

Alterna Securities, Inc.
Regulation Best Interest Disclosure
Document

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Alterna Securities, Inc. ("Alterna", "ASI" or "the Firm") is providing this Disclosure Document to you to ensure that you are informed about the services offered by Alterna and your relationship with the Firm. This Disclosure Document provides you with details of the following:

- Information relating to the scope and terms of the Firm's relationship with you; and,
- Information relating to the conflicts of interest that exist for the Firm's Financial Professionals in connection with the recommendations made to you.

You are encouraged to review this Disclosure Document in detail and contact your Financial Professional with any questions you may have. You can access this Disclosure Document via the Firm's website at www.alternasecurities.com. You may also request a copy of this Disclosure Document by contacting your Financial Professional directly.

Understanding Alterna

ASI is registered with the United States Securities and Exchange Commission ("SEC") as a broker-dealer and Alterna Wealth Management, Inc. ("AWM") is registered with the SEC as an investment adviser. AWM and ASI are affiliates.

ASI is a member of the Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB) and the Securities Investor Protection Corporation (SIPC). Brokerage and investment advisory services differ and it is important for you to understand these differences. You should carefully consider these differences when deciding which type, or combination of types, of services and accounts are right for you, and you should discuss these differences and address any questions you may have with your Financial Professional.

Detailed information regarding the differences between our broker-dealer services and our investment advisory services is available in Form CRS, which is available at www.alternasecurities.com. You may also request a copy of Form CRS from your Financial Professional. Additionally, free and simple tools are available for you to research firms and financial professionals at Investor.gov/CRS, which also provides educational materials about broker-dealers, investment advisers, and investing.

Brokerage services are separate and distinct from advisory services. ASI's brokerage and AWM's advisory services are governed by different laws and regulations and different terms and conditions within your account agreements. As a result, the legal duties and contractual obligations to you will differ depending upon whether you open a brokerage with ASI or an advisory account with AWM.

Brokerage services and advisory services have different costs, levels of service, and expenses. They are designed to address different investment needs, and certain brokerage and advisory services may not be appropriate for you. For example, advisory services may not be appropriate for you if you have low or no trading activity, maintain high levels of cash in your account, or tend to execute transactions without the recommendation or advice of an advisor. Before opening an account, you should carefully consider and discuss with your Financial Professional, in light of your particular circumstances, the services, risks, and expenses associated with the brokerage or advisory service.

If you have one or more brokerage accounts and also have one or more advisory accounts, we will provide both services to you accordingly. The fact that you have an advisory account does not mean that

ASI has fiduciary obligations to you when providing brokerage services or handling your brokerage accounts. All recommendations regarding your brokerage account will be made in a broker-dealer capacity, and all recommendations regarding your advisory account will be made in an advisory capacity. Your Financial Professional will identify the account for which they are making a recommendation.

Brokerage Services

When you establish a brokerage account with ASI, you have the ability to buy, sell and hold investments within your account. The primary service we provide is our trading capability. We execute purchases and sales on your behalf, and as directed by you. With your consent, we can also act in a discretionary capacity to rebalance and make changes to your mutual fund portfolios. In a brokerage services relationship we can trade with you for our own account, for an affiliate or for another client, and we can earn a profit on those trades. The capacity in which we act is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

ASI maintains a product neutral open platform, meaning that ASI Financial Professionals are not restricted to offering you proprietary investments and can recommend investments to you based on your investor profile. Your Financial Professional will provide, supplement, or correct any written disclosure with verbal disclosure as necessary prior to or at the time of the recommendation.

ASI requires minimum dollar amount to establish a brokerage account. If you either fail to fund your account or do not return account opening documents as required, your account will be closed.

ASI provides brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, Pershing LLC ("Pershing"). This is generally referred to as a "margin loan." The portion of the purchase price that is loaned to you is secured by securities in your account, also referred to as "collateral." You will incur interest costs as a result of your margin activity.

While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes.

Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, our default brokerage option is our cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us. For more information on our margin brokerage services, contact your Financial Professional.

ASI offers many different brokerage account types including individual and joint accounts, custodial accounts, Delivery Versus Payment (DVP) accounts, estate and trust accounts, partnership accounts, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s). You should refer to your account agreement(s) for more information concerning available account types or speak with your Financial Professional.

Within your brokerage account, ASI may also provide other incidental services such as research reports, and recommendations to buy, sell, or hold assets. When your Financial Professional makes a securities

recommendation, investment strategy recommendation or recommendation to rollover assets from a Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, when acting in a brokerage capacity, ASI does not agree to enter into a fiduciary relationship with you.

It is important for you to understand that when your Financial Professional makes a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. You may accept or reject any recommendation. It is also your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. ASI does not commit to provide on-going monitoring of your brokerage account. If you prefer on-going monitoring of your account or investments, you should speak with your Financial Professional about whether an advisory services relationship is more appropriate for you.

