

**Cresap Inc.**  
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Cresap, Inc. is committed to working with you to achieve your financial goals and to providing clear, direct communication about how we do business, the services we offer, the regulatory rules under which we operate, and what clients should expect from us.

In an effort to help protect the interests of retail retirement investors, including plan participants and beneficiaries, IRA owners, and non-institutional fiduciaries, the United States Department of Labor (“DOL”) has implemented a number of rules (“Rules”) pertaining to conflicts of interest, imprudence, and disloyalty that may be associated when investment advice is provided. These Rules apply to all financial services firms that provide investment advice to retail retirement investors.

At the same time, the DOL has sought to preserve beneficial business models for the delivery of investment advice to permit financial services firms to continue to receive many common types of fees, as long as they adhere to applicable standards aimed at helping to ensure investment advice is impartial and in the best interest of retail retirement investors. This disclosure describes the Cresap, Inc. position on and compliance with these DOL Rules. Your Financial Advisor can help answer any questions you may have.

# Cresap, Inc.

## Best Interest Contract Exemption Disclosure for Retirement Accounts

**Introduction.** This disclosure is applicable to individual retirement accounts, or other accounts, the assets of which are subject to section 4975 of the Internal Revenue Code (“Code”) (collectively “IRAs”), or the Employee Retirement Income Security Act (“ERISA”) (a “Plan”, and together with IRAs, “Retirement Accounts”). This disclosure may supplement other agreements you have entered into with us with respect to any Retirement Account.

The standards described in this disclosure apply to certain services we provide to any Retirement Account. These standards become effective on April 10, 2017 (“Effective Date”), or such later date as the United States Department of Labor (“DOL”) regulations and exemptions related to the definition of investment advice become effective and applicable, and continue until January 1, 2018. We are providing this disclosure to you, as a retirement investor, to comply with the DOL’s Best Interest Contract Exemption (“BIC Exemption”) and the Class Exemption for Principal Transactions in Certain Assets Between Investment Advice Fiduciaries and Employee Benefit Plans and IRAs (“PT Exemption”). These exemptions enable us, our financial advisors, affiliates or related entities to receive compensation associated with any Covered Recommendations (as defined below) provided to you with respect to any Retirement Account.

**Fiduciary Acknowledgement.** When providing Covered Recommendations (as defined below) to you on or after the Effective Date, solely for purposes of complying with the BIC Exemption and PT Exemption, as applicable, we acknowledge that we and your financial advisor will each act, and be treated as, fiduciaries for purposes of ERISA and the excise tax provisions under Code section 4975, as applicable, at the time of such Covered Recommendation.

**Impartial Conduct Standards.** For purposes of complying with the BIC Exemption and PT Exemption, as applicable, we will adhere to certain impartial conduct standards when providing you with Covered Recommendations (as defined below). These impartial conduct standards are described in this section.

**1 Best Interest Investment Advice.** When we provide you with a Covered Recommendation on or after the Effective Date, we will provide such recommendation in the best interest of your Retirement Account at the time the recommendation is made. This means that any “Covered Recommendation” will:

Reflect the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on your stated investment objectives, risk tolerance, financial circumstances, and investment needs, without regard to the financial or other interests of us, your financial advisor or any affiliate or related entities.

It's important to note this standard does not require that:

- We identify the single best investment for you
- We otherwise guarantee the performance of any investment
- Your investment objectives will be achieved

Investing in securities involves the risk of loss that you should be prepared to bear. In addition, we or your financial advisor may provide recommendations and take actions in connection with accounts of other clients that may differ from the recommendations and services provided to you.

Once a Covered Recommendation is provided, we and your financial advisor have no obligations to monitor a Covered Recommendation on an ongoing basis to determine whether the recommendation remains appropriate for you (including where you update your investment objectives, risk tolerance, financial circumstances, and investment needs), and will not do so unless we otherwise agree in writing to monitor Covered Recommendations.

We also have no obligation to update statements made, or information provided, with respect to a previous Covered Recommendation, unless we otherwise agree in writing to update such statements or information.

