



## REGULATION BEST INTEREST DISCLOSURE

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Northland Securities, Inc. ("Northland," "we," "us," "our") is registered with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA") as a broker dealer. Northland is also registered as an Investment Advisory with the SEC doing business as Northland Asset Management ("NAM"). There are important differences between brokerage and investment advisory accounts and services which you should carefully consider when deciding what type of account and services will best meet your needs and help you achieve your financial goals. Free and simple tools are available to help you research firms and Financial Representatives at [Investor.gov/CRS](http://Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers and investing. You may also research broker-dealers at [BrokerCheck.FINRA.org](http://BrokerCheck.FINRA.org).

This Brokerage Disclosure ("disclosure") is provided to comply with the SEC's Regulation Best Interest disclosure requirements. It does not create, supersede or modify an agreement, relationship, or obligation between you and Northland Securities, Inc. or its Financial Representatives. Please consult your account agreements with Northland including all terms and conditions that govern your relationship with us. There is additional information regarding accounts and services at [pershing.com/policies-disclosures/](http://pershing.com/policies-disclosures/). You should review this document carefully and retain it with your records for reference when we provide you with a recommendation of any securities transaction or investment strategy involving securities or account type recommendation as a broker-dealer. If you appoint someone to represent you as your agent or legal representative to act on your behalf with Northland, you should be sure that person has a copy of this disclosure.

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### **OUR CAPACITY**

Northland provides accounts and services as both a broker-dealer and an investment adviser. It is important to understand the differences between these two types of accounts and services.

#### **Broker-Dealer Capacity**

If Northland acts in the capacity of a broker-dealer, you will pay us for each securities transaction we do for you. We may recommend investments and investment strategies involving securities, including recommendations of account types and rollovers or transfers of assets like rolling over retirement plan assets into an IRA. However, it is important to note that we cannot buy or sell investments in your brokerage account without first obtaining your authorization. We can make these recommendations for securities held in accounts with us or securities held directly with the issuer of the securities (may be referred to as "direct accounts" or "held away assets").

Northland does not require a minimum investment to open a brokerage account with us, however some investments you may purchase through us may have minimum investment requirements. You should always refer to the prospectuses or offering documents for those investments.

When Northland acts as your broker-dealer, we will assist you with processing your orders and making recommendations upon your request. Northland does not monitor your brokerage accounts after effecting a securities transaction in them for you. It is your responsibility to monitor your brokerage accounts, determine your asset allocation, and progress towards your personal investment goals. The fact that Northland does not proactively provide you with a recommendation to sell a security is not, and should not be viewed as, a recommendation to hold that security. Please reference your Account Agreement for more information regarding our brokerage services and terms and conditions.

## Investment Adviser Capacity

When we act as an investment adviser, we are governed by a written agreement with you and we have a fiduciary duty under the Investment Advisers Act of 1940. We provide our investment advisory services for a fee rather than on a transaction basis. Dependent on which programs and services you select, we will provide you with recommendation and you will make the ultimate decision regarding your investments (non-discretionary advice) or we will make investment decisions for you without your input, based on information provided by you (discretionary advice). You may also hire a third-party manager to provide discretionary advice to you through our investment advisory programs, or we can choose one for you. The terms and limits of our discretionary authority are described in your RIA Account Agreement.

More detailed information about our investment advisory services, fees and costs, and conflicts of interest is available in our Northland Asset Management Firm Brochure at [Investor.gov](http://Investor.gov).

## Certain Limitations

Northland offers a wide range of brokerage services; however, you need to be aware of certain limitations that apply to our services.

**Financial Representative Limitations** – Not all of our Financial Representatives can offer the full range of investments and services we offer due to licensing limitations. You may research your Financial Representative's experience, registrations, and licenses on FINRA's BrokerCheck website at [BrokerCheck.FINRA.org](http://BrokerCheck.FINRA.org). In addition, our Financial Representatives must meet certain training and educational requirements to recommend certain products.

**Investment Limitations** – Although we offer a wide array of investments including mutual funds, bonds and equity products, there are certain investments we do not offer. For example, Northland is not licensed to sell commodities and futures. We do not offer mutual funds and share classes from every mutual fund company issuer, every type of exchange-traded fund (ETF),

every type of insurance product or every 529 plan. What this means for you is that we are limited to recommending only those investments that we are authorized and choose to offer. In addition, there may be investments we offer in which you are not eligible to invest in based on eligibility requirements mandated by the product sponsor or regulatory considerations.

**Public Offerings/Municipal Bond Offerings** – Northland allocates shares of each new issue offering including equity initial public offerings (IPO), equity follow-on offerings, and new issue municipal bond offerings in which we participate as a member of a broker-dealer syndicate to certain eligible clients at the offering price. Even if you are eligible to receive allocations, you are not guaranteed the ability to purchase new issues offerings at the offering price, as we may decide to allocate only to certain investors.

