the revenue he or she generates increases. Your FP can also earn a greater percentage of revenue for recommending one type of investment product or service over another. This creates an incentive to recommend some transactions, products and services over others. Your FP is also able to receive a portion of the 12b-1 fees described above.

Outside Business Activities. Your FP may also be engaged in activities outside the firm or have particular business models that present their own conflicts. Your FP could be an accountant, attorney, or refer clients to other service providers and receive referral fees, for example. Your FP may provide advisory services through an independent investment advisory firm in which your FP may have an ownership interest, provide benefit plan administrative support or sell insurance through a separate business. Your FP may receive greater compensation through the outside business than through Laidlaw, or have another incentive to recommend or sell products through the outside business. Certain Laidlaw FPs, for example, have their own interests in healthcare related entities which may pay Laidlaw a fee

for money invested from you in these entities. This creates an additional incentive to recommend those products. All outside business activities must be pre-approved by Laidlaw; but they create conflicts that cannot always be mitigated, other than through disclosure.

Limitations on Products and Services. Through Laidlaw, you can invest in thousands of stocks, bonds, and mutual funds, as well as many different types of variable insurance products and investment advisory services. However, Laidlaw does not offer every mutual fund or exchange-traded fund available in the marketplace. In particular, we do not make available any “no-load” mutual funds in brokerage accounts, nor do we offer every variable insurance product or investment advisory service. Our product offerings are limited for various reasons, including but not limited to customer demand, level and type of investment risk, and business considerations. Additionally, investment and product offerings may be limited by the specific licenses held by your FP. Such “brokerage only” FPs may be limited in the types of brokerage services they may offer. For example, a “Series 7” registered representative can offer all equity and fixed income securities, whereas a “Series 6” registered representative can recommend only mutual funds and, if insurance licensed, variable insurance products. Moreover, your FP may have the requisite licenses and credentials to offer all of our available products and services in some states, but not in others. If your FP cannot provide the products or services that you are seeking and/or may best serve your interests, your FP is required to disclose that to you during your discussions and you should request to work with another FP. These various limitations create conflicts of interest because your FP has an incentive to recommend products and investment types that are offered by the firm or that your FP is licensed to provide, even where a different product or investment type may be in your best interest. This type of conflict is addressed by this disclosure, as well as Laidlaw’s ongoing efforts to ensure the products and investment types offered cover most if not all of the investment needs the firm’s clients may have. If your FP has one or more of the above-referenced limitations, your FP should tell you about them verbally or in writing. You are also encouraged to ask your FP what products and investment types he or she can and cannot provide. You may verify licensing and other information about your FP on FINRA’s BrokerCheck site (<https://brokercheck.finra.org>).

**Item 4: Other conflicts.**

Rollovers and Transfers. Laidlaw benefits and its FPs have an incentive to recommend that you transfer assets you hold in an existing investment account or product, including assets held in a qualified or non-qualified retirement account, into new investments offered through the firm (a process called a “rollover”) that will generate revenue for Laidlaw and its FPs. For retirement assets held in a 401(k) plan, you should be aware that the fees and commissions you pay when you roll investments over often will be greater than those you pay if you stay in your existing plan (if that is an option). As securities held in a retirement plan generally cannot be transferred “in kind” to a new account (typically this would be an IRA), commissions charged on transactions in the IRA will be in addition to commissions and sales charges previously paid on transactions in the plan. For non-retirement assets, there may be similar commissions, fees and expenses that are higher at Laidlaw than at the prior provider. Laidlaw has implemented processes intended to address the conflicts of interest discussed in this disclosure and in disclosures that you will be provided at the time of sale. Further information about our conflicts of interest and more specific information relating to our fees and compensation is available in your account agreement and in the prospectus, disclosures or offering document associated with your investment. You may also contact your FP with any specific questions you have.