- 2 Reasonable Compensation.** Our Covered Recommendations will not cause us (and our affiliates and related entities) or your financial advisor to receive, directly or indirectly, compensation for the totality of the services provided or made available that is in excess of reasonable compensation within the meaning of ERISA section 408(d)(2) or section 4975(d)(2) of the Code.
- 3 Best Execution.** For purposes of complying with the PT Exemption, where applicable, on or after the Effective Date we will seek to obtain the best execution reasonably available under the circumstances with respect to execution of our Covered Recommendations. This means that we will comply with the terms of FINRA rules 2121 (Fair Prices and Commissions) and 5310 (Best Execution and Interpositioning), or any successor rules in effect at the time of the transaction, as interpreted by FINRA, with respect to Covered Recommendations for which we rely on the PT Exemption.
- 4 Statements We Make to You.** For purposes of complying with the BIC Exemption and PT Exemption, as applicable, on or after the Effective Date, statements we make to you about a Covered Recommendation (as defined below), our fees and compensation, our material conflicts of interest, and any other matters relevant to your investment decisions will not be materially misleading at the time they are made.

**Covered Recommendations.** This Disclosure applies solely with respect to the following recommendations (but only to the extent that they are not Excluded Recommendations, Transactions, and Services as provided below) made on or after the Effective Date with respect to your Retirement Account (each a “Covered Recommendation”) regarding:

- Transfers, rollovers or distributions of assets from a Plan or IRA to a Retirement Account with us.
- Transfer of Retirement Account assets among different advisory and brokerage accounts or programs we offer.
- Purchasing, selling, holding, or exchanging shares of or interests in securities or other property in a brokerage Retirement Account, or a non-discretionary advisory Retirement Account, including where such recommendations are executed on a principal basis.
- Selection of other persons to provide investment advisory or management services.
- Investment policies, strategies, or portfolio composition.
- The selection of investment account type (brokerage or advisory).

**Excluded Recommendations, Transactions, and Services.** We or your financial advisor may provide you with other information, suggestions, recommendations or services that are not Covered Recommendations and are not covered by this disclosure. These suggestions, recommendations, and services include:

- Communications that are not reasonably intended to be viewed or construed as a suggestion for you to take a particular course of action with respect to your Retirement Account assets;
- Information, education, or general descriptions of our services or the products that we make available to you as a retirement investor, and about the factors a retirement investor should generally consider when deciding whether to transfer assets from a Plan or IRA to another Plan or IRA, or between accounts or programs;
- Recommendations for us or an affiliate to provide investment advisory or management services;
- Recommendations with respect to taxable accounts that you maintain with us;
- Self-directed, or unsolicited, transactions or trades;
- Transactions that we (or one of our agents) implement on a discretionary basis;
- Recommendations to hold or sell a security or other property that was acquired prior to the Effective Date;
- Recommendations to continue to adhere to a systematic purchase program established prior to the Effective Date;

- Recommendations to exchange investments within a mutual fund family or variable annuity contract pursuant to an exchange privilege or rebalancing program that was established prior to the Effective Date, so long as we do not receive more compensation (as a fixed dollar amount or percentage of assets) than we were entitled to receive prior to the Effective Date; and
- Any communications that are not fiduciary investment advice (as contemplated in section 4975(e)(3) of the Code).

### **Services Provided**

On April 16, 2016 the Department of Labor issued a final rule expanding the investment advice fiduciary definition. The rule expands the circumstances in which broker/dealers and investment advisors are treated as fiduciaries to ERISA plans and individual retirement accounts (IRA'S). In connection with the rule, Cresap, Inc. is providing the following information about our services with respect to retirement accounts.

Cresap, Inc. is a broker/dealer registered with the SEC and FINRA, and an investment advisor registered with SEC.

Cresap, Inc. licenses registered representatives who may charge commissions and other sales charges to clients on a transaction by transaction basis. These transactions generate revenue to the firm, and the firm compensates its registered representatives from this revenue. This type of account is a brokerage account.

Cresap, Inc. registered representatives who are also licensed with the Cresap, Inc. investment advisor may charge a fee to a client based on the value of the client's account. This is an advisory account. There are no commission charges or account maintenance fees in advisory accounts held within the Cresap, Inc. investment advisor.

### **Material Conflicts of Interest**

In any relationship between a client and a provider of financial products and services there may be conflicts of interest. The firm believes that clients should beware of the potential material conflicts of interest described below.

