VBC Securities, LLC
Brokerage Services Disclosure Brochure

VBC Securities, LLC ("VBC") is a broker-dealer registered with the United States Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, a member of the Financial Industry Regulatory Authority ("FINRA"), and a member of the Securities Investor Protection Corporation ("SIPC"). VBC provides retail investors like you services in capacity as a broker-dealer providing *brokerage services.*

This brochure addresses brokerage services only. VBC and your financial professional must provide this disclosure to you before or at the time a recommendation is made, as explained below.

The purpose of this brochure is to further explain the scope and terms of the relationship among VBC, VBC's financial professional, and you as a retail customer of VBC. In this brochure, we explain the following: (i) VBC and your financial professional act as a broker-dealer and an associated person of a broker-dealer; (ii) the type and scope of services provided to you, including certain limitations on the securities or investment strategies involving securities that may be recommended to you; (iii) the fees and costs that apply to your transactions, holdings, and accounts; and, (iv) the conflicts of interest that are associated with the recommendations we make.

The brochure expands upon the information about its brokerage services provided to you in VBC's ***Customer Relationship Summary***, which VBC or your financial professional provided to you.

VBC and Your Financial Professional act as a Broker-Dealer and an Associated Person of a Broker-Dealer

VBC is a broker-dealer that provides brokerage services to you and other customers. Brokerage services include the purchase, sale, and exchange of securities. In connection with the provision of brokerage services, your financial professional, who is an associated person of VBC, will make recommendations to you (i) regarding the decision to open one or more brokerage accounts with VBC, (ii) regarding the decision to buy, sell, exchange, or hold securities in your brokerage account(s), and (iii) regarding the conduct of certain investment strategies.

When providing brokerage services and making related recommendations, neither VBC nor your financial professional provide fiduciary investment advice. However, we will provide investment advice so long as doing so is incidental to VBC's primary business as a broker-dealer, which is the purchasing, selling, and exchanging of securities for its customers. While VBC and your financial professional are not subject to a fiduciary standard like they would be when they provide investment advisory services, which are described in the Customer Relationship Summary, VBC and your financial professional must comply with the SEC's "Regulation Best Interest" when we make a recommendation to you. The SEC's Regulation Best Interest requires that VBC and your financial professional, when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer like you, act in your best interest, without placing the financial or other interests of VBC and your financial professional ahead of your interests. In order to do so, the SEC requires, among other things, that VBC disclose to you the information found in this Brochure.

Type and Scope of Services Provided to You

As discussed, VBC's brokerage services include the purchase, sale and exchange of securities. In connection with the provision of such services, VBC and your financial professional will make recommendations to you (i) regarding the decision to open one or more brokerage accounts with VBC, (ii) regarding the decision to buy, sell, exchange, or hold securities in your brokerage account(s), and (iii) regarding the conduct of certain investment strategies. Each of these recommendations is explained in more detail below.

Recommendations to Open One or More Accounts:
Your financial professional may recommend that you open one or more brokerage accounts held at VBC. There are different types of brokerage accounts offered by VBC that include the following:

- Traditional Individual Retirement Accounts (IRAs)
- Roth IRAs
- Retirement Plan Accounts
- 529 Plan Accounts
- Coverdell Education Savings Accounts
- Uniform Gift to Minors Act (UGMA) Accounts
- Uniform Transfer to Minors Act (UTMA) Accounts
- Trust Accounts
- Individual Taxable Accounts
- Margin Accounts
- Option Accounts

In connection with your brokerage account(s), VBC will provide brokerage services. As explained below, with regard to the securities in your account, your financial professional also may make recommendations regarding whether to buy, sell, or exchange securities and recommendations with regard to certain investment strategies. VBC opens brokerage accounts on your behalf with Hilltop Securities, Inc. ("HTS"), VBC's clearing firm, when you complete HTS' new account application form. VBC also may open accounts on your behalf directly with a mutual fund company or with an insurance company providing variable annuity products when you complete those firms new account application forms.

