

Understanding How We Are Compensated

June 30, 2020

This document provides information about the kinds of services and accounts that we offer, as well as information on how we are compensated.

Additional information about Popular Securities can be found in our Form CRS by clicking <https://www.popular.com/en/popularone/services/investments/formcrs> or by contacting your financial professional.

**INVESTMENT PRODUCTS: • NOT FDIC INSURED • NO BANK GUARANTEE
• MAY LOSE VALUE**

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Introduction

At Popular Securities, LLC (“Popular Securities,” “Firm,” “we” or “us”), we strive to make sure you are well informed about how we can help you reach your financial goals through our extensive set of investment solutions and expertise. Inside this booklet, you will find information that will help you understand our investment advisory, insurance, and brokerage products and services so you can choose what best suits you. Here you will learn important information about the scope of our services, commissions and fees you would pay, compensation we receive from third parties, how financial professionals are compensated, and the conflicts of interest our compensation structure create. We may change our programs, fees, and payments or payment structures at any time. Please make sure you have the most current version of this booklet by accessing:

<https://www.popular.com/en/popularone/services/investments/understandinghowwearecompensated>.

You can also contact us at (787) 758-7400 and request a paper copy.

General information

Popular Securities is a full-service broker-dealer and investment advisory firm that provides investment services and products to individuals, corporations, and institutions. The firm is a wholly owned subsidiary of Popular, Inc., a financial services provider in business for over 100 years, with operations in Puerto Rico, the United States, the Caribbean and Latin America. Popular Securities is registered with the U.S. Securities and Exchange Commission (SEC) as both a broker-dealer and as an investment adviser. The Firm is also a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).

Custody and clearing services

As part of our effort to provide you with quality service, Popular Securities has an agreement with National Financial Services, LLC (NFS) by which NFS provides trade execution, clearing, and other related services for your investment account. Established in 1983, NFS, a Fidelity Investments company, is one of the largest providers of investment services.

Popular Securities and NFS occupy different roles with respect to the servicing of your investment account. Popular Securities’ role is to:

- We will open, approve, and monitor your account as required by FINRA Rules. “Monitoring,” in the context of a brokerage account, does not mean that Popular will monitor your account on any specified periodic or ongoing basis for the purpose of providing buy, sell or hold recommendations; indeed, Popular has no obligation even to provide such recommendations. Instead, Popular monitors brokerage accounts by supervising the transactional activity, if any, in the account as required by our supervisory procedures and applicable FINRA Rules.
- If you choose an investment advisory account (also known as managed account), Popular will monitor your account for performance purposes on an ongoing basis and will

periodically, but no less than annually, perform a formal analysis of your investment portfolio in light of your financial situation and market conditions, and implement or recommend, depending on whether your account is discretionary or nondiscretionary, any appropriate changes.

- If we do make recommendations to you to buy, sell or hold securities, they will be based on and matched to information you provide to us about your age, investment objective, risk tolerance, financial wherewithal, liquidity needs, time horizon, tax status, etc.
- Respond to any questions or inquiries related to your account

As custodian of your investment account, NFS is responsible for:

- The execution, clearance, and settlement of securities transactions
- The preparation and delivery of transaction confirmations and periodic statements of your account
- The custody (or safekeeping), receipt, and delivery of funds and securities
- The extension of margin credit upon approval

Important differences between brokerage and advisory services

It is important for you to understand that our brokerage services and investment advisory services are separate and distinct. Popular Securities brokerage services are covered under different sets of laws and regulations from our investment advisory services, and our obligations and duties to you are different for each. Although your financial professional will serve as your main contact for many of the services you receive, when you receive multiple services from Popular Securities, each service will be governed by the specific agreement, laws, and regulations applicable to that type of service, and for that reason may be different. The costs and services of a brokerage account versus an advisory account will vary depending on several factors such as: size and value of your account, service and product preferences, trading frequency, and the capacity in which we act, among other things.

Unless we expressly execute an advisory or investment management agreement that states otherwise, your account representative will be acting as a broker with respect to your account and as a broker-dealer and insurance agent with respect to any insurance product.

Brokerage accounts

In a brokerage account, you can buy or sell stocks, bonds, mutual funds, exchange traded funds, options, annuity contracts, and other investment products.

We only offer nondiscretionary brokerage services, which means that we are not permitted to make any trades in your account without your prior approval.

Under this arrangement, your financial professional may give you recommendations to buy, sell or hold securities, which you are free to accept or reject. Recommendations are based on information that you supply to your financial professional, including your investment objectives, risk tolerance, financial needs, and other considerations. Given the importance of these factors, you are responsible for providing us accurate and up-to-date information about yourself, and promptly advising us of any significant changes in your investment objectives, risk tolerance, financial or personal circumstances. You may also direct your financial professional to place specific orders on your behalf. Once a transaction is complete, Popular Securities does not continue to monitor the performance of your account or any investment in your account.

When we act as your broker, we are obligated to comply with applicable federal and state securities laws, as well as the rules of self-regulatory organizations for broker-dealers such as FINRA. When we sell life and annuity products, we are also subject to state insurance laws. Among other things, these regulations require broker-dealers to:

- Execute trades with diligence and competence and seek to provide best execution considering prevailing market conditions;
- Have reasonable grounds for believing that any investment that we expressly recommend to you is in your best interest given the investment objectives, risk tolerance, financial and tax status and other financial information you have disclosed to us;
- Place your interests ahead of ours each time we make a recommendation.

