# Client Product Risk and Activities Disclosure

Cibest Capital Securities LLC ("CCS" or the "Firm") works with its registered representatives and associated persons to ensure clients have access to full, fair and clear disclosure necessary to properly assess their portfolio and investment alternatives. As part of that effort, this page contains documents and/or links that provide regulatory and educational information related to specific product types, which may be provided to the Firm customers in hardcopy and/or electronic format. The following items are a representative sample of the types of disclosure information CCS will provide investors in relation to specific products and investments. Additional product specific disclosure requirements are outlined in the Firm's written supervisory procedures under each product type.

**Equity Securities**

Equity securities include common stocks, preferred stocks, convertible securities and mutual funds that invest in these securities. Equity markets can be volatile and involve varying degrees of risks. Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions amongst other factors. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

**Options**

Investment products in which client portfolios are invested may engage in investment strategies that constitute leverage. Such strategies may include the borrowing and short selling of securities, bonds, foreign exchange and the acquisition and disposal of certain types of derivative securities and instruments, such as swaps, futures, and options. While leveraging creates an opportunity for greater total returns it also exposes a client to a greater risk of loss arising from adverse price changes. Where leverage is indirect (e.g., used by a fund manager for a fund in which a client is invested) a sharp decrease in the value of the investment can have a significant impact on a client's portfolio. Options may also be utilized for risk management purposes. While hedging transactions may seek to reduce risk, such transactions may result in a worse overall performance. Certain risks cannot be hedged, such as credit risk, relating both to particular securities and counterparties.

**ETF Risks, Including Net Asset Valuations and Tracking Error**

ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF.

Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate.

Clients should be aware that to the extent they invest in ETF securities they will pay two levels of compensation – commission fees charged by CCS plus any management fees charged by the issuer of the ETF. This scenario may cause higher costs (and potentially lower investment returns) than if a Client purchased the ETF directly. An ETF typically includes embedded expenses that may reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a Client's portfolio performance or an index benchmark comparison. Expenses of the fund may include investment advisor management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. ETF tracking error and expenses may vary.

**Penny Stocks**

Penny stocks are low-priced shares of small companies. Penny stocks may trade infrequently – which means that it may be difficult to sell penny stock shares once you have them. Because it may also be difficult to find quotations for penny stocks, they may be impossible to accurately price. Investors in penny stock should be prepared for the possibility that they may lose their whole investment. While penny stocks generally trade over-the-counter, they may also trade on U.S. securities exchanges, facilities of U.S. exchanges, or foreign exchanges. You should learn about the market in which the penny stock trades to determine how much demand there is for this stock and how difficult it will be to sell.

**Fixed Income and Debt Securities**

Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.

**Foreign Securities**

Investments in foreign securities involve certain risks that differ from the risks of investing in domestic securities. Adverse political, economic, social or other conditions in a foreign country may make the stocks of that country difficult or impossible to sell. It is more difficult to obtain reliable information about some foreign securities. The costs of investing in some foreign markets may be higher than investing in domestic markets. Investments in foreign securities also are subject to currency fluctuations.

One way to invest in foreign securities is through ADRs. ADRs are certificates deposited with a U.S. bank that represent the right to own a foreign security. Since ADRs are traded in U.S. markets and the issuers are subject to the same auditing, accounting and financial reporting standards as domestic securities, owning ADRs has advantages over owning other foreign securities.

**Structured Products**

Structured products are securities derived from, based on or linked to a single security, a basket of securities, an index, a commodity or group of commodities, a foreign currency or group of foreign currencies, changes to prevailing interest rates, a debt issuance, or other underlying or reference asset. Structured products are unsecured debt obligations of the issuer. As a result, they are subject to the risk of default by the issuer. The creditworthiness of the issuer will affect its ability to pay interest and repay principal.

Structured products are generally not listed on an exchange or otherwise actively traded. As a result, there may not be a secondary market for these products, making it difficult for investors to sell them prior to maturity. Investors who need to sell structured products prior to maturity are likely to receive less than the amount they invested. Therefore, structured products with longer maturities are subject to greater liquidity risk. Additionally, Structured products are difficult to price since their value is tied to an underlying asset or basket of assets and there typically is no established trading market for structured products from which to determine a price.

Structured products may not pay interest (or may not pay interest in regular amounts or at regular intervals), so they are not appropriate for investors looking for current income.