We do not have account minimums for new accounts, but we do analyze whether to onboard prospective customers on a case-by-case basis, and we may consider the size of an account in that analysis.

Recommendations to Buy, Sell, or Exchange Securities:
VBC and your financial professional make recommendations to you whether to buy, sell, exchange, or hold securities in your account(s). Your financial professional will do this upon your request or if he or she voluntarily reviews your account(s) in order to make a recommendation. However, your financial professional will not monitor your account(s) on a regular basis unless he or she agrees to do so as described below under "Monitoring."

Agency vs. Principal Trades: When VBC and your financial professional make recommendations whether to buy, sell, exchange, or hold securities, they may do so as your *agent* or as *principal*.

- When we engage in an agency trade, we act as an intermediary between you and the buyer of a security when you sell the security and between you and a seller of the security when you buy a security. VBC does not own or have some other beneficial interest in the securities involved in a sale, purchase, or exchange transaction. In these circumstances, VBC acts as a broker.

- When we engage in a principal trade, it is to accommodate a customer's request to purchase a security. VBC buys for an account in which VBC temporarily has a beneficial ownership interest to facilitate the trade for you on the day of the trade. In other words, VBC sells to you a security that it holds in its own account. In these circumstances, VBC acts as principal (also called a dealer).

Securities: As discussed, VBC and its financial professionals may recommend that you buy, sell, exchange, or hold securities. A "security" is a term that includes a broad range of investments that you may buy, sell, or exchange through your account(s) including, but not limited to, corporate stocks, corporate bonds, government bonds (such as municipal bonds), open-end and closed-end mutual funds, exchange traded funds, real estate investment trusts, options (including calls and puts), straddles, certificates of deposit, and warrants.

Recommendations of Investment Strategies:
VBC and your financial professional may recommend to you one or more investment strategies. An investment strategy is the application of a series of securities transactions or investments in certain types of securities for the purpose of accomplishing a specific investment or economic outcome. For example, rather than merely recommending securities that fall within a broad asset class like equities or bonds, your financial professional may recommend to you more specific types of securities, such as high dividend companies, or securities within a market sector. A strategy would also include recommendations to you to use bond laddering, margin strategy or an options strategy, even if specific securities are not recommended.

A strategy also includes a recommendation of an account as described earlier in this brochure. In connection with recommending that you open one or more accounts, your financial professional will often recommend that you sell the assets held in an account held somewhere other than VBC and rollover or transfer the proceeds to one or more VBC accounts opened on your behalf with VBC's clearing firm, HTS, or directly with a mutual fund company. For example, your financial professional may recommend that you sell the assets held in your workplace retirement plan (for example, a 401(k) plan) and roll over the cash proceeds into an IRA.

Bases for Our Recommendations and Limitations on Our Recommendations:
As discussed, VBC and your financial professional may recommend a broad array of accounts, securities, and investment strategies. Any recommendation will be based upon the information you provide your financial professional including information you provide in a customer profile in your account application. Our intent is to only make recommendations that meet your financial needs, while also considering your risk tolerances, investment experience, and other factors we learn from a customer profile you complete for us when you open an account.

Additionally, we will only make a recommendation that is in your best interest as required by Regulation Best Interest. This means that we may not be in a position to recommend every account, security, or strategy to you. For example, if you have a relatively low tolerance for investment risk or you have a relatively small of amount of assets to invest, we likely would not recommend that you open a margin or option account because trading on margin and trading options pose a high degree of investment risk and potential for investment losses.

Additionally, the issuers of certain securities may prohibit investors who do not meet certain investment minimums or who do not meet certain requirements designed to verify that you meet a minimum level of investment sophistication. Therefore, we will not recommend such securities to you unless you meet those requirements.

If you are interested in receiving recommendations about securities and related strategies that your financial professional does not have the appropriate licenses to make, please notify your financial professional and VBC will accommodate you if it is a product that we offer.