Our brokerage services have some limitations, including:

- We do not recommend certain products in brokerage accounts, including leveraged or inverse exchange traded funds. Additionally, if your account is serviced through our Service Center, we will only recommend to you a limited menu of fixed income products, mutual funds or traditional exchange traded funds.
- We have a minimum account requirement of \$50,000 for brokerage accounts. However, we may waive the minimum requirement if you maintain more assets in other related accounts or appear to have significant potential for increasing the assets in your account.

Commissions, fees, and costs related to your brokerage account

In a brokerage arrangement, we are compensated through a transaction-based fee, commonly referred to as a “commission.” You will pay us a fee every time you buy or sell an investment. The amount of the fee is based on the cost of the specific transaction and not the value of your account (See “Commissions and Fee Schedules by Transaction Type,” immediately below).

With stocks or exchange traded funds, this fee usually appears as a separate charge. With other investments, such as bonds, this fee is typically included in the price you pay for the investment (called a markup or markdown). With mutual funds, this fee is typically called a “load.”

The more transactions in your account, the more transaction-based fees you will incur. We, therefore, have a financial incentive to encourage you to engage in transactions.

You will also incur additional costs in based on the specific activity or inactivity of your brokerage account, including inactivity charges, wire transfer fees, and account transfer fees, among others. These additional cost/charges are disclosed further in this booklet.

Commissions and fee schedules by transaction and product type

Equity initial public offerings (IPOs) and follow-ons

Popular Securities may offer certain IPO and equity follow-on offerings without a separate transaction fee. Popular Securities may receive sales concession fees from issuers that could range from 2.0% to 4.50% of the investment amount. IPO pricing supplements or other offering documents which include more information on the percentage of sales concession are provided to investors.

Equity & exchange traded funds – secondary market

The Schedule below indicates the maximum commission amounts based on principal amount invested. Discounts may apply.

For stocks selling at \$1 a share or more:

From:	To:	= % amount	+ Cents per share	+ Flat Fee
\$ 0.00	\$ 99.99	0.00%	\$0.000	\$ 18.00
\$ 100.00	\$ 999.99	2.75%	\$0.085	\$ 19.00
\$ 1,000.00	\$ 4,999.99	1.70%	\$0.075	\$ 30.00
\$ 5,000.00	\$ 9,999.99	1.45%	\$0.065	\$ 56.00
\$ 10,000.00	\$ 19,999.99	1.20%	\$0.065	\$ 90.00
\$ 20,000.00	\$ 29,999.99	1.05%	\$0.060	\$ 140.00
\$ 30,000.00	and over	.55%	\$0.060	\$ 280.00

For stocks selling at less than \$1 a share:

From:	To:	= % amount	+ Cents per share	+ Flat Fee
\$ 0.00	\$ 99.99	0.00%	\$0.00	\$ 18.00
\$ 100.00	\$ 999.99	9.95%	\$0.00	\$ 19.00
\$ 1,000.00	\$ 4,999.99	7.90%	\$0.00	\$ 30.00
\$ 5,000.00	\$ 9,999.99	7.15%	\$0.00	\$ 56.00
\$ 10,000.00	\$ 19,999.99	6.40%	\$0.00	\$ 90.00

A minimum commission of \$50 per trade plus a \$4.50 processing fee applies.

Equity & exchange traded funds – client directed internet transactions

Orders placed by clients through the internet pay a \$14.95 transaction fee up to 1,000 shares; an additional \$0.05 per share is assessed for shares over 1,000. A \$4.50 processing fee applies.

Options

Options commissions are based on a percentage of the principal value plus a flat fee in addition to a fee per contract. 1 contract equals to 100 shares. All options trades are subject to a \$75 minimum commission. Discounts may apply. Commissions on options trading at \$1 or more:

Principal Value	Commission Rates
\$100.00 to \$2,499.99	1.50% of value plus \$20.00
\$2,500.00 to \$4,999.99	1.10% of value plus \$25.00
\$5,000.00 to \$19,999.99	1.00% of value plus \$30.00
\$20,000.00 and above	0.70% of value plus \$95.00

Fee per contract:

1-10 contracts = \$7.00 per contract

11 or more contracts = \$5.00 per contract

Commission on options trading at less than \$1:

Principal Value	Commission Rates
Less than \$100.00	The greater of \$15.00 or 25%
\$100 and up	7.00% plus \$2.50 per option

Newly issued fixed income products

Popular Securities offers certain new issue fixed income securities. New issue securities are those that trade in the markets for the first time. They are also known as primary market transactions. Popular Securities receives compensation from issuers for participating as a member, selling group and/or underwriter. New Issue pricing supplements or offering documents which include more information on the percentage of sales concession or underwriting fees are provided to investors.

The table below shows the ranges that apply to new issue fixed income products, depending on the type of security. Such fees are paid by the issuer:

Security Type	Range of Fees as a Percentage of Investment Amount
Agency/GSE	.01% to 1.00%
Corporate Bonds	.10% to 4.00%
Municipal Bonds	.25% to 4.50%
Structured Products	.50% to 5.00%
Structured CDs	.50% to 5.00%

Fixed income products – secondary market

Fixed income securities trading in the secondary market, and for which Popular Securities acts as principal, are subject to a price markup or markdown. Discounts may apply.

The table below shows the markup and markdown ranges that apply to secondary market fixed income transactions:

Securities with Maturities Over 1 Year	Range of Markups & Markdowns as a Percentage of Investment Amount
Treasuries	.25% to 1.50%
Agency/GSE	.25% to 2.00%
Corporate Bonds	.25% to 2.50%
Mortgage/Asset Backed	.25% - 2.50%
Municipal Bonds	.25% to 2.50%
Structured Notes/Bonds	.50% to 3.50%
CDs	.375% to 1.50%
Structured CDs	.50% to 3.50%

Transactions on fixed income securities with less than one year to maturity will pay concessions of .25% or less.

