

Regulation Best Interest Disclosure for Retail Broker-Dealer Customers

Effective 12/02/2022

First Analysis Securities Corporation (“FASC”) is providing this information to enhance the transparency of our relationship by disclosing conflicts of interest connected with recommendations and services we provide. These conflicts result from the practices of the financial services industry, FASC’s business model and our compensation structure. This document also clarifies the standards of conduct that apply to FASC and our Financial Professionals.

This document alone is not a comprehensive description of all conflicts of interest FASC has in its brokerage services. Similarly, not all of the conflicts we describe here will apply each time a recommendation is made or a service is provided. Regardless of the context, FASC will observe high standards of honor and just and equitable principles of trade when making recommendations or providing services to you.

You should consider this document along with the [Client Relationship Summary](#) (“CRS”) you received separately, additional written investment disclosures, and verbal disclosures made by your Financial Professional when evaluating recommendations your Financial Professional makes to you. FASC encourages you to go to Investor.gov/CRS to access free and simple tools to research firms and financial professionals, such as FASC and our Financial Professionals, and access educational materials about broker-dealers, investment advisers and investing. Layered together, these disclosures provide a full and fair description of all material facts and an explanation of our duty to make recommendations to you that are in your best interest.

When FASC acts as a broker-dealer, we are subject to a number of laws, rules and regulations, including the Securities Exchange Act of 1934 (the “Exchange Act”), the rules of the Securities and Exchange Commission (“SEC”), the rules of the Financial Industry Regulatory Authority (“FINRA”), and state laws. We are required to act in your best interest and observe high standards of honor and just and equitable principles of trade. FASC’s duties to you include, among others, the following [Disclosure Obligations](#):

Make full and fair disclosure to you, prior to or at the time of a recommendation, of all material facts relating to:

- The scope and terms of our relationship, including that we are acting as broker-dealer when making the recommendation.
- The costs that apply to your transactions.
- Any limitations on the recommendations your Financial Professional makes to you.
- Conflicts of interest associated with any recommendations, such as those related to compensation arrangements.

When FASC acts as a broker-dealer, FASC also has **Care Obligations** requiring us to exercise reasonable care and skill to:

- Understand the potential risks, rewards, and costs associated with a recommendation, and have a reasonable basis to believe that a recommendation could be in the best interest of a customer generally, even if it may not necessarily be appropriate for you in particular.

- Have a reasonable basis to believe that the recommendation is in your particular best interest and that the potential risks, rewards, and costs associated with the recommendation do not place the financial or other interest of FASC ahead of yours.
- Have a reasonable basis to believe that a series of recommended transactions, even if in your best interest when viewed in isolation, are not excessive, are in your best interest when taken together in light of your investment profile, and do not place FASC's interests ahead of yours.

When FASC acts as a broker-dealer we have the following **Conflict of Interest Obligation**, requiring FASC to establish, maintain and enforce written policies and procedures designed to:

- Identify and, at a minimum, disclose all conflicts of interest associated with recommendations to you.
- Where a conflict of interest creates an incentive for either your Financial Professional or FASC to make a recommendation that places FASC's interest ahead of yours, FASC has created policies and procedures designed to disclose and mitigate the conflict.
- Identify and disclose any material limitations that apply to recommendations to you, such as what investments your Financial Professional may be licensed for, and prevent those limitations from causing them to make recommendations that place their interest or FASC's ahead of yours.
- Identify and eliminate any sales contests, quotas, bonuses, and non-cash compensation that are based on the recommendation of specific securities or specific types of securities within a limited period of time.

I. INTRODUCTION TO FASC

FASC has been a broker-dealer for over forty years. Its primary business line is its investment banking practice that serves a non-retail customer base, and those services include merger and acquisition advisory and public equity and debt financing. From time to time, FASC also offers private equity placements in affiliated venture capital funds to retail customers. It is FASC's placement agent activity that is the focus of this document.