Investment Risks:
While we will take reasonable care in developing and making recommendations to you, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Some securities and investment strategies involve more investment risk than others. For example, "short" sales and certain kinds of option trades can result in unlimited losses. Furthermore, some of the securities that we recommend have limited liquidity, which means that you may not be able to sell those securities for many months or even years in the future.

There are other risks associated with investing in securities. You should consult any available offering documents for any security we recommend for a discussion of risks associated with the product. Offering documents include prospectuses, offering memorandums, and similar documents. We can provide those documents to you, or help you find them. If offering documents or other written disclosures are not available with regard to a particular security, your financial professional will explain any investment risks to you.

Monitoring Your Account(s):
Your financial professional does not monitor your account(s) unless he or she specifically agrees to monitor your account(s). Monitoring involves your financial professional specifically agreeing

to periodically review (monthly, quarterly, semi-annually, or annually) one or more of your accounts.

If your financial professional agrees to monitor one or more of your accounts, he or she will automatically do so. Monitoring involves the review of reports provided by VBC to your financial professional so he or she may determine whether he or she should recommend that you buy, sell, or exchange the securities held in your account(s) or make additional recommendations with regard to an investment strategy. For example, he or she may review your account to determine if your account assets should be reallocated or if adjustments should be made with regard to a bond laddering strategy. If, after performing the monitoring, your financial professional does not communicate with you verbally or in writing about whether any action should be taken, consider such inaction as a hold recommendation, meaning no changes are recommended.

Your financial professional will disclose to you in writing whether he or she will monitor your accounts, the accounts he or she will monitor, and the frequency with which he or she will monitor your account or accounts.

Fees and Costs that Apply to Your Transactions, Holdings, and Accounts

The following describes the material fees and costs that you directly or indirectly will pay for brokerage services. These fees and costs are paid to VBC. In turn, a portion of these fees and costs are paid to your financial professional, which we explain below under "Compensation of Your Financial Professional."

Commissions:
When VBC acts as your agent, VBC charges you a commission when VBC executes a purchase, sale or exchange transaction of a security. A commission is a flat dollar amount, e.g. $50, per trade. The commission amount is deducted from your account(s). The minimum commission you will pay for any transaction involving a stock, option, mutual fund or bond is listed on the *Fee Schedule for Commission Based Accounts* shown below for your brokerage account held at HTS. The commission(s) will be deducted from your account.

The amount of the commission can vary depending on certain factors such as the price of the shares and the number of shares involved in the trade. Commissions for options trades will be higher than equities. The commissions for options tend to be higher because the trades require more sophisticated analysis and involve more documentation by VBC and your financial professional.

For bonds, the maximum commission amount is $15 per bond. When VBC acts as agent and receives a commission for these fixed income securities sold through HTS. HTS is the principal in these transactions, for which HTS receives a "mark-up" or "spread" rather than a commission, as explained below under *Mark-ups and Mark-downs*. When VBC acts as principal, VBC will execute the trade through HTS' trading desk. VBC will receive a mark-up or mark-down that is equal to the commission charged when VBC acts as agent.

Fee Schedule for Commission Based Accounts[6]

When you purchase or sell a security, you pay a commission or fee. The amount you pay depends on the amount of principal involved. The tables below show our fees per trade[1].

Stocks and ETFs[3,4]

Range	Principal Amount Value[2]	Fee	Maximum Fee in Range
1	$0 - $10,000	1.50%	$150
2	$10,001 - $40,000	1.25%	$500
3	$40,001 - $70,000	1.00%	$700
4	$70,001 - $100,000	0.75%	$750
5	$100,001 and above	Negotiated	Negotiated

Options

$50.00 plus $1 per contract

Mutual Funds

Networked Mutual Funds[5]	Transaction Fee - $50.00
Non-Networked Mutual Funds	Transaction Fee - $100.00
Load Funds	Stated load

Bonds[3]

Corporate	Maximum $15.00 per bond
Municipals	Maximum $15.00 per bond

1 - Each trade has a $4.85 miscellaneous fee to cover administrative costs per trade.
2 - Principal amount calculated by multiplying the number of shares by the share's market price.
3 - Minimum commission is $50.00.
4 - If principal amount of an equity trade falls below $500, the trade will be done at cost.
5 - Networking is the U.S. industry standard for reconciling accounts and processing dividends and capital gains for mutual funds and other pooled investments. Networking streamlines the reconciliation of account records through efficient transmission of data between funds and intermediaries.
6 - Other account fees, fund expenses, brokerage commissions and service fees may apply.