Depending on market conditions and/or circumstances surrounding a transaction, Popular Securities may determine that a higher or lower markup or markdown is more apt.

On trades in which Popular Securities acts as an agent, a commission may be charged instead of a markup or markdown. Your financial professional will disclose to you the commission to be charged prior to the execution of the trade.

Mutual funds

Charges associated with mutual fund purchases and sales are included in each fund's prospectus. Please read it carefully before you invest. Many mutual fund companies pay 12b-1 fees to Popular Securities and its financial professionals. Each fund prospectus discloses the applicable 12b-1 fee, depending on the share class you buy.

Variable annuities

Fees associated with the purchase and sale of variable annuities are included in the annuity contract and the prospectus. Popular Securities receives commissions from the insurance company issuing the annuity, which it shares with your financial professional.

The insurance company pays Popular a commission in the first year of the purchase that can be up to 7.00% of the premium. In addition, the insurance company pays Popular trailing commissions that could be up to 1.40% annually of the total value of the annuity, again depending on the specific product you purchase.

Tax credits

Popular Securities serves as broker in sales of Puerto Rico tax credits that may be used to pay Puerto Rico taxes. Tax credits are sold at a discount to their face value. Popular Securities generally charges a commission of up to 3% of the face value of the tax credits sold.

Investment Advisory Accounts

In an investment advisory arrangement, we offer investment management services to you through a third-party money management program.

We will assist you with the initial selection of one or more separate account money managers and/or investment strategists through a mutual fund wrap fee program. Under these arrangements, you will grant trading **discretion** to the account money managers and/or investment strategists. **Discretion** means you give them authority to purchase and/or sell investments in your account, following the stated investment policy or strategy approved by you, without them needing to contact you to obtain specific trading authority. Alternatively, rather than using a third-party manager, your financial professional could serve as your portfolio manager on a **nondiscretionary** basis. This means that you will make the decision regarding whether to make any particular purchases or sales.

Additionally, we offer investment management services through certain fixed income money managers (“Fixed Income Managers”) outside the third-party money management program described above (the “Fixed Income Program”). If you choose to invest your assets in the Fixed Income Program, you will be required to enter into a separate agreement with the Fixed Income Manager which grants **discretion** to the Fixed Income Manager.

As part of Popular Securities’ investment management services, we will discuss with you your financial situation and offer suggestions for one or more asset allocation portfolios consistent with your stated investment objectives and risk tolerance. We will monitor your account on an on-going basis. You are responsible for promptly informing us of any significant changes in your investment objectives, risk tolerance, financial or personal circumstances. We will periodically, but no less than annually, perform a formal analysis of your investment portfolio in light of your financial situation and market conditions, and implement or recommend, depending on whether your account is discretionary or nondiscretionary, any appropriate changes.

When you select our investment advisory services, we will advise you only pursuant to a written agreement that describes our investment advisory relationship with you and our obligations to you. When we act as an investment adviser, we owe you a fiduciary duty under applicable federal and state securities laws. In an advisory relationship, we also are obligated:

- To make full and fair disclosure of all material facts about our services and our relationship and an obligation to place your interests before our own when managing your account.
- To ensure that investment advisory services are suited to your specific investment objectives, needs, and circumstances

- To disclose potential conflicts of interest between our interests and yours
- To disclose whether and to what extent we (or our affiliates) receive additional compensation from you or a third party because of our relationship with you
- To get your consent before engaging transactions in proprietary or affiliates' investment products with you
- To not unfairly advantage one advisory client to the disadvantage of another.

Our investment advisory services have some limitations, including:

- We do not offer certain products, such as leveraged or inverse exchange-traded funds.
- Financial professionals, when acting as portfolio managers, have access to a limited menu of mutual funds and exchange-traded funds where the Firm has access to qualitative or quantitative research.
- Certain financial professionals that hold specific professional designations may offer a broader menu of mutual funds and exchange-traded funds.

The more assets there are in your account, the more you will pay in fees, and the Firm therefore has an incentive to encourage you to increase the assets in your account.

Popular Securities' minimum initial account size requirement is \$50,000 for certain products/programs. Many products/programs may have a higher minimum requirement. However, we may waive the minimum requirement if you maintain more assets in other related accounts or appear to have significant potential for increasing your assets under management. While the minimum account size requirement may be negotiable, a lower than required minimum size may result in higher fees to you.

Fees related to your investment advisory account

In an investment advisory arrangement, we are compensated through a set fee that is based on a percentage of the assets in the account.

Popular Securities' annual advisory fee for services it provides to clients in the third-party money management program has a maximum limit of 2.50% of your total assets invested in such program. Under the Fixed Income Program, Popular Securities' fee has a maximum limit of 1.10% of your total assets invested in such program. The exact fee received by Popular Securities for its services will be disclosed in your investment management agreement or statement of investment selection.

For a more thorough description of our investment advisory services, please see Popular Securities Form ADV Part 2A brochure which can be found by accessing <https://documents.popular.com/pdfs/PO/Formulario-ADV.pdf>. You can also request a paper copy by calling us at (787) 758-7400.

Popular Securities' fee is negotiable based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related

accounts, account composition, client particular facts, circumstances and needs, negotiations with client, etc.).

Popular Securities' advisory fees are charged on a calendar quarter basis in advance, based on the value (market value or fair market value in the absence of market value) of the account at the end of the quarter and prorated to the end of the quarter upon inception of the account. Fees will be debited from the account in accordance with your initial authorization.

You will also incur additional costs/charges under certain circumstances, for example, charges for wire transfers, account transfers, among others. Such additional costs/charges are further detailed in this brochure.