Please also consider that from time to time ASI may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When ASI offers these services and information, it does so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, your Financial Professional will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

ASI has entered into an agreement with Pershing to carry your account and provide certain back office functions. ASI and Pershing share responsibilities with respect to your account as set forth in the new account documentation that was delivered to you upon opening of your account. For more information regarding ASI's agreement with Pershing, contact your Financial Professional.

Understanding Risk

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Further, some investments involve more risk than other investments. Higher-risk investments may have the potential for higher returns but also for greater losses. The higher your "risk tolerance," meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more you may decide to invest in higher-risk investments offering the potential for greater returns. ASI aligns risk tolerances with investment needs to offer you different investment objectives from which to choose. You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs.

Investment goals typically have different time horizons and different income and growth objectives. ASI's recommendations are based in part on your risk tolerance and investment objective. ASI encourages you to carefully consider your investment objective and risk tolerance before investing.

Brokerage Fees and Compensation

It is important to consider that while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

You will pay transaction-based fees for trades you decide to enter into, such as buying and selling stocks, bonds, Exchange Traded Funds (ETFs), mutual funds, options, variable annuities and other investment purchases and sales. These transaction-based fees are generally referred to as a "commission," "mark up," "sales load," or a "sales charge." Transaction-based fees are based on a host of factors, including, but not limited to:

- Underlying product selection
- Your brokerage service model and account type
- Size of your transaction and/or overall value of your account
- Frequency of your trade activity
- Available discounts and/or fee waivers

No matter which type of account or investment you select, or whether you make or lose money, you will have expenses that reduce any amount of money you make on your investments over time. Please make sure you understand the expenses you are paying.

The commissions you pay when buying and selling securities in a brokerage account may be higher or lower than the fees paid if you held those securities in an advisory account, depending on the number of securities transactions, the type of securities purchased or sold, and other variables. For additional information about the costs associated with our brokerage services, please refer to ASI's commission schedule. You can obtain a copy of the commission schedule by contacting your Financial Professional.

Conflicts of Interest

A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our financial professionals, our clients and third parties. We offer a broad range of investment services and products and we receive various forms of compensation from our clients, affiliated and non-affiliated product providers and money managers, and other third parties as

described above. Securities rules allow for us, our financial professionals, and our affiliates to earn compensation when we provide brokerage services to you. However, the compensation that we and our financial professionals receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation to us.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you. Below you will find additional information related to our conflicts of interest. This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship. In addition to this disclosure, conflicts of interest are disclosed to you in your account agreement(s) and disclosure documents, our product guides and other information we make available to you.

Transaction-based Conflicts

In your brokerage account you pay certain fees (commissions and sales charges) in connection with the buying and selling of each investment product, including mutual funds, variable annuities, alternative investments, exchange traded funds, equity securities, and bonds. Where these fees apply, the more transactions you enter into, the more compensation that we and your financial professional receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all.

Markups/Markdowns

When you buy or sell securities in a brokerage account, and in accordance with industry regulations, we may impose a markup (increase) or markdown (decrease) in the price of transactions we execute on a principal basis. We are compensated based upon the difference (markup) between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price, or the difference (markdown) between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price. We maintain policies and procedures reasonably designed to help ensure compliance with the markup and markdown industry rules.

Margin Loan Interest

If you have a margin account with us that is custodied by Pershing, where Pershing extends credit (a loan) to you for the purpose of purchasing, carrying, or trading in securities, we generally charge you interest on the outstanding balance of all credit extended to you by Pershing. A portion of these interest charges compensates Pershing for the cost and risk of lending money to you. We retain a portion of these interest charges to compensate us for services we provide, and reimburse us for expenses we incur, in connection with your margin account. Annual margin interest rates typically range from 0.85% to 3.00% above the National Financial Base Lending Rate (the "NFBLR") depending on your average margin debit balance. The NFBLR is set at Pershing's discretion with reference to commercially recognized interest rates, industry conditions regarding the extension of credit, and general credit conditions. The margin interest rate you will pay will change without notice to you as the NFBLR and

your average margin debit balance change. You will pay margin interest monthly. For detailed information on margin trading, including interest rates, interest calculation methodologies, and other important matters, please review your Margin Account Application and Agreement, including the Margin Disclosure Statement and Disclosure of Credit Terms on Transactions included therewith, which you received or will receive in connection with your application for margin trading privileges.

Administrative Fees

For the services we provide or make available to you with respect to your brokerage account, we charge certain account maintenance and other administrative fees, including transfer, wire, or other miscellaneous fees, as described in the fee schedule provided to you on an annual basis. The higher the fees we charge, the more we are compensated.