## Basis for Our Recommendations

When Northland makes security recommendations to you, including investment strategies or account types, we must consider the potential risks, rewards, costs and reasonably available alternative recommendations based on your investment profile. The information in your investment profile which helps us make the recommendation in your best interest includes but is not limited to, your age, other investments you have disclosed to us, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information that you have disclosed to us or your Financial Representative in connection with a recommendation. If you would like to know what information is available to us in your investment profile or why we made a specific recommendation to you, please ask your Financial Representative.

## Risks of Investing

Northland will make careful and reasonable recommendations to you; however, securities involve risk and you may lose money. There is no guarantee that your investment goals will be met or that any investment strategy we recommend will perform as anticipated. You should review the prospectuses or other offering documentation for any security we recommend for a detailed discussion of the risks associated with the products.

## **FEES AND COSTS**

This section discloses material fees and costs associated with doing business with Northland Securities. Fees vary dependent on the specific transaction or service provided therefore we have separated the fees and costs by fees and costs associated with your accounts and fees and costs associated with your holdings and transactions. You should also refer to the terms and conditions of your agreements with us, the prospectuses and other offering documents associated with investments we recommend to you, as well as Northland's Client Fee schedule, which is available at <https://www.northlandsecurities.com/policies-disclosures/>. Please contact your Financial Representative if you have additional questions.

### **Fees and Costs Associated with Accounts**

The fees and costs associated with your accounts depends on the type of your account (e.g., brokerage account, Retirement Account) and the type of services you choose (e.g., margin, options, loan advance etc.). You will pay fees and incur costs for various services we provide to you for your brokerage accounts, including but not limited to, account maintenance fees, account transfer fees, wire transfer fees, inactive account fees, and termination fees. These fees do not apply in all account types and may be waived under certain conditions. Please see our Client Fee schedule at <https://www.northlandsecurities.com/policies-disclosures/> for details.

**Margin Interest** – Margin accounts are offered through Northland's clearing firm, Pershing, LLC. If you request margin services through the Credit Advance program, you are charged interest on credit extended to you for the purpose of purchasing, carrying or trading in securities using eligible securities in your accounts held with us as collateral. IRAs and certain retirement accounts, such as any plan subject to the prohibited transaction provisions of the Internal Revenue Code of 1986 are not eligible for margin services. Margin interest rates are calculated using a base lending rate obtained from Broker Call plus a sliding scale of percentages based on the size of your margin debit balance. The percentages over and under the base lending rate typically range from 0.75% to 2.50% and are charged monthly based on the average daily margin balance for the interest period. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, we can take action including, but not limited to, selling your securities or other assets in your account in order to maintain the required equity balance. You can lose more funds than you deposit in your margin account. For more information about the risks involved in using margin services, please see the Credit Advance Agreement Disclosure provided with your margin agreement.

**Money Fund and Bank Deposit Program Fees and Revenue Sharing** – Money fund and bank deposit

program sweep processing fees and revenue sharing arrangements are a source of revenue for Northland. For money funds supported on its sweep platform, Northland receives remuneration paid out of the total operating expenses of the fund, some of which include SEC Rule 12b-1 fees. If you select a sweep product that pays Northland remuneration, some of the fees received from the money fund and bank deposit providers will be shared with us. For a listing of money funds and bank deposit programs that provide revenue-sharing and processing fees, refer to [www.pershing.com/disclosures](http://www.pershing.com/disclosures).

**LoanAdvance Securities-based Lending Program** – LoanAdvance is a securities-based lending program provided by Pershing, LLC, a subsidiary of BNY Mellon. LoanAdvance provides borrowers access to a line of credit collateralized by the value of securities held in the borrower's brokerage account or separately managed account pledged by the borrower. The rate of interest charged on any credit extended is a floating rate based on the base rate (may be based on Fed Funds, Target, Prime Rate as published in the Wall Street Journal or another benchmark). The interest rate may be higher or lower in the future but may not exceed a rate equal to 3 percentage points above the Prime Rate as published in the Wall Street Journal. Pershing shares a portion of the interest you pay with Northland. For detailed information, refer to [www.pershing.com/disclosures](http://www.pershing.com/disclosures).

## **Fees and Costs Associated with Holdings and Transactions**

Fees and costs associated with your holdings and transactions vary by security type, amount, and available discounts. Other fees may apply and will be displayed on your confirmations. Set forth below is information about the fees and costs associated with common types of investments offered by Northland.

### ***Equities***

**Commissions** – You will pay us a commission every time you buy or sell an equity security. The amount of the commission is based on the total value of equity securities bought or sold and generally ranges from .50% to 5.00% of that value. Northland charges a minimum of \$100.00 per equity transaction.

For information on the commission charged on a specific transaction, please review the trade confirmation provided to you at the time of the transaction. Northland shares a portion of commission with your Financial Representative.