Other investment advisory services

We provide co-asset management services to the Popular Mezzanine Fund, LLC (the "Mezzanine Fund"), a private equity fund organized as a limited liability company under the laws of the Commonwealth of Puerto Rico that is designed to provide customized financing solutions to privately held companies organized or engaged in a trade or business in Puerto Rico that meet the requirements of the Community Reinvestment Act. Our services to the Mezzanine Fund generally consist of the following: (i) determining the composition of the Mezzanine Fund's investment portfolio (ii) identifying, evaluating and negotiating the structure of such investments; and (iii) recommending changes to the securities and other assets that may be acquired by the Mezzanine Fund from time to time. The Mezzanine Fund is a subsidiary of our affiliate Banco Popular de Puerto Rico. The other co-asset manager of the Mezzanine Fund is Enhanced Puerto Rico LLC, a wholly owned company of Enhanced Asset Management. Enhanced Asset Management is a subsidiary of Enhanced Capital Group.

Margin

When you borrow on margin, the securities in your account become collateral for the loan extended to you. Margin credit is extended by NFS. A decline in the value of these securities is therefore a decline in the value of the collateral. Before using your securities as collateral, it is essential to fully understand the risks involved. These risks include but are not limited to:

- **You can lose more money than you deposited in your margin account.**
- NFS can set stricter margin requirements than the industry minimum and can increase these "house" requirements without advance notice. An increase may take effect immediately and may trigger a maintenance margin call without prior notice.
- You may decide to purchase securities using your margin credit. If the securities you bought on margin go down in price, you may face a "margin call," meaning you have to deposit more money or marginable securities into your account, or sell assets in your account(s).
- If you cannot meet a margin call by depositing additional money or securities, NFS and Popular Securities can force the sale of assets in your account(s) in order to satisfy the

margin call. If the equity in your account falls below either industry minimums or NFS' house requirements, NFS and Popular Securities can cover the deficiency by selling securities or other assets in any account of yours at National Financial Services (including accounts at other National Financial Services affiliates) without prior notice and without obtaining your specific authorization. If these assets are insufficient, you will be responsible for making up any shortfall and, potentially, also be required to pay NFS' costs for collecting the shortfall.

- While Popular and NFS generally attempt to notify clients of margin calls, neither we nor NFS is required to do so. If Popular or NFS do notify you of a margin call, you understand that notification shall not be deemed a waiver of any rights under the terms of the Margin Agreement. Even if you are notified, NFS and Popular can still sell assets out of your account before the time indicated in the notice, if it believes such action is warranted.
- You are not entitled to choose which securities are sold to meet a margin call. Because the securities in your accounts comprise the collateral for NFS' loan to you, the choice of what to sell is NFS'.
- You are not entitled to a time extension on a margin call. While NFS may choose voluntarily to grant you an extension, it is not required to do so. Granting an extension on a margin call does not waive NFS' right to decline to grant an extension in the future.
- Short selling is a margin account transaction and entails the same risks as described above. NFS can use your account to buy securities to cover a short position without contacting you. If you don't have sufficient assets, you are responsible for the shortfall and collection costs.
- NFS can loan out (to itself or others) the securities that collateralize your margin borrowing. If it does, you may not be entitled to receive, with respect to securities that are lent, certain benefits that normally accrue to a securities owner, such as the ability to exercise voting rights, or to receive interest, dividends, or other distributions. Although you may receive substitute payments in lieu of distributions, these payments may not receive the same tax treatment as actual interest, dividends, or other distributions, and you may therefore incur additional tax liability for substitute payments. NFS may allocate substitute payments by lottery or in any other manner permitted by law, rule, or regulation. Please note that any substitute payments NFS makes are voluntary and may be discontinued at any time.
- Checkwriting, cards, and bill payment service may increase your risk of a margin call. Any debits that are posted to your account when no income or core account assets are available will drive up your margin balance.

The annual interest rate you will be charged may vary from a minimum of 0.25% below the brokers' call money rate to a maximum of 3.25% above the brokers' call money rate, depending upon the amount of your average debit balance. For more detailed margin loan rates, please refer

to our “Disclosure of Credit Terms on Transactions” which is included with your margin loan agreement.

Non-purpose Loans

Non-purpose loan credit is extended by NFS. When you choose to borrow funds from NFS for purposes other than purchasing or carrying securities, you will need to open a non-purpose loan account with NFS. The securities in your accounts are collateral for NFS’ loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, NFS and the Firm can take action, such as issue a call and/or sell securities or other assets in any of your accounts held with NFS through Popular Securities, in order to maintain the required equity in the non-purpose loan account. NFS may also take action to sell securities or other assets in your accounts held with NFS and with certain NFS affiliates. It is important that you fully understand the risks involved non-purpose loans through NFS. These risks include the following:

- NFS and Popular Securities can force the sale of securities or other assets in your account(s). If the equity in your non-purpose loan account falls below the maintenance requirements or NFS’ higher “house” requirements, NFS or the Firm can sell the securities or other assets in any of your accounts held at NFS through Popular Securities to cover the deficiency. NFS may also take action to sell securities or other assets in your account(s) held with NFS and certain NFS affiliates. You also will be responsible for any shortfall in the account after such a sale, possibly including NFS’ and/or Popular Securities costs related to collecting the shortfall.
- NFS and Popular Securities can sell your securities or other assets without contacting you. Some investors mistakenly believe that a firm must contact them for a call to be valid, and that a firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. Popular and NFS will attempt to notify their clients of calls, but they are not required to do so. In addition, even if NFS or Popular does contact a client and provided a specific date by which the client can meet a call, the firm can still take necessary steps to protect its financial interests prior to that date, including immediately selling the securities without notice to the client.
- You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a call. Because the securities and any other assets in your account(s) are collateral for the non-purpose loan, NFS or Popular Securities have the right to decide which assets to sell in order to protect their interests.
- NFS can increase its “house” maintenance requirements at any time and is not required to provide you advance notice. These changes in firm policy often take effect immediately and may result in the issuance of a call. Your failure to satisfy the call may cause NFS or Popular Securities to liquidate or sell securities or any other assets in your account(s).
- You are not entitled to an extension of time on a call. While an extension of time to meet requirements may be available to you under certain conditions, you do not have a right to the extension.

