

## INFORMATION BROCHURE FOR CUSTOMERS OF INVESTMENT ADVISORS

This brochure has been prepared to explain some of the basic procedures for customers of an investment advisory who also use the facilities of Apex Clearing Corporation to perform certain custody, brokerage, execution, and clearing functions. In this brochure, “we” and “us” refer to Apex Clearing Corporation, and “advisor” refers to the investment advisory firm with which you deal and any of its employees or agents.

**RELATIONSHIP WITH YOUR ADVISOR:** We are opening and carrying your account as a broker by arrangement with your advisor. We are not your advisor. Your advisor is not a part of our company, and is not our employee or agent. Your advisor cannot contractually bind us or make any representations to you on our behalf. We are relying on your advisor and its representatives and other agents to give us instructions concerning your account. Until receipt of written notice from you to the contrary, we will continue to accept such instructions from your advisor (without any inquiry or investigation) for the purchase or sale of securities or for any other matter concerning your account. We give no advice or recommendations to you or other customers of your advisor. We will not review your account and have no responsibility for trading decisions made or investment strategies employed in your account. We have no responsibility or liability for any acts or omissions of your advisor or its representatives, employees or other agents.

You should discuss your investment goals thoroughly with your advisor. The more it knows about your circumstances and financial aims, the better prepared it is to help you. Should you have any questions concerning any aspect of this brochure, your account or securities in general, contact your advisor immediately.

**NOTICE OF ADMINISTRATIVE AGREEMENT:** We have entered into an Administrative Agreement with your advisor that has the following terms as it relates to the allocation of responsibilities between your advisor and us:

**FEES:** Your advisor will establish the advisory fees to be charged to you on your account, if any, and Apex shall deduct these advisory fees directly from your account at your advisor’s instruction. You should consult your advisor for details of its fees and charges. We also may also charge you an annual maintenance fee and/or other fees as agreed with your advisor or as independently established by us or as instructed by your advisor. All of the above fees and charges are subject to change without notice. Additionally, Apex and your advisor have agreed that Apex may directly charge your advisor a fee for Apex’s services. Such fee may be based on a set minimum amount, the number of transactions processed, a percentage of the advisor’s assets under management, or other calculation.

**IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:** The USA Patriot Act requires brokerage firms to maintain comprehensive anti-money laundering programs. Apex uses automated systems and staff to monitor compliance with these rules. To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, record, and verify information that identifies each person who opens an account. **What this means to you:** when you open an account, we will ask for your name address, date of birth and other information that will allow us to identify you. We may also ask to see your driver’s license or other identifying documents. Persons designated by the United States Office of Foreign Asset Control (OFAC) as Specially Designated Nationals, residents of restricted countries or employees of foreign governments or their agents may not open accounts at Apex.

**OPENING, APPROVING AND MONITORING CUSTOMER ACCOUNTS:** Before an account can be opened, you must furnish Apex and your advisor with certain information including your name and address, social security number or tax identification number (see section on Backup Withholding), citizenship, age, occupation, bank reference or other brokerage reference, and a general idea of your financial situation. Your advisor is responsible for obtaining and verifying all information necessary for your account to be opened. Your advisor is responsible for obtaining all documents related to your accounts and for the timely transmission to us of all required documents. Your advisor will be responsible for learning and documenting all of the facts relating to you and your investment objectives. Each of your accounts approved by your advisor and opened with us will be subject to our acceptance. We reserve the right to withhold acceptance of or to reject, for any reason, any account or any transaction for any account and to terminate any account that we have previously accepted.

**MAINTENANCE OF BOOKS AND RECORDS:** We are responsible for maintaining stock records and other records on a basis consistent with generally accepted practices in the securities industry and will maintain copies of such records in accordance with FINRA and SEC guidelines for record retention, in effect from time to time.

**RECEIPT, DELIVERY, AND SAFEGUARDING OF FUNDS AND SECURITIES:** Acting on behalf of your advisor, we will receive and deliver all funds and securities in connection with transactions for your account in accordance with instructions we receive

from your advisor. Your advisor is responsible for advising you of your obligations to deliver funds or securities in connection with each such transaction and for your failure to fulfill such obligations. We are not responsible for funds or securities delivered by you to your advisor, its agents or employees until such funds or securities are physically delivered to our premises and accepted by us or deposited in bank accounts maintained in our name.