### ***Fixed Income/Municipal Transactions***

**Markups/Markdowns** – We purchase and sell fixed income and municipal securities on a principal basis, meaning we buy and sell from our own account (as principal) rather than acting as your agent to purchase or sell a security to or from a third party. Northland will purchase fixed income and municipal securities (e.g. bonds and CDs) on the open market and increase the price to above the prevailing market price (PMP) before selling them to you (the difference between the PMP and sales price being the markup) or Northland will purchase fixed income/municipal securities from you at a price below the PMP (the difference between the PMP and purchase price is the markdown). The PMP is determined by the contemporaneous prices of trades of the same security we execute with other clients or dealers, or the contemporaneous prices of trades between other dealers and institutional investors or alternative trading systems or other available electronic platforms. You will typically pay a markup/markdown

every time you buy or sell a fixed income/municipal security. The amount of the markup or markdown will depend on several factors and specific circumstances for each transaction, including but not limited to the type of security, transaction size, credit quality, unit price, call options, maturity, liquidity and available markets. For example, higher quality, liquid and short-term maturity have the lowest rate of markup. Northland's markup/markdown ranges from 0.00% to 4.00% of the principal price paid or received by Northland. We share a portion of the markup/markdown amount with your Financial Representative.

**Commissions** – Northland may elect not to pay a markup/markdown when we buy or sell fixed income securities but may instead charge a commission on the transaction. Commission will also range between 0.00% and 4.00%. We also share a portion of the commission with your Financial Representative.

### ***IPOs and other New Issues***

**Sales Credit or Sales Concession** – Northland may offer investments in IPOs and other new issues of securities, including municipal, fixed income and preferred stock securities, of which Northland may be the underwriter or part of the syndicate. If Northland sells you such a security you will be charged a fixed, one-time amount (often referred to sales credit or sales

concession) at the time of the purchase. You should refer to prospectus or official statement of the new issue which outlines the sales credit paid for the issue. Northland receives the sales credit/sales concession and shares a portion of it with your Financial Representative.

### ***Unit Investment Trusts***

**Sales Charges and Creation and Development Fees (C&D fee)** – You generally pay a sales charge when you purchase units of a Unit Investment Trust's (UIT) initial offering. The sales charge is built into the price of the UIT's public offering price and consists of a deferred sales charge and a C&D fee for brokerage accounts. The C&D fee is collected at the end of the

initial offering period and the deferred sales charge is taken out of the trust assets in periodic installments after the primary offering period is closed. The sales charge ranges between 1.85% to 3.95% for equity UITs and between 1.95% to 3.50% for fixed income UITs dependent on the trust maturity date. Financial Representatives receive a portion of the sales charge

for brokerage accounts, which varies based on the UIT purchased.

**Marketing Expenses** – UITs and their distributors may pay for providing training and education programs for our Financial Representatives and their existing or prospective clients, for due diligence meetings, conferences, and to provide our Financial Representatives with other forms of compensation including business entertainment, expense reimbursement for travel associated with these meetings and conferences, financial assistance in

### **Mutual Funds**

**Share Class Distinctions** – There is not one standard definition for mutual fund share classes, and you should refer to each prospectus for how the mutual fund sponsor defines its share classes. Mutual funds also set their own eligibility criteria for their share classes and you may not be eligible to purchase a particular share class of a specific fund. Below are some general descriptions of the most common types of share classes available to you in your brokerage account.

**Class A shares** – Class A shares have a front-end sales charge (also referred to as a load) which is assessed as a percentage of your investment and ranges from 0.01% to 6.00%. What this means for you is that a sales charge is deducted from your investments each time you purchase shares of the mutual fund. When you purchase Class A shares in brokerage account with us, we receive a portion of the sales charges in exchange for services we provide to you. We share a portion of these sales charges with your Financial Representative. Mutual funds may waive sales charges for certain types of accounts or clients like retirement accounts or charitable entities. Mutual funds will also offer discounts or reduced sales charges on Class A shares based on the total amount that you and your immediate family members choose to invest or agree to invest for the with mutual fund company. These investment levels are typically referred to as break points. You should consult your mutual fund's policies regarding break points including the amounts to reach each break point and eligibility for waivers of sales charges. This information is found in the mutual fund's prospectus.

**Class B shares** – Class B shares are characterized by a contingent deferred sales charge (CDSC) that you pay when you sell your shares. The amount of the CDSC is assessed as a percentage of your investment and may range from 0.01% to 6.00% and declines over time and eventually is eliminated the longer you hold your shares. The period decline typically lasts from five to eight years, dependent on the particular mutual fund.

covering the costs of certain marketing and sales events, and small gifts. You indirectly pay for these expenses because they are deducted from the trust assets and reflected in the net asset value of units.

**Other Fees** – UITs are subject to annual organization costs and operating expenses. These fees and expenses may include, but may not be limited to, portfolio supervision, recordkeeping, administrative fees, and trustee fees. You indirectly pay for these expenses because they are deducted from the trust assets and reflected in the net asset value of units.

Once a CDSC is eliminated, Class B shares usually convert to Class A shares. When you redeem Class B shares in a brokerage account with Northland, we receive a portion of the CDSCs you pay. We share a portion of those fees with your Financial Representative.