The above fees are effective June 2020.

Mark-ups and Mark-downs:
When HTS acts as principal, VBC will charge a commission as described on the *Fee Schedule for Commission Based Accounts*. HTS will receive a mark-up or mark-down. This means that when HTS sells you a security from its inventory, HTS will sell the security to you at a price that is higher than the market price of the security. The difference between the sales price and the market price (or "spread") is the "mark-up" and is a form of compensation paid to HTS.
On the other hand, if HTS buys a security from you for purposes of taking that security into its

own inventory, HTS often will buy the security from you at a price that is lower than the market price. The spread between the purchase price paid to you and the market price is called a "mark-down."

The "mark-down" is not compensation. However, HTS may then sell that security to another customer or a third party. If the sales price is higher than the price that HTS purchased the security from you, the difference or spread is compensation paid to HTS.

When VBC acts as principal, VBC will execute the trade through HTS' trading desk. VBC will receive a mark-up or mark-down that is equal to the commission charged when VBC acts as agent.

Mutual Fund-Related Compensation:
When you purchase or sell mutual fund shares, you pay compensation to VBC in connection with such purchase and sale transactions. In addition, VBC may also receive compensation from the mutual fund. VBC receives this compensation in exchange for the analysis required to make a recommendation, processing your securities transactions, and performing services on behalf of the fund such as distribution of fund-related documents.

Commissions, Loads and Contingent Deferred Sales Charges
You may be charged a commission in connection with the purchase or sale of your mutual fund shares. The commissions are like those described above with regard to trades of stocks. However, more commonly, you will pay a "sales load" in connection with a mutual fund transaction. A load is expressed as a percentage of the value of your investment in the fund. Therefore, the amount of your investment in a mutual fund is equal to the difference between the investment value per share of the mutual fund (called the "net asset value" or "NAV") and the total sales charge. The loads that may be charged generally fall within a range of 2% and 5%, but will not exceed 8.5%.

A sales load that you pay when you purchase fund shares is called a "front-end load." A sales load that you pay when you sell your mutual fund shares is a "back-end load," which is often called a "contingent deferred sales charge" or "CDSC." The mutual fund often will reduce or eliminate the back-end load/CDSC if you hold your shares for a period of time, e.g., 2 years.

Each mutual fund may charge different loads, while some do not charge loads (called "no load" funds). In addition, most mutual funds issue different share classes. The amount of the load or the type of load (front-end load or back-end load) will vary based on the share class you purchase. Some share classes are "no load." Loads are paid to VBC in exchange for providing brokerage services in connection with the funds.

12b-1 Fees
Many mutual funds that VBC and your financial professional recommend to you pay VBC 12b-1 fees. Not all mutual funds pay 12b-1 fees and some mutual funds pay 12b-1 fees only if you purchase certain share classes. The amount of 12b-1 fees paid varies by mutual fund and/or mutual fund family. The 12b-1 fees of the funds recommended by VBC and your financial professional generally 0.25% of a fund's average net assets per year.

However, they will never be more than 0.75% of a fund's average net assets per year. The fees are paid to VBC and your financial professional for distribution of the fund's shares and may be in addition to any sales loads. The fees are not paid from your account(s), but are paid from the mutual fund. As a result, the fees reduce the fund's net asset value and thus the value of an investment in the fund. A 12b-1 fee is a form of indirect compensation paid by all investors in the mutual fund or mutual fund share class.