Structured products typically use leverage, options, futures, swaps and other derivatives, which involve special risks and additional complexity. Structured products can have complex features and the underlying asset can also be complex. The underlying or referenced assets in structured products determine payoff structure and affect calculations regarding the product's performance. Complicated payoff structures make it difficult for investors to accurately assess the value, risk and potential for growth through the terms of a structured product. The performance of the underlying asset on a structured product may cause investors to lose some, or all, of their principal. Depending on the nature of the underlying asset, the market risk of a structured note or other structured product that does not provide principal protection may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, or market volatility. Because the performance of a structured product is linked to the performance of an underlying asset, a structured product is subject to market risk associated with the underlying asset.

Structured products may be considered "contingent payment debt instruments" for federal income tax purposes. This means that investors will have to pay taxes each year on imputed annual income based on a comparable yield shown in the final term sheet or prospectus supplement. In addition, any gain recognized upon the sale or exchange, or at maturity, of these products will generally be treated as ordinary income. This especially pertains to principal protected issues.

**Money Market Instruments**

Money Market Instruments are debt instruments issued by private organizations, governments and government agencies. The money market is a highly liquid professional dealer market that facilitates the transfer of funds (generally in very large denominations) between borrowers and lenders. It generally relates to those instruments that allow for borrowing and lending periods ranging from one day to one year. Although money market instruments carry less risk than long-term debt they are not completely without risk. Different instruments carry varying degrees of risk depending on the nature of the lending agreement and the identity of the lender. Potential investors should be aware of such details prior to entering into any money market transactions. Common money market instruments include: Exchequer Notes, Commercial Paper, Treasury Bills, Repurchase Agreements and Bankers Acceptances.

In general other than the cost of acquiring money market instruments, investors are not subject to any margin requirements or financial commitments/liabilities. The value of money market instruments may fall as well as rise and therefore when investing in such instruments there is a risk that you may lose some or all of your original investment.

**Investment Company (Mutual Fund)**

Investment companies include open-end and closed-end investment companies commonly referred to as "mutual funds". Shares in investment companies represent interests in professionally managed portfolios. These investments involve substantially the same risks as investing directly in the underlying instruments; in addition, the return from such an investment will be reduced by the operating expenses and fees of the investment company, including applicable advisory fees. Certain types of investment companies, such as closed-end funds, issue a fixed number of shares that trade on a stock exchange or over-the-counter at a premium or discount to their net asset value ("NAV") per share. This premium or discount may change from time to time. Other investment companies are continuously offered at NAV, but are also traded in the secondary market.

Mutual funds that have front-end sales charges may offer discounts for larger investments; the amounts at which these discounts become available are called "breakpoints." In order to assist investors understanding the availability of breakpoint discounts, FINRA has created the **Mutual Funds Breakpoint Discounts and Sales Charge Waivers Disclosure Statement**. Please contact your CCS registered representative regarding any questions or concerns you may have with this disclosure document.

**Margin Disclosure Statement**

CCS offers margin accounts through its clearing firm. Under FINRA rules, all non-institutional customers who open a margin account must be provided with a margin disclosure statement when the account is opened along with required margin account agreements. Additionally, the clearing firm also provides any CCS customer maintaining a margin account with required annual disclosures related to margin accounts. The following information outlines CCS' "Margin Disclosure Statement".

CCS is furnishing this information to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before trading stocks in a margin account, you should carefully review the margin agreement. Please contact your CCS registered representative regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from the clearing firm. If you choose to borrow funds from the clearing firm, you will open a margin account through CCS with the clearing firm. The securities purchased are the clearing firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the clearing firm through CCS can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- **You can lose more funds than you deposit in the margin account**. A decline in the value of securities that are purchased on margin may require you to provide additional funds to the clearing firm that has made the loan to avoid the forced sale of those securities or other securities or assets in your account(s).

- **The firm can force the sale of securities or other assets in your account(s)**. If the equity in your account falls below the maintenance margin requirements, or CCS and/or the clearing firm's higher "house" requirements, CCS and/or the clearing firm can sell the securities or other assets in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.

- **The firm can sell your securities or other assets without contacting you**. Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their customers of margin calls, but they are not required to do so. However, even if a firm has contacted a customer and provided a specific date by which the customer can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the customer.

- **You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, the clearing firm and CCS have the right to decide which security to sell in order to protect its interests.

- **The clearing firm and/or CCS can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice.** Such changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the member to liquidate or sell securities in your account(s).

- **You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.