**Class C shares** – Class C shares are characterized by a level CDSC that you pay as a percentage of the amount you have invested in the fund, generally 1.00%, which is typically eliminated after a short period of time, usually one year. Many Class C shares convert to Class A shares after the CDSC is eliminated. When you hold Class C shares in a brokerage account with us, we receive a portion of the CDSC's you pay. We share a portion of these fees with the Financial Representative.

**Redemption Fees** – Some mutual funds charge a fee when you redeem fund shares (redemption fee), including but not limited to, when you accept an interval fund's offer to repurchase your shares. This redemption fee is one-time fixed fee and cannot exceed 2.00% of the redemption proceeds. Unlike sales charges and commissions, the redemption fee is not paid to Northland, but is paid to the fund to compensate it for expenses associated with the repurchase.

**Ongoing Fees and Expenses** – Mutual funds typically also deduct other ongoing fees and expenses used to pay for the mutual fund's annual operating expenses and distribution activities. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis.

**Marketing Expenses** – Mutual funds and may pay for providing training and education programs for our Financial Representatives and their existing or prospective clients, for due diligence meetings, conferences, and to provide our Financial Representatives with other forms of compensation including business entertainment, expense reimbursement for travel associated with these

meetings and conferences, financial assistance in covering the costs of certain marketing and sales events, and small gifts. You indirectly pay for these expenses because they are built into the cost of the mutual funds.

**Distribution and Shareholder Servicing Fees** – Mutual funds pay us fees for the distribution and servicing of their shares (12b-1 fees) which are used to finance distribution activities intended to primarily result in the sale of additional fund shares. We receive 12b-1 fees for activities including but not limited to, marketing and selling of fund shares, developing,

### Closed-End Funds

**Sales Charges** – You will pay a sales charge to purchase a closed-end fund in a public offering. The fund's sales charges including all organizational and offering expenses is paid to us by the issuer. We share a portion of the sales charges with your Financial Representative.

**Commissions** – When you purchase a closed-end fund in the secondary market, you will pay a commission that is a one-time fixed fee and is based on the value of the securities bought or sold. It is calculated in the same way as commissions on equity securities. We share a portion of this commission with your Financial Representative.

**Ongoing Fees and Expenses** – Closed-end funds deduct other ongoing fees and expenses, such as

### Exchange-Traded Funds (ETF)

**Commissions** – You typically pay a commission every time you buy or sell shares in an ETF. The commission is a one-time fixed fee and is based on the amount of securities bought or sold. It is calculated in the same way as commissions on equity securities. You will pay this commission in addition to the amount of the ETF you choose to buy or sell. We share a portion of the commission with your Financial Representative.

**Ongoing Fees and Expenses** – ETFs also deduct other ongoing fees and expenses, such as management fees from ETF assets. The ongoing fees and expenses are generally used to pay for the ETF's continuing operations, such as paying the ETF's

### 529 Plans/College Savings Plans

**Share Class Distinctions** – Each 529 plan defines its share classes in its offering circular or prospectus. Below are common descriptions of 529 share classes that are typically offered.

printing and mailing certain fund advertisements and sales literature to prospective investors, responding to shareholder inquiries and providing shareholders certain information about their investments such as proxy materials, prospectuses, and educational publications. 12b-1 fees are disclosed in the investment fund's prospectus, but these fees generally range from 0.15% to 1.00% of your invested assets and are imposed through the mutual fund expenses which are deducted from fund assets and reflected in the net asset value of mutual funds. Funds that pay us these fees include, but are not limited to, money market funds available cash sweep options.

management fees, from fund assets. In addition, if the fund uses leverage as part of its investment strategy, the closed-end fund may also deduct a leverage financing fee from fund assets. These ongoing fees and expenses, which are reflected in the fund's overall expense ratio are typically used to pay for the fund's continued operations, such as paying the fund's investment manager, accounting and auditing expenses, legal expenses, and marketing, advertising and recordkeeping expenses.

You should consult the fund's prospectus for information regarding sales charges, ongoing fees and expenses, and overall expense ratio.

investment manager, accounting and auditing expenses, legal expenses, marketing, advertising, and recordkeeping expenses, and costs which are generally used to finance distribution activities intending to result in the sale of additional shares of the ETF, or 12b-1 fees. These ongoing fees and expenses are usually charged annually as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis.

You should consult the ETF's prospectus for information regarding ongoing fees and expenses and overall expense ratio.

**Class A shares** – Class A shares charge a front-end sales charge which is assessed as a percentage of your initial 529 plan contribution at the time you make the contribution. The net amount of your contribution after the deduction is invested in shares of the 529's

underlying investment portfolio. Class A shares have lower operating expenses, around 0.25% of the 529 plan assets per year, compared to other share classes of the same 529 plan. When you purchase Class A shares of 529 plan assets through Northland, we receive a portion of the sales charge and we share a portion with your Financial Representative. Many 529 plans also offer breakpoint discounts for large investments in Class A shares, which means the front-end sales charge decreases as the investment increases. 529 plans may also offer waivers for certain types of clients or investments, such as employees of certain financial institutions or rollovers from other 529 plans. For more information about a specific 529 plan's policies regarding breakpoints and eligibility for sales charge waivers, you should refer to the 529 plan's offering circular or prospectus.