Sub-transfer Agent and Shareholder Servicing Fees

Mutual funds often pay to HTS, called sub-transfer agent fees and shareholder servicing fees, in exchange for providing certain shareholder services on behalf of the funds, such as accounting and recordkeeping services. These fees are a percentage of the fund's average net assets per year and the percentage paid to HTS generally 0.25% though that number can be higher or lower. The fees are not paid from your account(s), but are paid from the mutual fund. As a result, the fees reduce the fund's net asset value and thus the value of an investment in the fund. Therefore, these fees are a form of indirect compensation paid by all investors in the mutual fund. Generally, whether HTS receives these fees is not dependent on the share class in which you invest. HTS will share a portion of the Shareholder Servicing Fee with VBC. If you purchase mutual fund share through VBC directly with a mutual fund company, that mutual fund company may pay VBC a 0.25% Shareholder Servicing Fee.

As discussed, the fees and costs connected to your purchase and sale of mutual fund shares vary by fund and fund share class. You may not be eligible to purchase all share classes. For example, some share classes are only available to institutional investors or certain retirement plans. You can learn more about these fees by reviewing the mutual funds' prospectuses, which your financial professional can make available to you.

Other Fees and Costs:

HTS charges you a number of fees connected to your account(s). These fees compensate HTS for maintaining your accounts, performing certain transactions involving your account(s), reporting requests, and other services. These fees are deducted from your account(s). For example, HTS charges an annual fee to maintain individual retirement accounts or tax-qualified retirement plan accounts because of the rules to which such accounts are subject under the Internal Revenue Code and the Employee Retirement Income Security Act of 1974. HTS may also charge an account termination fee. Furthermore, if you trade securities on margin, which means you borrow money from HTS to purchase securities for the purpose of selling those securities at a later date (a "short sale"), you will pay HTS interest for the period of time you borrow from HTS. This is only a brief description of the other fees and costs that may be charged.

When you open a brokerage account with VBC, VBC and your financial professional provides you with HTS' ***Correspondent Customer Information Brochure*** that lists all of these other fees and costs. You can obtain the current copy by contacting VBC, on the VBC website under *Disclosures* or via the internet at https://www.hilltopsecurities.com/disclosures/customer-information-brochure/. Please select *Correspondent Customer Information Brochure* on the list.

Compensation of Your Financial Professional:

VBC pays compensation to your financial professional. The amount of that compensation is a percentage of revenue that he or she generates for VBC or an annual salary. The revenue includes the above discussed commissions, loads, contingent deferred sales charges, and 12b-1 fees. The revenue paid to your financial professional also includes revenue VBC receives in connection with the sale of other products and services not discussed in this Brochure such as insurance products.

Additionally, if your financial professional is not receiving an annual salary, the percentage of the revenue paid to your financial professional increases if he or she meets certain revenue thresholds. Thus, for example, if he or she generates revenue for VBC of a certain amount, the percentage he or she receives is 50%, but if he or she exceeds a certain dollar threshold, that percentage will increase, e.g., 70%.

Conflicts of Interest

When VBC and your financial professional make recommendations to you, they act in the face of certain "conflicts of interest." According to the SEC, a conflict of interest is an interest that might incline VBC or your financial professional, consciously or unconsciously, to make a recommendation that is not disinterested. In order to comply with SEC's Regulation Best Interest, VBC and your financial professional are required to disclose material conflicts of interest. In addition, VBC and your financial professional follow procedures to address these conflicts, as required by Regulation Best Interest. FINRA also requires that we take other measures to protect your interests including a "best execution" requirement with regard to the price at which we execute securities transactions.

Commissions and Other Transaction-Based Compensation
When VBC, acting as your agent, purchases, sells, or exchanges a security, VBC typically receives a commission for trades of non-mutual fund securities and, on occasion, for trades of mutual fund securities. VBC determines the amount of the commission you pay for each trade. VBC and your financial professional may charge you different commission amounts depending on the type of security involved in the trade or different commission amounts for the same type of security.