Whenever we have been instructed to act as custodian of the securities in any of your accounts, or to hold such securities in safekeeping, we may hold the securities in your name or may cause such securities to be registered in our name or our nominee name or in the names of nominees of any depository we use. Upon instruction from you or your advisor, we will make such transfers of securities or accounts as may be requested. You or your advisor will be responsible for determining if any securities held in your accounts are restricted securities or control stock as defined by the rules of the SEC and that orders executed for such securities are in compliance with applicable laws, rules and regulations.

Notwithstanding anything in the Administrative Agreement to the contrary, we will not be responsible for the safeguarding of funds withdrawn by your advisor pursuant to any draft issuing authority that we may confer on your advisor.

**CONFIRMATIONS AND STATEMENTS:** We will prepare and transmit to you monthly and/or quarterly statements of account. Account value and totals are based only on priced securities. We may be unable to price all securities in your account. For municipal securities and some other securities, prices are approximate (not actual market bids) and are provided only as a general guide. They do not necessarily reflect actual market prices. For current prices, please contact your advisor or financial consultant. Unless otherwise agreed, we will be responsible for preparing and transmitting confirmations.

You will receive a written confirmation of every transaction after your order is executed. This confirmation contains information concerning your transaction, such as the quantity and name of the security, net cost or proceeds, commission, and any taxes and fees, and whether the trade is a principal or agency transaction. It is important that you familiarize yourself with the symbols on your confirmation. Should you have any questions concerning any of the symbols, do not hesitate to contact your advisor. The confirmation contains the complete terms of the trade, and the terms are final unless a written objection is made within three days after receipt of the confirmation. The confirmation terms cannot be changed orally. Should the confirmation be delayed for any reason, you are still obligated to meet your commitment to pay or deliver the security by the settlement date of the transaction. Your statements and confirmations may be delivered to you electronically.

While we make every effort to transmit reports of transactions accurately, errors do occasionally occur, especially during periods of heavy volume. If you find an error on your confirmation, you should notify your advisor immediately so that corrective action can be taken. We cannot be held responsible for the price as reported to you if your order was executed at another price. Furthermore, we cannot be held responsible for reports of transactions, which have not, in fact, occurred. As soon as the error is discovered, you can be sure that the correct information will be reported to you as expeditiously as possible. It is important that you retain your confirmation for tax reporting purposes. Your sale confirmation should be retained along with the corresponding purchase confirmation, as evidence of the gain or loss on that particular transaction that you reported for tax purposes. Finally, your confirmation should be retained for all bearer securities in the event that they are needed as proof of ownership at some later date.

In addition to your confirmations, you will periodically receive a statement, showing the securities and cash held for your account and any activity that has taken place since the preceding statement. Your statement also reflects any dividends or interest payments that we have credited on the securities in your account. If you have a margin account with us in which there is a debit balance, the interest charged to that account also appears on your statement. We are required by law to report dividends and interest credited to you to the Internal Revenue Service. Therefore, you should retain these statements for tax purposes. You will receive a Form 1099 from us confirming the income and sales proceeds reported to the Internal Revenue Service.

**ACCEPTANCE OF ORDERS AND EXECUTION OF TRANSACTIONS:** Orders received by us from your advisor will be executed by us. If your advisor furnishes us with erroneous or incomplete information concerning an order, we are not responsible for any losses that might result. Your advisor is responsible for the authenticity of all orders. We may refuse to accept any orders if in good faith determine that we should. We may refuse to clear any transaction if in good faith determine that we should.

**BACKUP WITHHOLDING:** Since January 1, 1984, we must generally withhold 31% of taxable interest, dividends and proceeds from the sale of securities if you or your advisor fails to furnish us with the correct taxpayer identification number. This is referred to as backup withholding. For most individual taxpayers, the taxpayer's identification number is their social security number. To prevent backup withholding on these payments, be sure that you have completed and returned to us a **New Account Application/Customer Account Agreement/Advisor Authorization**, which includes the W-9 Form, to notify us of the correct taxpayer identification

number and to properly certify that you are not subject to backup withholding under Section 3406(a)(1)(c) of the Internal Revenue Code of 1986, as amended (the "Code"). If you are not a US person and are exempt from this withholding, you must complete and return to us a W-8.