Third-Party Compensation

Third-party payments we receive may be based on new sales of investment products, creating an incentive for us to recommend you buy and sell, rather than hold, investments. In other cases, these payments are made on an ongoing basis as a percentage of invested assets, creating an incentive for us to recommend that you buy and hold investments (or continue to invest through a third-party manager or adviser).

The total amount of payments we receive varies from product to product, and varies with respect to the third-party investment management products we recommend. It also varies from the compensation we receive in connection with other products and services we may make available to you, including advisory services. We have an incentive to recommend investment products and services that generate greater payments to us. This compensation generally represents an expense embedded in the investment products and services that is borne by investors, even where it is not paid by the Product Sponsor and not directly from the investment product or other fees you pay. The types of third-party compensation we receive include:

- **Revenue Sharing.** The firm receives compensation in the nature of selling group compensation for certain products and sharing in operational and other revenue with its clearing firm as described more fully in this document above.
- **Trail Compensation.** Ongoing compensation from Product Sponsors may be received by us and shared with our financial advisors. This compensation (commonly known as trails, service fees or Rule 12b-1 fees in the case of mutual funds) is typically paid from the assets of the investment product under a distribution or servicing arrangement and is calculated as an annual percentage of invested assets. The amount of this compensation varies from product to product. We have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.

ASI and our financial professionals, associates, employees, and agents receive additional compensation from Product Sponsors and other third parties including:

- Gifts and awards, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospective clients.

- Payment or reimbursement for the costs associated with education or training events that are attended by our employees, agents, and financial professionals, and for conferences and events that we sponsor.
- Reimbursement from Product Sponsors for research and technology-related costs, such as those to build systems, tools, and new features to aid in servicing clients.
- Payment and/or revenue sharing with third party credit card vendors. Depending on the amount of assets invested at ASI, you may qualify for a credit card.

It is important to note that the amount of these payments is not dependent or related to the level of assets you or any other of our clients invest in or with the Product Sponsor.

Some Product Sponsors offer multiple structures of the same product (e.g., mutual fund share classes) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are incentivized to make available those share classes or other product structures that will generate the highest compensation to us.

Financial Professional Compensation

Financial professionals are compensated in a variety of ways based on the percentage of revenue generated from sales of products and services to clients, including brokerage account activity. This compensation may vary by the product or service associated with a brokerage recommendation. In addition to upfront-transaction based compensation, some products feature on-going residual or “trail” payments. Thus financial professionals are incentivized to recommend products that have higher fees as well as those with on-going payments.

Typically, a financial professional’s payout schedule (periodically adjusted by us at our discretion) increases with production and asset levels. The same payout schedule is reduced when financial professionals discount certain client fees and commissions, or client relationship asset levels are below minimums established by us from time to time.

As a result, financial professionals have an incentive to provide brokerage recommendations that result in selling more investment products and services, as well as investment products and services that carry higher fees. Financial professionals also have an incentive to provide brokerage recommendations to gather more assets under management and to increase brokerage trading activity, and to reduce the amount of discounts available to you.

Financial professionals have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they will receive. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest.

Brokerage accounts, unlike advisory accounts, do not feature an on-going fee based on assets under management. Financial professionals are incentivized (if properly licensed) to recommend you transition your brokerage services account to an advisory account to generate on-going revenue where your brokerage account has minimal activity. Further, financial professionals are incentivized to recommend you transition your brokerage account to an advisory account after you have already placed purchases resulting in commissions and/or other transaction-based brokerage fees. We have controls established

to identify and mitigate this risk. Financial professionals also have an incentive to provide higher levels of service to those clients who generate the most fees.

Recruitment compensation may be provided to financial professionals who join our firm from another financial firm. This compensation, which may vary by financial professional, often includes either an upfront or backend award based upon new client assets to the firm and/or revenue generated from such client assets. This creates an incentive for the financial professional to recommend the transfer of assets to the firm, including brokerage assets, in order to earn this compensation.

Non-cash compensation is provided to financial professionals in the form of credits toward business expenses and certain titles. Financial professionals are also compensated in the form of education meetings and recognition trips. Portions of these programs is subsidized by external vendors and affiliates, such as mutual fund companies, insurance carriers, or money managers. Consequently, product providers that sponsor and/or participate in education meetings and recognition trips gain opportunities to build relations with financial professionals, which could lead to sales of such product provider's products. Financial professionals also receive promotional items, meals, entertainment, and other non-cash compensation from product providers up to \$100 per year for gifts per vendor and \$1,000 per year for meals per vendor.

Additional Information

This document is current as of the date on its cover. If we make changes that would require us to send you updated disclosures, we will send them to you by mail or electronically consistent with your elections and the SEC's requirements. We will amend this document from time to time and you will be bound by the amended disclosures if you continue to accept our services after we deliver the amended disclosures to you.

You may request up-to-date information by speaking with your Financial Professional.