**Class C shares** – Class C shares are characterized by a CDSC that you pay annually as a percentage of your assets, typically around 1.00%, that is eliminated after a short period of time, usually one year. When you hold Class C shares of 529 plans through Northland, we receive a portion of the CDSC. We share a portion of the CDSC with your Financial Representative.

**Ongoing Fees** – In addition to the sales charges, 529 plans typically deduct ongoing fees and expenses like program management fees, from plan assets. These ongoing fees and expenses vary based on the 529 plan you choose. Some of the more common fees are outlined below:

- **Program Management Fee** – 529 plans receive a program management fee to compensate the program manager for providing investment

## Options

**Commissions** – You will characteristically pay a commission every time you buy or sell an option contract. You will also pay a commission in the event of an option exercise or assignment that will result in the purchase or sale of an underlying security. The

## Insurance Products

**Commissions** – When you purchase a variable annuity, you will indirectly pay a commission which is factored into the cost of the insurance product and is paid by the issuing insurance company to us. We share a portion of commission with your financial professional. The commission payment is paid out of the insurance company's assets, which is derived from the product's fees, costs, and expenses. Although insurance product commissions vary, we typically

receive between 1.00% to 7.00% of the amount invested over time for annuities.

- **Maintenance Fee** – Most 529 plans charge an annual maintenance fee which can range from \$10.00 to \$25.00. This fee provides compensation to the plan sponsor for costs of maintaining the plan, it may be waived in certain circumstances, for instance when your plan assets exceed certain thresholds.
- **Underlying Mutual Fund and ETF Expenses** – Because 529 plans characteristically invest in a number of mutual funds and ETFs, they bear a portion of the fees and expenses of the underlying funds. The underlying fund expenses are deducted from fund assets and reflected in the net asset value of the underlying funds, which means they are also reflected in the performance of the 529 plan's investment options. You should review the plan's offering circular or prospectus to understand the specific funds that underlie the plan's investment options. For more information about the underlying funds and the ongoing fees and expenses, including the expense fee ratio, you should review the fund's prospectuses. You pay these fees and expenses indirectly because they are deducted from your 529 plan assets, or the assets of the underlying funds on an ongoing basis. Northland receives a portion of these fees and expenses. You can request a copy of a 529 plan's offering circular or prospectus from your Financial Representative.

option commission is a one-time fixed fee based on the total value of the option contract and can range from 0.25% to 5.00%. Northland has a minimum options commission of \$100.00. We share a portion of the commission with your Financial Representative.

receive between 1.00% to 7.00% of the amount invested over time for annuities.

**Surrender Charges** – If you surrender your insurance product during the surrender charge period as noted in the product prospectus, a surrender charge will be deducted from the cash value returned to you. Surrender charge periods and charges vary by type of product and from policy to policy.

For annuities, surrender charge periods are typically around 4 to 10 years and surrender charges generally beginning around 10% of the cash value to in the first year and ending around 1% of the cash value in the final year of the surrender charge period.

**Ongoing Fees and Expenses** – Insurance companies deduct certain ongoing fees and expenses from your initial or subsequent insurance purchase payments. These ongoing fees and expenses commonly include mortality and expense (M&E) risk fees, cost of insurance fees (commonly used to cover any death benefit associated with the insurance product), administration fees, transaction fees and fees associated with certain optional riders. In many cases, such as with M&E risk fees or cost of insurance fees, the fee may be charged monthly or annually as a percentage of your account value or premium payout. Although some fees, such as administration or transaction fees, may be flat fees charged monthly or annually or on specific transactions. You pay these fees indirectly because they are deducted from your assets or premium payments on an ongoing basis.

Additionally, you will indirectly pay the ongoing fees and expenses for the underlying investment options for your insurance product. These fees and expenses are separate from the fees charged by the insurance company and will be reflected in the performance of the underlying investment options. These fees include the underlying investments' management fees and servicing fees. They are assessed annually in most

### Real Estate Investment Trusts

**Commissions** – You pay Northland a one-time fixed fee commission when you purchase shares in a Real Estate Investment Trust's (REIT) initial offering or buy and sell shares in a REIT in a secondary trading market. You will pay this commission in addition to the amount of the REIT you choose to buy or sell. For an initial offering purchase, you will commonly pay between 5% and 8% of the investment amount. However, for certain non-traded REIT's, the initial offering commissions may be significantly higher and may exceed 10% of the investment amount. For a secondary market purchase or sale, you will typically pay a commission calculated in the same manner as commission on equity securities. We share a portion of the commission with your Financial Representative.

cases as percentage of fund assets ranging from 0.25% to 1.50%.