II. UNDERSTANDING THE CAPACITY OF THE FIRM

FASC is registered with the SEC as a broker-dealer under the Exchange Act. FASC is also a member of FINRA and the Securities Investor Protection Corporation ("SIPC"). FASC offers brokerage services to retail customers as a placement agent for affiliated venture capital funds.

Certain brokerage services may not be appropriate for you. Before investing, you should carefully consider and discuss with your Financial Professional, in light of your particular circumstances, the risks and expenses associated with the brokerage service.

Brokerage Services

FASC will act solely in its capacity as a broker-dealer in performing its duties as a placement agent for affiliated venture capital funds. When acting as placement agent, FASC and its Financial Professionals will be paid based upon your purchases of affiliated fund limited partnership interests. Therefore, the revenue of both the Firm and your Financial Professional will vary by investment and over time. As a result, FASC and its Financial Professionals have a financial incentive to recommend the affiliated fund limited partnership interests based upon the payment received.

FASC does not make investment decisions for you or manage your investments on a discretionary basis. FASC does not provide custody of your assets or execute securities transactions. Investment advice considered incidental to brokerage services may include investor education, investment research, financial tools, and information about investments and services. You should also understand that any incidental investment advice offered by FASC or a FASC Financial Professional with respect to your investment is not provided as part of any financial plan or in connection with any financial planning services.

Notwithstanding whether a recommendation has been made, you understand and agree that with respect to any assets you decide to invest, you must: (1) evaluate the investment and non-investment considerations important to you in making the decision; (2) review and understand the fees and costs associated with the account; (3) recognize that higher net fees (if applicable) will reduce your investment returns; and (4) understand the conflicts of interest raised by the financial benefits to FASC and its employees resulting from your decision to invest.

III. UNDERSTANDING THE SERVICES PROVIDED BY THE FIRM

Are There any Material Limitations on the Securities or Investment Strategies that Your Financial Professional Recommends?

Yes. FASC's Financial Professionals are restricted to offering you proprietary investments. These are venture capital fund limited partnership interests issued by an affiliate. FASC does not have investment minimums, but the acceptance of your investment is at the discretion of the issuer. Other applicable requirements to invest are stipulated as part of the funds' subscription agreements.

Your FASC Financial Professional is licensed to offer you broker-dealer products and services. The specific investment recommendations they make are based upon limited customer profile information available to them at the time of the recommendation. It is the issuer's responsibility to confirm that you meet any applicable suitability standards to invest.

Financial Professionals are required to be registered in each of the states where their customers live. If either you or your Financial Professional moves to a state where they are not registered, your Financial Professional will need to become registered in the new state to continue to serve you.

Will Your Financial Professional Monitor Your Investments?

Any placement recommendation made by FASC or a FASC Financial Professional is offered in your best interest based on a limited investment profile and the information reasonably available at the time the recommendation is made. Neither FASC nor your Financial Professional provide ongoing monitoring services with respect to your investment unless we specifically agree otherwise in writing.

When Will Your Financial Professional Make Additional Written or Verbal Disclosures?

FASC or your Financial Professional will provide more specific information regarding material facts or conflicts if your Financial Professional did not provide such information prior to making a recommendation. For example, your Financial Professional may provide an initial standardized disclosure of investment costs and explain that additional details appear in the investment's offering documents. Your Financial Professional will also provide, supplement, or correct any written disclosure with verbal disclosure as necessary prior to or at the time of the recommendation.

Who Do These Disclosures Apply to?

Under SEC Regulations, when we recommend a security or an investment strategy involving a security as a broker-dealer to a “retail customer,” we must act in your best interest at the time the recommendation is made, without placing our financial or other interest ahead of your interest. You are a retail customer under Regulation Best Interest if you are a natural person or a legal representative of a natural person who receives and uses a securities recommendation primarily for personal, family or household purposes.

Regulation Best Interest does not apply to activities and services we provide other than securities recommendations to retail customers, such as marketing communications, educational materials, statements of philosophy and investment principles, delivering communications that are not particularized to you, or services that are provided to someone other than a retail customer. You are not a retail customer if you are acting in a professional, corporate, or in certain circumstances a fiduciary capacity to an employer-sponsored employee benefit plan.