- NFS can loan securities held in your non-purpose loan account which collateralize your non-purpose borrowing. In connection with the extension or maintenance of non-purpose credit, NFS may loan securities in your account to itself or to others. As a result of these loans, you may not be entitled to receive certain benefits of a securities owner, such as the ability to exercise voting rights and/or receive interest, dividends, and/or other distributions with respect to the securities lent. While a security in your account is lent, you may only be allocated and receive substitute payments in lieu of such interest, dividends, and/or other distributions. Substitute payments may not be afforded the same tax treatment as actual interest, dividends, and/or other distributions, and you may incur additional tax liability for substitute payments that you receive. NFS may allocate substitute payments in any manner permitted by law, rule, or regulation, including, but not limited to, by means of a lottery allocation method. You are not entitled to any compensation in connection with securities lent from your account or for additional taxes you may be required to pay as a result of any tax treatment differential between substitute payments and actual interest, dividends, and/or other distributions.
- NFS may use certain securities in your account in connection with short sales and may receive compensation in connection therewith.
- In addition to market volatility, the use of bank card, checkwriting and similar features with your non-purpose loan account may increase the risk of a call.

The annual interest rate you will be charged may vary from a minimum of 0.25% below the brokers' call money rate to a maximum of 3.25% above the brokers' call money rate, depending upon the amount of your average debit balance. For more detailed non-purpose loan rates, please refer to our "Disclosure of Credit Terms on Transactions" which is included with your non-purpose loan agreement.

Securities-backed lines of credit

Our affiliate Banco Popular of Puerto Rico provides securities-backed lines of credit ("SBLOCs"), which are non-purpose loans that give access to extra cash by borrowing against the assets in an investment account without having to liquidate these securities. SBLOCs may only be used for purposes other than purchasing or carrying securities. Banco Popular earns interest income from SBLOCs.

The securities in SBLOCs accounts are Banco Popular's collateral for the loan. Clients can continue to trade and buy and sell securities in their pledged accounts with Banco Popular. An SBLOC typically requires making monthly interest-only payments, and the loan remains outstanding until you repay it. It is important that you fully understand the risks involved with SBLOCs. These risks include the following:

- If securities on a SBLOC account go down in price, you may face a "call," meaning you have to deposit more money or acceptable securities.

- Banco Popular can set strict SBLOC equity “maintenance” requirements and can increase these “maintenance” requirements without advance notice. An increase may take effect immediately and may trigger a “maintenance” call without prior notice. Your failure to satisfy the call may cause Banco Popular to liquidate or sell securities or any other assets in your account(s).
- Banco Popular can force the sale of securities or other assets in your account(s). If the equity in your SBLOC account falls below the maintenance requirements or Banco Popular' places higher requirements, Banco Popular can sell the securities. You also will be responsible for any short fall in the account after such a sale .
- Banco Popular can sell your securities without contacting you. In addition, even if a Banco Popular has contacted you and provided a specific date by which you can meet a call, the Banco Popular can still take necessary steps to protect its financial interests prior to that date, including immediately selling the securities without notice.
- You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a call. Because the securities and any other assets in your account(s) are collateral for the SBLOC, Banco Popular has the right to decide which assets to sell in order to protect its interests.
- You are not entitled to an extension of time on a call. While an extension of time to meet requirements may be available under certain conditions, a client does not have a right to the extension.

Additional investment account costs

The following schedule includes a list of costs that apply to your Popular Securities account for the services described herein:

Service	Cost	Frequency
Annual Detail Statement (Electronic Notification)	\$2.25	Per Account Per Year
Annual Detail Statement (Regular Mail Notification)	\$4.50	Per Account Per Year
Annual Summary Statement (Electronic Notification)	\$1	Per Account Per Year
Annual Summary Statement (Regular Mail Notification)	\$2	Per Account Per Year
Inactive Account ¹	\$105	Per Year
Account Transfer Out	\$175	Each
Regulation T Extension	\$20	Each
Returned Checks	\$25	Each
Legal Transfer	\$150	Per Issue

¹ Cost is charged for each account which holds a position, and for which there has been no trading activity during the calendar year. Investment advisory accounts are exempt from this cost. To determine your eligibility for fee waivers, we group the assets and trading activity of all eligible accounts shown on your account statement. We may include other assets at our discretion. If you believe there are eligible accounts within your household that are not being counted in our fee waiver eligibility process, you may authorize Popular Securities to consolidate these accounts and review them for eligibility.

Transfer & Ship (Direct Registration System Eligible)	\$20	Per Event
Transfer & Ship (Non-Direct Registration System Eligible)	\$500	Per Event
Mailgram	\$5	Per Mailgram
Check Stop Payment	\$20	Each
Physical Reorganization	\$150	Per Event
Legal Returns	\$75	Each
Brokerage Access Visa Classic Debit Card	\$100	Per Year
Brokerage Portfolio Visa Gold Debit Card	\$150	Per Year
Brokerage Portfolio Visa Platinum Debit Card	\$200	Per Year
Popular Investor Plus Visa Platinum	\$150	Per Year
Service	Cost	Frequency
Physical Certificate Safekeeping	\$20	Monthly Per Certificate
Outgoing Wire Transfer ²	\$20	Each
Debit Amounts Generated in Account	Broker's Call Rate +3.50%	Monthly
IRA Annual Maintenance	\$35	Per Year
IRA Account Termination/Liquidation	\$95	Each

Fees and costs are subject to change at any time, and we reserve the right to implement new fees and costs for account features in the future. Unless otherwise stated in your account documentation, we will automatically deduct fees and charges from your account.