**Marketing Expenses** – Marketing representatives of insurance companies or their affiliated distributions are often referred to as wholesalers or general agents, work with our Financial Representatives to promote insurance products. Consistent with applicable laws and regulations, these insurance companies and their wholesalers may pay for or provide training and education programs for our Financial Representatives and their existing or prospective clients. They may also pay for due diligence meetings, conferences, and to provide our Financial Representatives with other forms of compensation including business entertainment, expense reimbursement for travel associated with these meetings and conferences, financial assistance in covering the costs of certain marketing and sales events, and small gifts. You don't pay for these marketing expenses directly, but you indirectly pay these marketing expenses because they are paid for out of the expenses of the insurance companies, wholesalers and general agents.

More information about insurance products, including the commissions and other fees and expenses built into the cost of the policy is available in the insurance product's prospectus. In addition, more information on the insurance product's investment options, including ongoing fees and expenses is also available in the insurance product's prospectus and policy illustrations.

**Other Fees and Expenses** – REITs also deduct other fees and expenses from REIT assets, for example organizational and operating expenses and management fees. In addition, some REITs assess a separate acquisition fee from REIT assets, typically a percentage of the purchase price for a real estate asset that is acquired by the REIT. These ongoing fees and expenses are generally charged annually as a percentage of your assets. You pay these fees and expenses indirectly because they are deducted from your assets on an ongoing basis. Northland may receive a portion of these fees and expenses.

You should carefully review the REIT's prospectus for more detailed information on their initial commissions and ongoing fees and expenses.



## Alternative Investments

**Sales Charges** – Northland receives a sales charge each time you purchase an alternative investment. The sales charge varies dependent on the type of alternative investment you purchase. The sales charge is paid to Northland for solicitation of investors. We share a portion of these sales charges with your Financial Representative.

In some cases, Northland may be engaged to underwrite or advise a company issuer regarding raising investment capital in a private offering. In this case Northland receives a fee to provide these services.

### Types of Alternative Investments offered by Northland:

- **Private Placements** – a non-public issue that may be only be purchased by certain eligible investors.
- **Special Purpose Acquisition Company (SPAC)** – a company with no commercial operations that is formed strictly to raise capital through an initial public offering (IPO) for the purpose of acquiring an existing company.

- **Business Development Company (BDC)** – a type of closed-end investment company that is designed to invest in small and mid-sized businesses.
- **1031 Exchange** – from section 1031 of the US IRS code, this allows investors to avoid paying capital gains taxes when an investment property is sold, and the proceeds reinvested in a property of like kind of equal or greater value. May also be referred to as Delaware Statutory Trust (DST).

You generally must meet certain requirements to be eligible to invest in alternative investments. You should carefully review the alternative investment's private placement memorandum (PPM) or prospectus to learn more about the eligibility requirements and the compensation paid to Northland. You can request a copy of a PPM or prospectus from your Financial Representative.

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## CONFLICTS OF INTEREST

A conflict of interest results from an incentive that might incline Northland or your Financial Representative to make a recommendation that puts our interests ahead of yours. Conflicts of interest happen for various reasons, including compensation we are paid, our business activities, and the type of investments we offer. Northland maintains and enforces reasonably designed policies and procedures to identify conflicts of interest, mitigate conflicts of interest and disclose conflicts of interest. Northland prohibits sales contests, sales quotas, bonuses, and non-cash compensation that are based on sales of specific securities or specific types of securities in a limited time period. The following sections disclose our material conflicts of interest.

### Conflicts of Interest for Northland Securities

**Transaction-Based Payments** – As explained in the Fees and Costs section above, Northland is paid each time you engage in certain transactions in brokerage accounts. These transaction-based payments create a conflict of interest for us because they provide an inducement for your Financial Representative to encourage you to engage in more transactions.

**Principal Trading** – When we purchase a security from you or sell a security to you as principal, we usually receive more compensation than when we act for you as your agent to purchase or sell from a third party. This is a conflict of interest because it provides an inducement to trade with you on a principal basis and encourage you to invest in products we trade as principal. See the Fixed Income/Municipal securities

section for more information about markups and markdowns.

**Third-Party Payments** – We receive payments from third parties when we recommend or sell their investments, such as mutual fund issuers and insurance companies, their sponsors and managers. Additionally, these third parties may pay us for marketing expenses including educational conferences or training seminars we host for our Financial Representatives. All these third-party payments are a conflict of interest because they create incentives for us to make available only those products that make such payments to us and to encourage you to purchase and hold investments that result in us receiving such payments.

We mitigate these conflicts by disclosing them to you and by establishing policies and procedures that limit the value, frequency and nature of this type of incentive. Examples of these third-party payments include:

- Insurance product commissions
- 12b-1 fees, 529 plan fees and other ongoing payments
- Educational conferences and seminars, events, due diligence meetings, business entertainment, small gifts, etc.
- Administrative service fees
- Finders fees

**Revenue Sharing** – Numerous mutual fund issuers, sponsors or managers, and others make payments to us that are called revenue sharing payments because they share with us part of the revenue that they earn from your investments and deposits in their funds or products. These differ from third-party payments because revenue sharing comes from the revenue earned by others that is then shared with us. These revenue sharing payments create a conflict of interest for us because they provide an inducement for Northland to only make available those products that make such payments to us, as well as encouraging you to purchase and hold those products that result in us receiving these type of payments.