Your Advisor is responsible for the review and supervision of, nor the suitability of any investment you make. Your advisor is responsible for ensuring that all transactions in and all activities relating to all of your accounts will be in compliance with all applicable laws, rules and regulations of the United States, the several states, governmental agencies, securities exchanges and FINRA relating to your advisor's fiduciary responsibilities to you.

**CASH ACCOUNT:** The most common type of account is the cash account that we call Type 1. In this type of account, there is no extension of credit made in connection with the purchase, and you pay in full for any security that you purchase. Regulation T and certain SEC rules make it necessary to settle the purchase or sale of securities usually on the third business day after the transaction (the settlement date). When a security is purchased for your account, we must pay the selling broker on the settlement date, and when a security is sold for your account, we must deliver the certificate on the settlement date.

You and your advisor are responsible for compliance with Regulation T. When you buy a security, we must receive prompt payment by personal check, ACH, or wire payable to Apex Clearing Corporation if sufficient funds to buy the security are not present in your account. Your advisor can tell you the exact amount that is due shortly after the purchase. We will transmit a written confirmation of the transaction to you reasonably soon after your order is executed. Since purchases must be paid for within three business days, you should not await the arrival of the confirmation before payment. In the event that payment for securities is not received promptly, Regulation T requires that your securities be liquidated. You will be responsible for any resulting deficiency or loss.

When you sell a security, it is essential that you deliver the certificate to us promptly because the proceeds of a sale cannot be paid to you until the settlement date, and then only if we have received your certificate in good deliverable form. We will, in turn, be able to deliver a fully negotiable security to the purchaser's broker. If we do not receive the securities that you sold by the settlement date, we are required to purchase the securities in the open market within a reasonable amount of time. Again, you will be responsible for any resulting deficiency or loss. The proceeds of a sale will either be retained in your account, or if you request, a check will be mailed to you.

Your certificates are in good deliverable form if you either:

1. Sign your name on the back of the certificate exactly as it appears on the front (both parties must sign if registered jointly); or
2. Sign a stock power form, which may be obtained from your advisor. Do not endorse the certificate itself when you use a stock power. The advantage of a stock power is that it may be mailed or delivered separately from the certificate, giving additional protection in the event the certificate is lost in transit.

Unless you give instructions to the contrary, we will hold your securities in your account in street name.

**INTEREST ON CASH BALANCES:** From time to time when changing investments through your advisor, you may have a cash balance in your account. We may, at our discretion, pay interest on cash balances carried in your account, which are pending investment or reinvestment. For your account to be credited with interest, you must sign the **New Account Application/Customer Account Agreement/Advisor Authorization** that specifies that funds left in your account are pending investment. The rate that is paid on cash balances is set at our sole discretion. To determine what, if any, interest will be paid on cash accounts, we will review a variety of factors, including the cost of borrowing money, economic and business conditions. Interest rates may change daily. Current interest rates are available from your advisor.

**MARGIN ACCOUNT:** One of the services we may provide to customers is to permit you to maintain a margin account and purchase securities on credit. A margin account, which we call Type 2, involves an extension of credit in connection with the purchase of a security. Margin is the amount which you pay when you use our credit to purchase a security. At the time you open a margin account, you must furnish your advisor with the information usually obtained for all other accounts as well as a signed **Customer Margin and Short Account Agreement**, which includes a consent to loan securities form that enables us to pledge or lend securities carried for your account.

Margin requirements are twofold. First, there is an initial margin requirement at the time of purchase; thereafter, there is a minimum margin equity that must be maintained in your account. In most cases, the minimum amount due for initial purchases is established by the Federal Reserve Board in accordance with Regulation T. This requirement is expressed as a percentage of the purchase price and it may change from time to time. For example, if the margin requirement is 50%, you are only required to deposit half of the purchase

amount due. The balance due on the purchase will be loaned to you by us, and your account will be debited this amount. You are required to pay interest on the debit balance as on any other loan. Not all securities are eligible for margin. You should confirm with your advisor prior to any transaction that securities you intend to purchase may be used as collateral for a margin loan. The securities, which you buy on margin, are held by us and are collateral for your debt. Although we retain your securities as collateral, you receive credit for all dividends or interest, and you may direct your advisor to sell or vote your stock, as you wish, so long as your account is in good order. The settlement date for purchase and sale of most securities made in margin accounts is three business days following the transaction.