Services and compensation between affiliates and third parties

In addition to receiving revenue from our clients, Popular Securities receives revenue from affiliates and, for some products and services, from third parties, including mutual fund companies, underwriters, and investment managers whose products and services are purchased by our clients. Popular Securities may also pay revenues to affiliates for certain services; or affiliates may earn compensation through activities in our clients' accounts. In this section we will explain those service arrangements and the compensation structure they entail.

Compensation received from affiliates and third parties

Popular Securities earns compensation from affiliates and third parties in the following ways:

- Issuers or underwriters of new issue securities pay us fees and/or offer underwriting discounts.
- Revenue Sharing, Distribution, Client Services and Solicitation Arrangements - we can make extra money by selling you certain investments either because they are managed

² Does not include fees charged by receiving bank.

by someone related to our Firm or because they are offered by companies that share revenues with us or pay us to sell their investments

- Third parties providing investment advisory services pay us fees in the form of a recurring 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
- Companies that issue investment products (for example mutual funds, insurance companies, investment advisers and other third parties) pay for due diligence trips, educational programs and seminars for our employees and clients
- Popular Securities may receive revenues from its clearing firm for margin debit, cash debit and free credit balances in our clients' accounts
- Referral fees received from affiliates

Compensation paid to or earned by affiliates

Our affiliates may earn compensation through activities in our client's account, including:

- The purchase of securities underwritten by one of our affiliates
- Buying securities directly from or selling securities directly to one of our affiliates
- Management fees earned through investments (for example mutual funds) managed by an affiliated investment manager
- Borrowing or maintaining credit with one of our affiliates
- Payments from referrals
- Revenue for the preparation of financial plans, either paid by the client or by Popular Securities

Popular One – The integrated financial services offering

The Popular One offering is a unique, personalized service for high net worth clients who maintain deposits and/or investments of \$500,000 or more. Clients eligible to participate in the Popular One offering receive a number of financial services through an integrated, holistic approach in which representatives from Banco Popular de Puerto Rico, Popular Risk Services, and Popular Securities work in teams to better understand the client's needs and offer them financial solutions tailored to their needs. Clients may choose to obtain different products and services through their Popular One representatives and each product or service will be governed by the specific agreement, laws, and regulations applicable to that type of product/service and for that reason they may be different.

Here are how the different components of the Popular One offering work:

Financial planning and banking services

Financial and banking services are offered as part of the Popular One offering through Banco Popular of Puerto Rico and its Wealth Management Division, who can prepare a well-thought-

out financial plan. Financial plans have a separate cost that it is billed by Banco Popular of Puerto Rico. Banco Popular of Puerto Rico, its subsidiaries, and affiliates do not provide legal, accounting, or tax advice. If clients require legal, accounting, or tax advice services, clients should consult a professional specialized in these areas.

Clients that contract the services of a financial plan are in no way obligated to purchase any additional products or services from Banco Popular or its affiliates. It is up to the client to implement any financial plan recommendation, and if he/she decides to accept any recommendation, clients may do so by acquiring products and services within or outside Popular Securities. The suggestions and recommendations included in the client's financial plan are offered as a financial orientation with no guarantee as to the performance or yields of any insurance or investment product that may be purchased according to such recommendations. Financial planning services terminate when the financial planner delivers the plan. Neither Banco Popular nor its representatives are under the obligation to provide ongoing planning recommendations or reporting. Banco Popular's financial planners may be registered and licensed as a broker-dealer agent through Popular Securities and may also be eligible to generate commissions if client opens or adds assets to an investment account as a result of the recommendations given as part of the financial planning recommendations.

There may be instances where Popular Securities may cover the cost of a financial plan partially or in its entirety. This may happen if the client appears to have significant potential for establishing a new investments relationship or for increasing his/her assets in an established investment account at Popular Securities. For more information on financial plans, please refer to the *"Conflicts of Interest"* section, below.

Insurance products and services

The licensed team at Popular Risk Services prepares a detailed analysis with specific recommendations to address identified risks, regarding a client's personal or business affairs. To manage and/or protect capital, clients benefit from diverse insurance solutions through life, disability, annuities, title, personal and commercial property, and business interruption policies, among others.

Certain Popular Risk Services representatives may be registered and licensed as a broker-dealer agent through Popular Securities and may also be eligible to generate commissions from the sale of variable annuity products.

Popular Risk Services is an insurance broker duly licensed by the Office of the Commissioner of Insurance of Puerto Rico. Popular, Inc. and Banco Popular of Puerto Rico are not registered brokers. Insurance products are not FDIC insured, or other government agencies, are not deposits or obligations and are not guaranteed by Banco Popular of Puerto Rico or its subsidiaries or affiliates. Some insurance products may lose value. Popular Risk Services is a subsidiary of Popular, Inc. and an affiliate of Banco Popular of Puerto Rico.

Investment products and services

All investment products and services presented to Popular One clients are offered through Popular Securities. Our products are not insured by the FDIC, are not deposits or obligations, are

not guaranteed by Banco Popular of Puerto Rico and may lose value, including possible loss of the principal invested. We are a subsidiary of Popular, Inc. and an affiliate of Banco Popular of Puerto Rico. Popular, Inc. and Banco Popular of Puerto Rico are not registered investment brokers.