IV. WHAT INVESTMENTS DOES FASC OFFER?

Your FASC Financial Professional can only recommend proprietary products – namely venture capital fund limited partnership interests issued by an affiliate. Private funds that pursue venture capital strategies are complex alternative investments. These strategies and investments often have specific additional disclosures, contracts and agreements you should review with your Financial Professional prior to investing.

These investments involve a high degree of risk. A loss of your entire investment is possible. These investments are only available to qualified retail customers. You should consider the disclosures provided by FASC and always review the offering documents, such as private placement memoranda and subscription agreements, associated with the specific investment you are considering in order to understand and evaluate the specific risks before investing.

V. WHAT ADDITIONAL CONFLICTS DO FASC OR YOUR FINANCIAL PROFESSIONAL HAVE?

Below is a description of additional conflicts of interest that exist when FASC or your Financial Professional has a financial interest or incentive that could affect our investment advice to you. These conflicts are typical to our industry as a whole and FASC has adopted policies and procedures and is required to comply with applicable laws and regulations that mitigate these conflicts of interest. FASC or your Financial Professional may have conflicts of interest beyond those disclosed here. Your Financial Professional will verbally disclose, where appropriate, any additional material conflicts of interest no later than at the time of a recommendation.

Cash Compensation: FASC Financial Professionals receive compensation from FASC. Your FASC Financial Professional earns a base salary. Some Financial Professionals also receive stock options in FASC’s parent company as well as an affiliate managed by the same parent company. Financial Professionals may also receive commissions on investments you make in the funds. Commissions are paid from the management fees the fund managers receive from the funds.

The commission compensation creates a conflict of interest for our Financial Professionals because it is an incentive for them to recommend that you make an investment.

Financial Professionals may also receive a share of fees from investment banking engagements with fund portfolio companies and other companies that independently select FASC to provide investment banking services. FASC does not provide investment banking services to retail customers.

Bonus Compensation: Financial Professionals may also earn discretionary bonuses based on job performance. This bonus compensation creates a conflict of interest because it incentivizes the Financial Professional to recommend that you make an investment.

Revenue Sharing: Some FASC Financial Professionals receive interests in the fund managers that may entitle the holder to a portion of management fees and carried interest from the funds managed by the affiliated investment advisors. Compensation from this source is a conflict of interest because of the incentive it creates for our Financial Professionals to recommend that you invest. Some Financial Professionals are also compensated in a share of revenue from sales of publications.

VI. WHAT COSTS WILL YOU PAY?

Your costs depend on what investments you choose. No matter which type of investment you select, or whether you make or lose money, you will have expenses that reduce any amount of money you make on your investments over time. Please make sure you understand the expenses you are paying.

For detailed information, please refer to the descriptions of investments offered by FASC above and consult the relevant offering documents. In summary, you will not pay a fee directly to FASC to invest in a fund. We are compensated by the fund managers based on the amount of money you invest in the funds.

Depending on the investment you select, costs can include issuer and manager-related costs, as well as fees that are charged on an on-going basis for as long as you hold the investment. As an investor in a fund, you could expect to incur costs and fees of approximately 2% annually of the amount of capital you commit to invest in a fund and 20% of any profit generated by your investment in a fund. You should refer to the relevant offering documents for information specific to the investment you select.

VII. ADDITIONAL INFORMATION

This document is current as of the date on its cover. If we make changes that would require us to send you updated disclosures, we will send them to you by mail or electronically consistent with your elections and the SEC's requirements. We will amend this document from time to time and you will be bound by the amended disclosures if you continue to accept our services after we deliver the amended disclosures to you.

You may request up-to-date information by speaking with your Financial Professional, calling 312-258-1400, writing to us at One South Wacker Drive, Suite 3900, Chicago, Illinois 60606 or viewing them on-line at firstanalysis.com.