In addition to the initial margin requirements of the Federal Reserve Board, the Securities and Exchange Commission (SEC) requires a customer opening a margin account to have a minimum initial equity of \$2,000 in his account. For example, if your initial purchase of securities costs \$2,400, you will have to deposit \$2,000 rather than the \$1,200 required by the Federal Reserve Board (assuming the Regulation T requirement is 50%). The SEC also sets minimum margin maintenance requirements. If the equity in your account falls below the minimum margin requirement due to a decline in the market value of the securities in your account, it will be necessary for you to deposit additional marginable securities or make a cash payment to reduce your loan balance. For other types of securities, such as bonds, there may be a somewhat higher or lower maintenance requirement, depending on the security.

In accordance with the terms of the **Customer Margin and Short Account Agreement**, our maintenance requirements may change at any time without notice. We may, at our discretion, also require a higher margin or maintenance if we deem it necessary for any reason, such as a case where there is a concentration in a particular security or type of security. If your equity falls below our maintenance requirements as they may be changed from time to time, or such earlier time as we may determine, you may receive a notice of a margin call requiring you to deposit additional cash or collateral. If you fail to meet a margin call, we may liquidate securities positions in your account in order to satisfy the requirements of the call. Market conditions often make it impractical for us to send you notice of a margin call, since the volatility of the market may require immediate action on our part. In such cases, failure to send such notice will not affect its validity. Furthermore, prior notices of a margin call should not be construed as a waiver of our right to take immediate action in your account to protect our interest at some future date, without giving notice of a margin call. The foregoing procedures are followed in substantially all cases; however, a decision as to whether to make a margin call and whether to sell the securities of a customer who does not respond promptly to a margin call may be made on an individual basis, taking into account the circumstances of the individual customer, market conditions, the size of the debit balance and other similar factors.

A short sale is a transaction in which you sell a security that you do not own. We borrow the security on your behalf for delivery to the purchaser. The credit that appears on your statement due to a short sale (including a sale against the box, which is a short sale with securities held long in your account) is offset by a debit of a like amount since we have to provide collateral for the borrowed security. In fact, it is not a true credit. The credit generated by any short sale does not reduce your debit balance for the purpose of computing interest until the short position is covered. It should always be remembered that your short credit may be reduced substantially or possibly lost altogether when you cover your short position by purchasing the security. There are special margin requirements on a short sale. SEC rules presently require maintenance margin on a short sale to be the greater of 30% of the market value of the security or \$5.00 per share when it sells at \$5.00 or higher, and a somewhat higher percentage for securities selling below that price. If the security that you sold short appreciates in market price over the selling price, interest will be charged on the appreciation in value. If the security that you sold short depreciates in market price, interest on any debit balance in your account will be reduced in relation to the depreciation in value. The daily closing price is used to determine any appreciation or depreciation of the security sold short (this practice is known as marking-to-the-market).

It is important that you understand the nature of the debit balance in your account and how it is computed. A debit balance represents money which we have loaned to you. As previously noted, when you purchase securities on margin, you must pay the amount of money required by Regulation T and the balance of the purchase price is loaned to you by us. It is this loan portion which is called the debit balance and upon which interest is charged. Each additional purchase made on margin increases your debit balance, as do other charges which are assessed against your account (including interest charges).

Every security in each of your accounts is collateral for any debit balance in any of your accounts carried by us. All securities which we may at any time be carrying for you or which may be in our possession are subject to a general lien for the discharge of your indebtedness and other obligations to us, without regard to our having made advances in connection with such securities and without regard to the number of accounts you have with us. This lien is equal to the amount of money or other obligations that you owe us. In enforcing this lien, we may, at our discretion, select the securities to be sold in your accounts to reduce or entirely liquidate any debit balance in your accounts.