Brokerage vs. Advisory. In a brokerage account, typically a scheduled commission is generated (or if your broker-dealer is trading a bond/fixed income product on a principal basis, a price markup or markdown), along with certain de minimis industry transaction fees, each time you buy or sell a security (other than rebalancing mutual fund or variable annuity sub-accounts after an initial purchase, which would not generate a commission but may have a fee associated with it). After a transaction occurs and your commission is paid, there is no additional obligation by your FP to monitor the investments in your account and, if you do not make additional purchases, no additional commission. Thus, Laidlaw and your FP have an incentive to recommend that you make new (commissionable) investments more often than may be in your best interest, which is a conflict of interest that we address through this disclosure and by supervisory oversight and surveillance designed to ensure that each recommendation meets all regulatory requirements, including those set forth in SEC Regulation Best Interest. Conversely, in an investment advisory account, offered through our affiliate, you typically pay a quarterly comprehensive asset under management (AUM)

fee that is calculated as a percentage of AUM negotiated between you and your FP. The ongoing quarterly fee also covers the cost of ongoing monitoring, reflected in a periodic review of your account that your FP conducts with you as often as you require in your investment advisory agreement, but no less often than once per year. Nevertheless, Laidlaw and your FP will receive payments whether or not your account is actively traded. This is a conflict of interest that we address through this disclosure and by supervisory oversight designed to ensure that all investment advice provided is appropriate for you and complies with the requirements of the Investment Advisers Act.

Your account opening documentation indicates in what capacity your FP is acting. If you open a brokerage account or purchase a product directly from the Investment Sponsor, your FP is acting as a broker; if you open an advisory account, through our affiliate, your FP is acting as an IAR. If you open both types of accounts, you should ask your FP, for each recommendation, to state the capacity in which he or she is acting and to explain why the recommendation is in your best interest.

Account and Product Minimum Investment and Balance Requirements. Generally, Laidlaw does not have a minimum investment requirement or minimum account balance requirements. However, some brokerage accounts, offerings and advisory accounts do have minimum investment requirements and minimum account balance requirements. Many investment products such as mutual funds, variable insurance products, and alternative investments also have minimum purchase requirements. Depending on your financial situation and investment objectives, such minimums may be trivial; but if not, such minimums can create an incentive to recommend that you invest more than is in your best interest in order to meet the requirements of such minimums. This type of conflict is addressed through this disclosure and by supervisory oversight designed to ensure that all recommendations by your FP are in your best interest and meet all regulatory requirements. These minimum requirements are disclosed in the account opening documentation (for accounts) or prospectus or other offering documentation (for products). As noted in Part I above, in some investment products such as mutual funds there are minimum investment thresholds that confer discounts such as breakpoints. Your FP can provide you with additional information.

Management Compensation and Conflicts. Laidlaw pays compensation to its managers for supervision, training and administrative or sales support to the FPs under their supervision. This compensation is based on their job performance and contribution to the overall needs and profitability of Laidlaw.

Laidlaw's Board of Directors. Laidlaw is a wholly-owned subsidiary of Laidlaw Holdings. Some of the firm's directors are also officers or directors of our affiliates, which is a conflict in that they have an incentive to propose or vote in favor of broker-dealer or investment advisory sales, marketing, or product strategies that result in increased investments in products issued by those affiliates.

## **PART II: PRODUCT SALES CHARGES, FEES AND COSTS**

In Part I above, we discussed conflicts of interest, some of which were associated with compensation and fees received by the firm and/or your FP. It is important that you understand what exactly you are paying for your investments, and what financial incentives Laidlaw and your FP are receiving by recommending one investment product or service over another. This part references and incorporates additional details about compensation and fees.

### Commissions and Account Fees

If you open a brokerage account to purchase products, such as mutual funds, stocks, bonds, UITs, and alternative investments, the account opening documentation will include the Account and Service Fees Schedule, which also is posted on our Disclosure Website.

### Product costs

In addition to the sales charges and fees that you pay in connection with purchases and sales of securities in your accounts, the securities themselves often have fees and/or expenses that you should also consider when determining whether to invest. These product costs can be significant and are disclosed in the product's offering documentation, but for the more common products are typically as follows:



Mutual Funds and 529s. Expense ratios vary depending largely on whether the fund is actively managed. For actively managed funds, the expense ratio can range. For more information see the prospectus or offering documentation. For passive index funds, the typical ratio usually lower.

ETFs. ETFs typically have lower expense ratios than actively managed mutual funds. The average ETF has an expense ratio of less than 0.5%.