Examples of products that may share revenue with us:

- Mutual fund management fees
- Insurance company fees
- REIT fees
- Interest earned on securities-based lines of credit

Northland is an introducing broker-dealer. We utilize a single clearing/custodial firm, Pershing, LLC. We have revenue sharing arrangements with Pershing; therefore, we have a conflict of interest because we may not offer the lowest custodial clearing costs that could be available to you at another firm.

**Cross Trades** – A cross trade is when Northland acts on behalf of both the seller and buyer in the same transaction. Cross trades are a conflict of interest because they could result in more favorable treatment of on client over the other. Also, there is a risk that price at which a cross trade is executed may not be as favorable as the price available in the open market. In order to mitigate this conflict of interest, Northland has policies and procedures which require that all transactions must be executed at the best price available and be priced within the market for the security. Additionally, clients must be notified if their transaction is crossed between employees or their family members accounts.

**Investment Limitations** – Northland offers a wide array of investments including mutual funds, equities and bonds. Nevertheless, there are certain investments we do not offer. These product limitations create a conflict of interest because we are incented to encourage you to invest in investments we offer rather than investments we do not offer.

**Differential Compensation** – Northland offers an array of investments and some investments pay us more compensation than other investments. For example, alternative investments and REITs pay us more commissions than other investments like equities or fixed income securities. These differential payments cause a conflict of interest due to the incentive for us to recommend those investments that pay us more compensation.

**Forgivable Promissory Notes** - Northland strives to recruit and hire high caliber financial representatives. In many cases, Northland recruits Financial Representatives from other financial firms. This creates a conflict of interest for Northland Securities due to the compensation that Northland receives as a result of clients that follow the newly hired Financial Representative to Northland. Northland has a financial incentive to recruit Financial Representatives without regard to the benefits that those clients may receive at other competing financial firms.

**Mutual Fund Compensation** – Northland offers a wide array of mutual funds from many different mutual fund companies. Certain mutual fund companies pay us more compensation than other mutual fund companies, including compensation paid from fund assets. These differences in compensation create a conflict of interest because they incent us to offer and to recommend those mutual funds which pay us more compensation and to recommend those mutual funds that pay us more compensation.

**Mutual Fund Share Classes** – Mutual fund companies typically offer multiple share classes, some of these share classes pay us more compensation than others. For example, some share classes pay us 12b-1 fees while others do not pay us any 12b-1 fees. These differences in share class offerings create a conflict of interest because they incent us to offer only those share classes that pay more compensation and to recommend those share classes that pay us more compensation including share classes that pay 12b-1 fees.

**529 Plan Share Class** – 529 plans typically offer multiple share classes. Some of these share classes pay us more compensation than others. For example, some share classes pay us 12b-1 fees while others do not pay us any 12b-1 fees. These differences in share

class offerings create a conflict of interest because they incent us to offer only those share classes that pay more compensation and to recommend those share classes that pay us more compensation including share classes with higher sales charges or ongoing 12b-1 fees.

**Cash Sweep Options** – Northland has a conflict of interest in selecting, offering and/or recommending available cash sweep options because we will receive compensation from your cash balances swept to those cash sweep options and the amount of compensation Northland receives varies by sweep option. This is a conflict of interest because it creates an inducement for Northland to offer these cash sweep options, to recommend depositing cash into these sweep options which pay Northland more compensation.

**IPO Allocations** – Northland allocates shares of an IPO to certain investors. These allocation decisions are driven by several factors, including but not limited to, your trading activity and account balance with us. Even if you are eligible for IPO share allocations, you are not guaranteed the ability to purchase IPO shares since we may allocate IPO shares only to certain investors. Our IPO allocation decisions create a conflict of interest because they may give us an incentive to allocate IPO shares to certain investors other than you.

**Underwriting** – Northland underwrites investment offerings, including but not limited to, IPOs, SPACs and municipal new issues. We have an incentive to recommend investments that we underwrite as we will receive a separate underwriting fee based on total sales of the investment. This underwriting fee creates an inducement for us to encourage you to invest in investments that we are underwriting.

### **Conflicts of Interest for Financial Representatives**

**Transaction-based Payments** – We pay our Financial Representatives a portion of the transaction-based compensation including commissions, sales charges, markups/markdowns, sales concessions, etc. that we receive. This is a conflict of interest because it induces your Financial Representative to encourage you to execute more transactions and transactions in greater amounts.

**Transaction-based Amounts** – Northland requires your Financial Representative to charge a minimum amount of compensation per transaction in order to be paid any portion of the compensation. This is a conflict of interest because it provides an incentive for your Financial Representative to charge commissions, sales charges, or other fees at or above this minimum amount.

**Proprietary Products** – Northland earns higher fees, compensation, and other benefits when you invest in or utilize a product that we advise, make available, or underwrite, such as a municipal bond or equity new issue. These create a conflict of interest for us because it induces us to recommend or invest your assets in these products over other third-party products.