**EXTENSION OF CREDIT:** At the time of opening of each margin account, your advisor will furnish us with a properly executed **Apex Customer Margin and Short Account Agreement**. Until we have been furnished with this agreement, we may, in our sole discretion, rebook any transaction as a cash transaction, liquidate your account or take any other action we may deem necessary. You are responsible for assuring that you make payment of all initial margin requirements and of all amounts necessary to meet subsequent maintenance calls in each of your accounts in order to ensure compliance with Federal Reserve Regulation T and our house rules. Your advisor may collect such payments on our behalf, or you may make them directly to us. Your advisor is responsible for advising you of any changes in our margin requirements, and for your payment of any additional margin necessary to ensure compliance with any increased requirements.

**INTEREST CHARGES IN MARGIN ACCOUNTS:** The annual rate of interest which we charge on your average net debit balance is determined by our cost of borrowing money. The rate is set and reset solely at our discretion.

**HOW INTEREST IS CALCULATED:** Interest on margin accounts is computed on a daily average basis on the net debit balances. Each day's debit balance is accumulated into a monthly total. The total debit balance in the period is then averaged to determine the debit balance on which interest is charged. An offsetting credit balance in a cash account serves to reduce this total. The normal interest period ends on the 15th day of the month and the last day of the year. Interest is computed by multiplying the average daily debit balance by the average interest rate (1/360 of the annual interest rate) times the number of days in the interest period. If during any interest period there is a change in interest rates applicable to your account, interest charges at the different rates will not be averaged to determine the rate of interest to be charged on the debit balance. A statement of your account prepared by us showing money and security positions will be sent to you at least quarterly, unless there was activity during the quarter. In such case, a statement will also be sent you for the month during which the activity occurred. The statement discloses the daily ending balance on any date there is an entry in your account, the rate of interest charged, and the amount of interest charged for the period.

**OPTION ACCOUNTS:** When you open an option account you will be required to sign an Option Agreement in which you acknowledge your understanding of the risks involved in dealing in options. You will be required to furnish financial information and a statement of your investment objectives. If your financial situation or your investment objectives change, you should notify your advisor immediately. Notice to your advisor, however, will not bind us, and we may continue to accept orders for your account unless and until you notify us to no longer accept instructions from your advisor.

Before purchasing or selling (writing) an option, you should be aware of the risks involved. You should familiarize yourself with the business and financial condition of the issuer of the underlying security and decide whether the option transaction is appropriate in light of your financial situation, investment objectives and tax considerations. Both the purchase and sale (writing) of put and call options involve a high degree of risk and are not suitable for all investors. You should not purchase an option unless you are able to sustain a total loss of the premium (cost of the option) and the other costs of purchasing the option, and you should not sell (write) an option unless you either own the underlying security or are in a position to assume the substantial risks inherent in writing naked options.

When you purchase an option, you must pay the full premium, as an option purchase cannot be margined. There are, however, special margin requirements governing the sale of options, which you should familiarize yourself with before commencing an option writing program. We have very stringent rules regarding short options. Complete details on these rules and the margin requirements for options are available to you through your advisor. When you purchase an option, we must pay the selling broker on the day after the transaction; therefore, your payment is due on that date. Your advisor can tell you the amount you owe on the day of the transaction.

Since option contracts are traded for a specified period of time and have no value upon expiration, you must advise your advisor if you wish to close out your position, or you may exercise the option prior to the expiration date. When you own an option that is about to expire in the money, we may, in our sole discretion and without notification to you, exercise the option and liquidate the underlying security. This is in no way to be construed as an obligation on our part to sell or exercise such options on your behalf. Where the term option is used, this reflects all options including index options and interest rate options.

**ALLOCATION OF OPTION EXERCISE ASSIGNMENT NOTICES:** When we receive an exercise notice from the Options Clearing Corporation, we assign the notice to a customer who is a writer of an identical option contract. Exercise assignment notices for option contracts are allocated among customer short positions pursuant to a manual procedure, which randomly selects from among all customer short option positions, including positions established on the day of assignment, those contracts which are subject to exercise. All short American option positions are liable for assignment at any time. A more detailed description of our random allocation procedure is available upon request. If an exercise notice is assigned to your account, you must deliver the underlying

security to us in the case of a call, and you must deposit cash with us in the case of a put sufficient to properly margin the security within a stated period of time.