Annuities. As noted above, annuities are different from other products in that commissions are built into the pricing of the product. The average fees on a variable annuity vary depending on the options (called riders) selected by the investor—for example, death benefits, minimum payouts, or long-term care insurance, if available. In addition, variable annuities have a mortality and expense fee, underlying investment option management fees, and administrative costs. Fixed annuities are much simpler and have lower costs.

Life Insurance. Variable life products' commissions are, as with annuities, built into the pricing of the product. Such products have a mortality and expense fee, underlying investment option management fees, optional riders, and administrative costs that are similar in nature to those of annuities, plus the cost of the insurance itself, which is based on the amount of coverage purchased and varies based on age, sex, health, occupation, and other factors.

Alternative Investments. Annual expenses on alternative investments typically range and can include various types of management and other fees. For more information see the prospectus or offering documentation.

UITs. Annual operating expenses for UITs typically range. For more information see the prospectus or offering documentation.

By contrast, some types of securities, such as stocks, bonds, and options, do not have fees or expenses like the above-referenced products.

### **PART III: AVAILABLE PRODUCTS AND SERVICES**

This part is designed to provide you with the tools to better understand all of the products and services available through Laidlaw. As noted above in Part I, we do not make every product or service available, and the products and services that are available are not always the least expensive available in the broader marketplace. We do consider which products and services to make available based on a process that is driven by many factors, including of course business considerations, but also largely by our investment philosophy and our need to ensure there is a reasonable basis for all of our FPs' recommendations.

#### **Investment philosophy, and general basis for recommendations.**

The firm's primary target market is high income and high net worth retail and accredited investors who are generally seeking and willing to sustain substantial volatility of principal and assume a high level of risk in pursuing higher returns with an emphasis on aggressive investments that assume above average risk with the hope of achieving commensurate gains. Our retail platform includes traded investments, investment funds and products, and investment strategies believed to be in the best interest of the firm's customer base.

We require our financial professionals to have a reasonable basis, taking into account the potential risks, rewards, and costs associated with a recommendation, to believe that each recommendation made to a retail customer is in the retail customer's best interest, and does not place the interest of the broker-dealer ahead of the interest of the retail customer at the time the recommendation is made.

In determining whether our financial professional's recommendation is in the retail customer's best interest, we consider the retail customer's individual investment profile, which includes but is not limited to the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and other information that the customer may disclose to us or to the FP in connection with a recommendation.

### Brokerage products and services (including insurance products).

As a broker-dealer some of our business revolves around securities that are also insurance products—specifically, variable annuities and variable life insurance products. Variable annuities are long-term financial products designed for retirement purposes, and are subject to market risk, including the possible loss of principal invested. Variable annuities have mortality and expense charges, account fees, investment management fees, administrative fees, charges for special contract features, and restrictions and limitations. Earnings are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59½. Variable universal life insurance contracts have the primary purpose of providing a death benefit, and are also a long-term financial investment that can allow potential accumulation of assets through customized, professionally managed investment portfolios. These portfolios are closely managed in order to satisfy stated investment objectives. There are fees and charges associated with variable life insurance contracts including mortality and risk charges, front-end loads, administrative fees, investment management fees, surrender charges, and charges for optional riders.

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<sup>i</sup> This is how the SEC defines “conflict of interest” in its Regulation Best Interest adopting release; see <https://www.sec.gov/rules/final/2019/3486031.pdf>, p. 36.

<sup>ii</sup> Laidlaw and your FP receive this ongoing compensation in connection with its distribution expenses consistent with SEC Rule 12b-1 and it is calculated and charged against your holdings as an annual percentage of invested assets, and is shared between Laidlaw and your FP. The amount of compensation varies from product to product and there is an incentive to recommend that you purchase or hold investments that generate greater trails.

<sup>iii</sup> For many investment products, sales charges are incurred when you purchase and not when you sell, although some products have early withdrawal penalties or other restrictions that serve a similar purpose as sales charges. Traditional brokerage securities, such as stocks, bonds, and options, can have sales charges when you purchase and when you sell.

<sup>iv</sup> Although it also could fit into the Third-Party Compensation discussion below, trail compensation is commonly viewed as part of the commission earned by the firm and the FP for making the recommendation. It is included here, near the discussion on commissions and sales charges, for ease of reference and comparison.