In connection with mutual fund transactions, VBC receives 12b-1 fees, front-end loads, back-end loads and CDSCs. As discussed, mutual funds that we recommend offer different share classes. Depending on the share class that you purchase, sell, or exchange, VBC may or may not receive 12b-1 fees, loads and CDSCs and/or the amount of such fees may vary by share class. Additionally, some mutual funds do not pay 12b-1 fees, loads and CDSCs, while some mutual funds pay more 12b-1 fees, loads and CDSCs than other mutual funds. Commissions, 12b-1 fees, front-end loads, back-end loads and CDSCs are often called "transaction-based compensation."

VBC has an incentive to recommend that you sell, buy, or exchange securities more frequently because doing so increases the transaction-based compensation VBC receives, which is called "churning." Additionally, VBC has an incentive to recommend that you engage in transactions involving securities for which it may charge higher commissions (e.g., options) than what may be charged for other securities (e.g., domestic stocks). VBC also has an incentive to recommend mutual funds or share classes of mutual funds that pay VBC more compensation.
Third Party Payments and Revenue Sharing:

VBC receives shareholder servicing fees, and other payments based upon the amount of assets invested from mutual funds in which you and other customers invest. Such payments are called "third party payments." The amount of third-party payments VBC receives often varies by mutual fund or mutual fund family. VBC also receives payments from some insurers and other financial services companies. Such payments are called "revenue sharing" and are based upon the amount of assets invested with these partners. Revenue sharing is paid from the assets of the partner rather than the investment products.

VBC has an incentive to make available and recommend to its customers mutual funds that pay third party payments or pay higher amounts of third-party payments. Similarly, we have an incentive to make available and recommend mutual funds and other securities connected to partners who pay revenue sharing or larger amounts of revenue sharing.

Limitations on Your Financial Professional's Ability to Make Certain Recommendations:
As discussed, your financial professional may not be licensed to provide investment advisory services. Therefore, he or she has an interest in not recommending that you open an advisory account with a Registered Investment Adviser, which may not be in your interest. Additionally, if your financial professional is not licensed to recommend commodities futures, foreign exchange transactions or insurance products, he or she cannot recommend those securities or related strategies even if purchasing such securities or taking advantage of such strategies is in your interest.

In order for VBC and your financial professional to provide brokerage services including such recommendations, VBC and your financial professional have an interest in recommending that you open one or more accounts with VBC, liquidate your holdings at another firm, and move your assets to the VBC account. VBC and your financial professional are incentivized to make such a recommendation even if doing so is contrary to your interest because we only receive compensation for providing brokerage services if the assets are held by VBC. For example, if you have an account in your employer's retirement plan, VBC and your financial professional have an interest in recommending that you take a distribution from your retirement plan account and rollover the proceeds to an individual retirement account (IRA) held at VBC. VBC and your financial professional also have an incentive to recommend that you liquidate your brokerage account at another broker-dealer and transfer the proceeds to one or more accounts held at VBC. Additionally, with regard to your accounts held at VBC, your financial professional has an incentive to recommend that you sell assets in your account and withdraw the proceeds so that you may purchase other products and services from VBC.

Compensation of Your Financial Professional:
The manner in which your financial professional is compensated creates conflicts of interest. Your financial professional has an incentive to recommend that you engage in more transactions in order to generate more commissions, loads, contingent deferred sales charges, and 12b-1 fees for HTS, which as noted above is called churning. Furthermore, your financial professional has an incentive to recommend that you enter into trades that generate larger commissions or recommend mutual funds or share classes that generate larger loads, contingent deferred sales charges and 12b-1 fees. He or she also has an incentive that you move your accounts from your employer retirement plan or other financial institutions to VBC, even if doing so is not in your interest.

As an inducement to your financial professional to leave another broker-dealer and join VBC as a representative, VBC may pay your financial professional one or more cash bonuses. The bonus will be based upon the number of clients, the number of client accounts, the amount of assets brought to VBC and/or other similar metrics. Therefore, your financial professional has an incentive to recommend that you liquidate your account at another broker-dealer and transfer those amounts to one or more VBC accounts, even if such transfer is not in your interest.

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