### **Brokerage accounts**

In a brokerage account, a client may pay commissions on transactions in stocks, ETF's, options and other products that trade on exchanges. The amount of the commission will depend upon the number of shares, the dollar value of the transaction and any applicable discounts. On bond transactions the firm may earn a mark-up that is not disclosed on the confirmation. In general, the percentage mark-up will depend upon the dollar value of the transaction. Certain equity transactions, usually new issues of preferred stock, may be billed to the client as a principal transaction, in which the compensation paid to the firm is not disclosed. On mutual fund purchases there may be an up-front sales charge and may be trailing commissions known as 12b-1 fees. Commissions, mark-ups, sales charges and trail commissions are collected by the firm and used to pay registered representatives. In a brokerage IRA, our Clearing Firm charges an annual maintenance fee. As a general matter, the greater level of activity in a brokerage account, the greater the firm's revenue and the registered representative's compensation. The correlation may not be exact because commissions and mark-ups are negotiable and certain clients may receive discounts.

For mutual funds, the firm generally recommends 'C' shares or 'A' shares. The 'C' class of shares generally has a lower up front charge and pays trail commissions (12b-1) to the firm. The 'A' class shares typically pay a higher up front charge and trail commissions. Trail commissions for 'A' shares are generally lower than for 'C' shares. For both classes of shares the trail commission that is paid to the firm is paid from the annual management fee that the fund deducts from the client's account at the fund. Because the annual management fee is lower for 'A' shares, they are usually more appropriate for longer holding periods. Also, for very large purchases or additions to very large accounts within a particular fund, 'A' share purchases may be more advantageous to the client because of available discounts on the front end sales charge. The firm constantly monitors accounts to ensure that mutual fund purchases are appropriate for clients.

From transaction charges in a brokerage account, the firm collects revenue that it uses to pay registered representatives. The firm does not provide incentives, financial or otherwise, that would induce a registered representative to select one product or security versus another. Certain products or securities do result in higher charges to clients. Except for mutual funds, these charges are negotiable. A registered representative may have an incentive to execute more transactions in order to earn more commissions. In addition, a registered representative may be paid on a "grid" basis such that as higher aggregate revenues are realized from that individual's total client base, a higher percentage payout of revenues in the form of commissions is achieved. The firm monitors client accounts to ensure that transaction charges in client accounts are fair and reasonable.

### **Advisory Accounts**

Clients may choose to have an advisory account and to pay a fee based on a percentage of the value of the account. While the fee is initially fixed, the amount that the firm collects will vary depending on the value of the account. An account fee may be tiered such that a certain percentage is charge up to a predetermined level, and a smaller fee is charged above that level. The fee is negotiable on any account above a certain minimum. From the advisory fees that the firm collects, the firm pays its registered representatives/advisors. The firm does not provide any incentive to open an advisory account versus a brokerage account. As the aggregate amount of fee revenues from accounts managed by an individual or team rises, the payout percentage to that individual or team may increase. There is no annual IRA maintenance fee for an advisory account.

### **Proprietary Products and Third Party Payments**

Cresap, Inc. does not offer proprietary products.

The firm benefits from total customer assets held in our Clearing Firm's Cash Sweep Program. The firm provides no incentive to its registered representatives/advisors to hold assets in this program and does not share the financial benefit with associates.

**About this Disclosure.** Consistent with applicable DOL Rules and regulations, we will not be deemed to have failed to satisfy any disclosure obligations or violate a contractual provision solely because we, acting in good faith and with reasonable diligence, make an error or omission in disclosing the required information, provided we disclose the correct information as soon as practicable, but not later than 30 days after the date on which we discover or reasonably should have discovered the error or omission.

This disclosure applies to any Covered Recommendation we provide to you with respect to your Retirement Account from April 10, 2017 through December 31, 2017. This disclosure will become void and will not apply if the DOL regulations regarding investment advice, or the provisions of the BIC Exemption and PT Exemption that require this disclosure, are revoked or otherwise do not become effective.

Only you are entitled to rely on this Disclosure. If any provision of this Disclosure is held to be unenforceable, illegal, or invalid by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect. This disclosure does not amend or supersede any of your existing agreements with us or our affiliates, including without limitation your client agreement. Except as specifically provided otherwise in this Disclosure, this Disclosure does not take precedence, nor is it controlling over, those agreements, including, but not limited to, applicable termination, damages limitations, claims and arbitration, and choice of law.