Premium Banking Services

Premium Banking Services is a Banco Popular of Puerto Rico program offered to clients who maintain an annual average balance of \$100,000 to \$499,999 in personal deposit accounts with Banco Popular of Puerto Rico, investments with Popular Securities, and/or fixed/indexed annuities with Popular Risk Services, combined. Clients eligible for this program receive several services through a dedicated Premium Banker who is a financial professional that assists Premium Banking clients with all their banking needs.

Premium Banking investments products and services

In addition to banking services, Premium Bankers are available to guide their clients through a range of non-banking products and services such as insurance products through Popular Risk Services, as well as a limited range of investments products through Popular Securities. Most Premium Bankers are dual employees of Banco Popular of Puerto Rico and Popular Securities and hold a limited brokerage investment license. This means they may offer their clients a limited menu of investment options that includes variable annuities and mutual funds. Clients may choose to obtain different products and services through Premium Banking and each product or service will be governed by the specific agreement, laws, and regulations applicable to that type of product/service and for that reason they may be different.

All investment products and services presented to Premium Banking clients are offered through Popular Securities. Our products are not insured by the FDIC, are not deposits or obligations, are not guaranteed by Banco Popular of Puerto Rico and may lose value, including possible loss of the principal invested. Popular Securities is a subsidiary of Popular, Inc. and an affiliate of Banco Popular of Puerto Rico.

Financial professional compensation

In general, financial professionals receive cash compensation consisting of two components: a guaranteed monthly minimum draw and a production payout if it exceeds the monthly minimum draw. The production payout is a percentage, also called payout or grid rate, of the product related revenue that each financial professional generates during that month. The payout rate is based on production levels and ranges from 25% to 45%. Financial professionals working as part of a team that meets minimum production requirements can qualify for a higher grid rate (but not more than 45%) than they would receive if producing as an individual. Commissions and fees vary based on products sold.

Under the Investment Advisory program, the payout rate is applied to the program fees credited to the financial professional, but the payout grid is increased by 4% from the payout established for brokerage accounts. This higher payout creates an incentive for us to recommend an advisory relationship.

Financial professionals are also eligible to receive certain financial compensation based on their overall production levels and length of service.

Financial professionals working as dual employees for Banco Popular of Puerto Rico (i.e., Premium Banking and Wealth Management representatives) and Popular Securities have a different compensation arrangement. Their compensation mainly consists of a fixed salary and a performance bonus paid by Banco Popular of Puerto Rico, and a production payout grid that ranges from 10% to 35% of the investment product related revenue that they generate each month. The investment product related revenue is paid by Popular Securities in the form of a commission or a referral payment.

We, at our discretion and without prior notice, reserve the right to change the ways we compensate our financial professionals and employees, including reducing and/or denying production payout and/or awards at our discretion.

Recruiting compensation

In certain cases, we pay financial professionals monetary incentives to join our firm. These incentives may be significant and vary in structure, including salary guarantees, forgivable loans, and deferred compensation payments to encourage financial professionals to join Popular Securities. Such incentives are conditioned to the financial professional's continued employment. Even if the fees you pay at Popular Securities remain the same or are less, the transfer of your investment accounts to Popular Securities impacts your financial professional's ability to meet certain goals and to receive additional financial incentives even if not directly related to your account or the fees you pay to us. If your financial professional is joining us from another firm, we encourage you to discuss with him/her the reasons why he/she decided to change firms and any costs or changes in services you would incur by transferring your accounts to Popular Securities.

Financial professionals' compensation from investments purchases and sales

Our financial professionals are compensated from the following sources:

- Commissions charged to clients in connection with the purchase, or sale, of equities, fixed income products and other investments
- Markups and markdowns for securities where the firm acts as principal, which means the securities were purchased for, or sold from, Popular Securities' inventory
- Underwriting concessions in connection with products sold in initial offerings (as a result of the fact that financial professionals generally earn more for products sold in initial offerings than for those purchased and sold in secondary offerings)
- Asset-based fees charged in connection with our investment advisory services

- Sales loads, commissions and 12b-1 fees for various financial products such as mutual funds, insurance and annuities
- Referral fees for referrals to Popular Securities affiliates

Non-cash compensation

Our financial professionals also receive non-cash compensation from mutual fund companies, investment managers, annuity providers, insurance companies. This compensation includes:

- Occasional gifts up to \$100 per provider per year
- Occasional meals, tickets, or other entertainment of reasonable and customary value
- Sponsorship of educational or training events/trips and seminars and/or payment of expenses related to training and education of employees, which can include a non-training element of the event

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 deal with 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

When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide. Here are some examples to help you understand what this means.

Conflicts of interest in brokerage services

- Proprietary products - are investments that we (or our affiliates) issue, sponsor, or manage. We and our affiliates make money on proprietary products, which may be similar to non-proprietary products (which may cost you less).
- Revenue Sharing and Third-Party Payments - we can make extra money by selling you certain investments either because they are managed by someone related to our Firm or because they are offered by companies that share revenues with us or pay us to sell their investments. Your financial professional also receives more money if you buy these investments.
- Principal and Riskless Principal Trading- we may buy and sell your investments through our own accounts (called "acting as principal") and we can earn a profit on these trades. We may sell securities to you and buy securities from you through our own account as principal and

act as agent for you and another client in the same trade without first obtaining your consent. The trading capacity is disclosed to you on the trade confirmation.