**Investment Advisory Services** – Northland is registered with the SEC as both a broker-dealer and an investment adviser. Services and fees differ for our brokerage and investment advisory business. Dependent on business conditions, we may decide to devote more resources promoting our investment advisory services than our brokerage services. This creates a conflict of interest because it induces us to recommend either brokerage or investment advisory services based on which one provides the most compensation.

**Securities-Based Lending** – Northland receives a portion of the interest on loans extended on margin through Pershing's Credit Advance program and receives a portion of the interest earned in Pershing's securities-based line of credit. This creates a conflict of interest for Northland because it induces us to promote these products to you, as well as your Financial Representative.

**Hiring** – Recruiting Financial Representatives from other firms creates a conflict of interest for Northland because compensation received as a result of clients following their Financial Representative to Northland, induces Northland to recruit Financial Representatives without regard to the comparative benefits clients receive at other financial firms.

**Product Payout** – Certain products at Northland pay a higher percentage of the portion shared with your Financial Representative. This is a conflict of interest for your Financial Representative because he/she is induced to recommend certain products and services based on the compensation he or she will receive.

**Ongoing Payments** – Investment products such as mutual funds, annuities, and 529 plans pay fees to Northland on an ongoing basis for servicing of those investments. We share a portion of those fees with your Financial Representative. This is a conflict of interest for your Financial Representative because it induces your Financial Representative to recommend products and share classes of those products that pay your Financial Representative the most compensation.

**Forgivable Promissory Notes** - Northland Securities offers financial incentives to prospective Financial Representatives who join Northland from other firms. These financial incentives include promissory notes for a specified time frame and amount. Northland will forgive the principal and interest of the note over the time frame of the note. This forgiveness is income to the Financial Representative. If the Financial Representative terminates their employment with Northland before the note is fully forgiven, the Financial Representative will be required to pay back the unforgiven amount. The Financial Representative may be eligible for additional financial incentives including accelerated payouts for a defined period of time, and/or a back-end bonus based on assets under management or custody after a specified period of time.

These financial incentives are a conflict of interest because they give your Financial Representative an incentive to enter employment with Northland Securities regardless of the benefit you as a client may receive from Northland.

**Service Recommendations** – The compensation your Financial Representative receives in connection with your accounts depends on the number and size of the transactions in your accounts. This is a conflict of interest because it induces your Financial Representative to recommend investment advisory services or brokerage services based on which of these services will produce more compensation for your Financial Representative.

**Investment Limitations** – Northland offers a wide array of investments and services. Some Financial Representatives may not be able to offer certain types of products or services. For example, some of our Financial Representatives are not licensed or eligible to offer investment advisory services. Also, some of our Financial Representatives may not offer insurance products due to lack of licensing or insurance company appointments. This is a conflict of interest for those Financial Representatives because they can only recommend those services they are able to offer.

**Incentive Compensation** – Your Financial Representative may be eligible for incentive compensation based on amount of revenue your Financial Representative generates for Northland. This

is a conflict of interest because it incents your Financial Representative to induce you to engage in more investment transactions in order to qualify for incentive compensation.

**Non-Cash Compensation from Issuers and Sponsors** – With regard to certain mutual fund companies, REITS and alternative investments, the issuer or sponsor provides our Financial Representatives with other forms of compensation, including business entertainment and other expense reimbursements or marketing assistance. The receipt of these payments is a conflict of interest because it creates an incentive for your Financial Representative to recommend those investments or funds whose issuers/sponsors offer this form of compensation.

**Referral Payments** – Your Financial Representative is compensated for successful referrals to our Investment Banking division for capital raises or advisory engagements or third parties that agree to pay us for referrals. This is a conflict of interest for your Financial Representative because that induces your Financial Representative to refer you to third parties that pay us for referrals as opposed to those who do not.

**Outside Business and Fiduciary Activities** – Your Financial Representative may be involved in other business activities not affiliated with Northland. These other business and fiduciary activities can be a conflict of interest because they can provide an incentive for your Financial Representative to make recommendations that further the interests of, or to avoid making recommendations that detract from the interests of those other businesses and activities. Additionally, your Financial Representative may have an incentive for you to engage in, or transact through, such outside business to earn additional compensation. Any such proposed activities are reviewed by the Financial Representative's supervisor and Northland to determine whether a conflict of interest is present and whether the Financial Representative's commitment may negatively impact his or her ability satisfactorily perform his or her role at Northland. Items contained within this section have been approved by Northland and may involve a substantial amount of your Financial Representative's time or contribute to your Financial Representative's compensation.

## **ADDITIONAL INFORMATION**

For additional information about Northland's brokerage services or to obtain an updated copy of this disclosure document, please visit our website at [NorthlandSecurities.com/policies-disclosures/](https://NorthlandSecurities.com/policies-disclosures/). You may also request up-to-date information and request a copy of this disclosure document by calling us at 800-851-2920 or by contacting us in writing at Northland Securities, Inc., 150 South 5<sup>th</sup> Street, Suite 3300, Minneapolis, MN 55402.

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