**BULK SEGREGATION AND CALLABLE SECURITIES:** Securities are maintained in our custody for your benefit under a method known as bulk segregation. Under this method, certificates are not specifically assigned to each security account, but are held in bulk for all customer positions. You enjoy all rights and privileges of beneficial ownership under the bulk segregation system, and you may request and obtain possession of specific certificates any time you wish. It should also be noted that we are a member of various clearing facilities such as NSCC / DTCC, and portions of the securities held in safekeeping by us are on deposit in bulk segregation form with such depositories.

Certain bonds and stocks (“Callable Securities”) under Apex’s control are callable by the issuer for redemption on or after a certain date. According to the terms of the issue, the issuer may at times call only a portion of a certain issue. In the event of a partial early redemption of callable securities, we will choose the securities to be redeemed on a fair and impartial basis. Specifically, allocation will be made using a random selection method. Therefore, it is possible that a client owning such an issue may have all, part or none of his holdings redeemed. You have the right to withdraw fully paid securities from us at any time prior to partial call and also to withdraw excess margin securities provided that your account is not subject to a restriction under federal regulations and provided such withdrawal will not cause your account to be under margined. For your reference, the specifics and full detail of our allocation procedure has been posted to our website at <http://www.apexclearing.com/> and may also be obtained in hard copy upon request.

**SAFEGUARDING YOUR SECURITIES:** If you leave your securities on deposit with us, they will be held in a vault or deposited with NSCC / DTCC or another approved bank or clearing agency. We maintain insurance coverage to protect your securities from any form of casualty loss.

**SIPC COVERAGE:** As a member of the Securities Investor Protection Corporation (SIPC), funds are available to meet customer claims up to a ceiling of \$500,000, including a maximum of \$250,000 for each cash claim. For additional information regarding SIPC coverage, including a brochure, please contact SIPC at (202) 371-8300 or visit [www.sipc.org](http://www.sipc.org). Additionally, Apex has arranged for coverage above the SIPC limits. Additional insurance does not protect against a loss in the market value of securities

**BUSINESS CONTINUITY PLAN:** As a clearing firm, we have developed a Disaster Recovery (“D/R”) Plan to ensure business continuity. In connection with accomplishing business continuity, we have established a remotely independent D/R Site as a major component of our D/R Plan. This Site has the resources in place to operate and maintain business critical processes in the event that our headquarters in Dallas, TX cannot be occupied due to anything from a natural disaster to a terrorist attack whether or not such event affects only our firm or is more regional in scope. The D/R Plan contemplates restoration of critical processes within a twenty-four hour time span. Please note that the specifics of our D/R Plan are subject to modification. To obtain a copy of the most current D/R Plan visit our website link at: <http://www.apexclearing.com/downloads/Apex-BCP-Plan.pdf>.

**AGENCY AND PRINCIPAL TRANSACTIONS:** Many stocks and bonds are not traded in what is known as the over-the-counter market (OTC), not a securities exchange. When you trade a security in this market, we may act as agent or as principal. The confirmation you receive from us will designate whether we acted as principal or agent. When we act as principal, we are selling securities to you which we either own or expect to buy shortly, or are buying securities from you for our own account, and only net costs or proceeds are shown on your confirmation. When we act in agency capacity for you in purchasing or selling securities in the OTC market, we are dealing on your behalf with another broker-dealer or their customer. In such case, the commission will be reflected on your confirmation.

**PRIVACY POLICY:** It is our policy to respect the privacy of all accounts that we maintain as clearing broker and to protect the security and confidentiality of non-public personal information relating to those accounts. Please note that this policy applies to former customers as well as current customers. For your reference, this policy has been posted to our website at [www.apexclearing.com](http://www.apexclearing.com). For more information relating to our privacy policy, please contact Apex Clearing Corporation at 350 N. St. Paul, Suite 1300 Dallas, TX 75201.

**FINRA:** The Financial Industry Regulatory Authority (FINRA) has jurisdiction over virtually every brokerage firm and its employees. To request an informational brochure or inquire about us, visit their website at [www.finra.org](http://www.finra.org) or call (301) 590-6500.

**CONCLUSION:** The discussion in this brochure is not exhaustive of all facts of your account. If you have any questions, we urge you to consult with your advisor, as well as your accountant, lawyer and other advisers concerning your account and securities trading in general.