- Financial professionals' license limitations – some financial professionals hold brokerage investment licenses that limit their ability to offer you all available products or services provided by the Firm. This presents a conflict of interest, as the financial professional can only offer a more limited menu of products compared to other financial professionals.
- Product limitations - we do not recommend certain products, such as leveraged or inverse exchange-traded funds. Additionally, if your brokerage account is serviced through our Service Center, we will only recommend to you a limited menu of mutual funds or traditional exchange-traded funds.
- Due diligence and educational trips or events – Financial professionals are sometimes invited to due diligence and educational trips or events to investment company offices or other places, the expenses of which may be paid by the investment company. This may present a conflict of interest, as the financial professional may be inclined to offer products sponsored by such investment companies.
- We participate in business activities including underwriting, corporate finance, securities issuing, and providing advisory services to private equity funds. Conflicts of interest arise where we recommend securities that we have also underwritten or otherwise have a business relationship with. If you have a financial plan prepared, there may be instances where Popular Securities will agree to cover the cost the plan, partially or in its entirety, if it appears you have significant potential for establishing a new investment relationship or for increasing your assets in an established investment account at Popular Securities. This creates a conflict of interest because Popular obtains a financial benefit when you increase your assets or establish new investment relationships with us. The financial benefit includes the ability to make additional brokerage recommendations (generating additional commissions).
- Financial planner are able to earn commissions from brokerage accounts that are opened or assets that are added to existing brokerage accounts as a result of recommendations provided as part of a financial plan This creates a conflict by incentivizing financial planners to recommend brokerage accounts and recommend investment in brokerage assets. Rollover recommendations from an employer-sponsored retirement plan into an IRA – When a financial professional recommends you roll over assets of an employer-sponsored retirement plan (such as a 401(k) or 1165(e) retirement plan) to an IRA, a conflict of interest exists due to the financial benefit obtained by Popular Securities and its financial professionals resulting from transferring the plan assets to an IRA at Popular Securities. You are responsible for evaluating the pros and cons for moving such assets (versus maintaining them in your employer-sponsored retirement plan). Popular Securities maintains an educational brochure that provides investor education concerning the options a client has when evaluating what to do with their employer sponsored qualified plan investments. This brochure is titled *Retirement Planning: Understanding available Options to Manage your Retirement Assets*. Such brochure is available upon request.

Conflicts of interest in investment advisory services

- Proprietary products - are investments that we (or our affiliates) issue, sponsor, or manage. We and our affiliates make money on proprietary products, which may be similar to non-proprietary products (which may cost you less).
- Revenue Sharing, Solicitation Arrangements and Third-Party Payments - we can make extra money by selling you certain investments either because they are managed by someone related to our Firm or because they are offered by companies that share revenues with us or pay us to sell their investments.
- Payout – our financial professionals earn a higher payout under an advisory arrangement than under a brokerage arrangement. This presents a conflict of interest, as the financial professional may be inclined to offer you advisory services over brokerage services.
- Product limitations – we do not offer certain products, such as leveraged or inverse ETFs, in any of our advisory programs. Moreover, financial professionals, when acting as portfolio managers, have access to a limited menu of mutual funds and exchange-traded funds, for which the Firm has access to qualitative or quantitative research. Certain financial professionals hold professional designations that allow them to offer a broader menu of mutual funds and exchange-traded funds. This presents a conflict of interest for professionals without those designations because they can only offer you a more limited menu of products compared to other financial professionals.
- Due diligence and educational trips or events – Financial professionals are sometimes invited to due diligence and educational trips or events to investment company offices or other places, the expenses of which may be paid by the investment company. This may present a conflict of interest, as the financial professional may be inclined to offer products sponsored by such investment companies.
- We participate in business activities including underwriting, corporate finance, securities issuing, and providing advisory services to private equity funds. Conflicts of interest arise where we recommend securities that we have also underwritten.
- If you have a financial plan prepared, there may be instances where Popular Securities will agree to cover the cost the plan, partially or in its entirety, if it appears you have significant potential for establishing a new investment relationship or for increasing your assets in an established investment account at Popular Securities. This creates a conflict of interest because Popular obtains a financial benefit when you increase your assets or establish new investment relationships with us. The financial benefit includes increased assets under management (generating additional advisory fees).
- Rollover recommendations from an employer-sponsored retirement plan into an IRA – When a financial professional recommends you roll over assets of an employer-sponsored

retirement plan (such as a 401(k) or 1165(e) retirement plan) to an IRA, a conflict of interest exists due to the financial benefit obtained by Popular Securities and its financial professionals resulting from transferring the plan assets to an IRA at Popular Securities. You are responsible for evaluating the pros and cons for moving such assets (versus maintaining them in your employer-sponsored retirement plan). Popular Securities maintains an educational brochure that provides investor education concerning the options a client has when evaluating what to do with their employer sponsored qualified plan investments. This brochure is titled *Retirement Planning: Understanding available Options to Manage your Retirement Assets*. Such brochure is available upon request.

Additional information

All commissions, fees and costs mentioned are exclusive of any applicable regulatory fees, duties and/or taxes. Where applicable, such fees, duties and/or taxes will be added to the relevant fees charged by Popular Securities.

The Commissions and Fees earned by Popular Securities as described herein are also provided to satisfy the Department of Labor service provider fee disclosure requirements. The disclosure requirements apply to qualified plans that are subject to Title 1 of ERISA. Note that if the qualified retirement plan covers owner-only, where you and/or your spouse are the only participant(s), your plan is not subject to Title 1 of ERISA. The fees described in this document may change from time to time without notice.

Please contact your financial professional or his/her supervisor at (787) 758-7400 if you require further information about the scope of our services, commission and fees paid by you, compensation we receive from third parties, how financial professionals are compensated, and the conflicts of interest our compensation structure creates.