



Understanding our fees, charges and other compensation

June 2020

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About our fees, charges and other compensation—general

FMN Capital Corporation (“we”, “us” or “FMN Capital Corporation”) is registered as a broker-dealer with FINRA and Financial Management Network, Inc. is registered as an investment adviser with the Securities and Exchange Commission (“SEC”). These are affiliated entities.

We offer a range of investments and services to its clients. As you work with your financial professional to determine the right investments and services to achieve your investment goals, it is also important for you to understand how your Broker-Dealer, Investment Advisor and Financial Professional are compensated. This is because various forms of compensation may create potential conflicts of interest. Our goal is to make sure our clients are informed about the costs of the various investment products and services that we offer, which is why we publish this overview of our fees and how we generate revenue.

Brokerage and advisory services

As an FMN Capital Corporation and Financial Management Network, Inc. client, you benefit from the broad scope of services and resources of a leading financial services firm, whether we serve you as a broker-dealer, investment advisor or both. While there are similarities between the brokerage and advisory services we provide, there are important differences, including the pricing structures for these services.

Brokerage relationships generate transaction-based compensation - Investors pay transaction-based fees in connection with the products and services they receive, such as buying and selling stocks, bonds, mutual funds, annuity contracts and other investment products, as well as trading and exercising options. These include commissions, transaction fees, loads and sales charges. Compensation includes commissions, sales concessions, transaction fees, sales charges or expenses that are embedded in the purchase price as well as compensation from third parties in some cases.

Advisory relationships have fee-based compensation - Clients pay a set fee or a fee based on a percentage of the assets in the account according to an investment advisory program agreement. In some circumstances, our Financial Professionals and our affiliates receive additional compensation from third parties in connection with the assets in clients’ advisory accounts. This compensation is in addition to the fee that a client pays for investment advisory services. For certain alternative investments in advisory accounts, the compensation also includes performance fees.

Pricing of products and services

Clients may purchase many of our products and services in either transaction-based or fee-based accounts, or a combination of both.

Factors that affect pricing - It is difficult to compare transaction-based and fee-based options solely on the basis of price. You may pay more or less in a fee-based program than you would pay if you purchased the products and services separately in a transaction-based account. The costs of either type of account depend on a number of factors, including:

- Product and service preferences
- Size and value of your account(s)

- Mix of products you hold
- Frequency with which you trade
- Administrative or management fees associated with the products or services you purchase

Please consider the costs and services associated with each option carefully and speak with your Financial Professional about which approach is most appropriate for you.

Sources of revenue

Our firm earns revenue from our clients, and, for some products and services, from third parties, including product vendors, underwriters and investment managers whose products and services are purchased by clients.

Revenue received from clients - In general, our firm, receive revenue from clients in the following ways:

- Asset-based and other fees for our investment advisory programs and services
- Administrative fees including but not limited to; account maintenance fees, ticket charges, and service fees
- Sales loads, commissions or fees for various financial products, such as mutual funds, alternative investment funds, unit investment trusts (UITs), insurance and annuities

Revenue from third parties - In addition to revenue that we receive from clients, LSF earns revenue from third parties in the following ways:

- Mutual fund and insurance companies pay us for offering and placing their products, and many of them also pay us for marketing support, known as revenue sharing, which is based on our total sales of and/or total client assets in their products.
- Third parties providing investment advisory or investment management services pay us fees in the form of a recurring fee, a one-time fee, a portion of the third party's fees or revenues or as otherwise agreed with the third party, for solicitations, referrals or client services

Financial Professional compensation

In general, we pay our Financial Professionals cash compensation consisting of the following:

- The production payout is a percentage (called a payout or grid rate) of the product-related revenue (called production) that each Financial professional generates during that month with respect to the clients he or she serves, minus certain adjustments to cover the cost of doing business.
- For our Investment Advisory Programs (asset-based fee programs), the payout rate is applied to the program fees credited to the Financial Advisor by the firm.

We reserve the right, at our discretion and without prior notice, to change the methods by which we compensate our Financial Professionals and employees, including reducing and/or denying production payout and/or awards at our discretion for any reason.

Compensation from the purchase and sale of investment products

In general, our Financial Professionals are compensated from the following sources of revenue:

- Commissions charged to clients in connection with the purchase, or sale, of equities, fixed income products and other investments

- Asset-based fees and hard-dollar fees charged in connection with our investment advisory programs and financial planning services
- Sales loads, commissions and 12b-1 fees for various financial products such as mutual funds, offshore funds, alternative investment funds, unit investment trusts, insurance and annuities
- Marketing allowance

Non-cash compensation

We may receive (and our Financial Professionals may also receive) non-cash compensation from mutual fund companies, investment managers, UIT sponsors, annuity providers, insurance vendors and sponsors of products that we distribute. This compensation includes the following:

- Occasional gifts up to \$100 per vendor per year
- Occasional meals, tickets or other entertainment of reasonable and customary value
- Sponsorship support of educational or training events (which include educational events Financial Professionals arrange for clients and prospects) and seminars and/or payment of expenses related to training and education of employees, which can (and often do) include a non-training element of the event
- Various forms of marketing support and, in certain limited circumstances, the development of tools used by the firm for training or recordkeeping purposes

The receipt of cash and non-cash compensation from sources other than clients, and the differences in which we compensate Financial Professionals for the products we offer, create an incentive for Financial Professionals to recommend certain products over others. We address these conflicts of interest by maintaining policies and procedures on the suitability and supervision of the products and services we offer to you, and by disclosing our practices to ensure you make a fully informed decision.

Conflicts of interest

Conflicts of interest arise because of the firm's interests and our relationships with multiple clients, other financial services firms and vendors with whom we conduct business. Examples of conflicts of interest that arise as a result of our compensation structures are described below.

Financial Advisor compensation

The receipt of cash and non-cash compensation from sources other than clients, and the differences in the way we compensate Financial Professionals for the products we offer, create an incentive for Financial Professionals to recommend certain products over others. We address these conflicts of interest by maintaining policies and procedures on the suitability and supervision of the products and services we offer to you, and by disclosing these conflicts so that you can make a fully informed decision.

Products recommended must be offered by FMN

Please note that your Financial Professional may only recommend or refer you to investments and products that are offered for sale by FMN. For most products that are offered you will receive a trade confirmation and these investments will be reflected on your statement of account (limited exceptions include certain insurance products and referral arrangements). Trade confirmations that indicate "Solicited" highlight transactions that were recommended by your Financial Professional. Please review your trade confirmations and account statements promptly to ensure they are accurate and consistent with your instructions and investment objectives. If you do not receive a trade confirmation or have any

questions or concerns about whether a recommended product or service is offered by FMN, please contact a member of your Financial Professionals team.

Revenue sharing

When FMN receives revenue sharing compensation or distribution support from distributors or professionals of mutual funds, annuity products, UITs and other products we offer, it presents a conflict of interest between our interests and those of our clients.

Non-cash compensation and Marketing Support

When vendors decide to contribute toward training and educational programs, in some instances the contributions per vendor (as well as the aggregate received from all vendors) are significant. Financial Professionals do not receive a portion of these payments. However, Financial Professionals' receipt of non-cash compensation such as occasional gifts, meals or entertainment and/or their attendance and participation in educational or training forums, and the increased exposure to vendors who sponsor these events, may lead Financial Professionals to recommend the products and services of those vendors as compared to those vendors that do not provide non-cash compensation or sponsor such events.