

WEALTH MANAGEMENT

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# Distinctions between advisory and brokerage services

Mesirow Financial Investment Management, Inc. (MFIM) is registered with the Securities and Exchange Commission as an investment adviser. Mesirow Financial, Inc. (MFI) is registered with the Securities and Exchange Commission as a broker-dealer and is a member of FINRA/SIPC. Through MFIM and MFI, we offer both investment advisory and brokerage services.

Our financial professionals work with clients and prospects to determine which services are best for their individual facts and circumstances. Based on your needs, we can act as an investment adviser, a broker-dealer or both.

Investment advisory services and brokerage services are distinct and separate. The specific services that we provide you along with our duties and obligations to you will be described in documentation and contracts with you.

### **Investment Advisory Services**

We offer investment advisory services to retail investors. We provide portfolio management services that we offer on a discretionary or non-discretionary basis according to the authority you provide in an investment agreement with us. When you grant us discretionary authority, you provide us with authority to determine the investments to buy and sell in your account on an ongoing basis.

You may impose reasonable restrictions on our discretionary authority, which must be provided to us in writing and accepted by us. If you do not provide us with discretion, then we will make recommendations and you will have the final decision regarding whether we purchase or sell investments on your behalf. As part of the portfolio management services, we will continuously monitor your investments and provide advice.

Acting as your investment adviser, we must act in your best interest and not put our interest ahead of yours. This is referred to as our fiduciary duty to you. We will enter into a written agreement with you that describes our obligations and acknowledges our fiduciary duty.

### **Brokerage Services**

We offer a variety of brokerage services to retail and institutional investors. We charge transaction-based fees, known as commissions, for brokerage services at the time any security is purchased or sold in your account. We do not require a minimum account size or investment amount to establish a brokerage account.

We have no discretionary authority over your account. You may select investments or MFI may recommend investments for your account, but the ultimate investment decision as to your investment strategy and purchase or sale of investments will be yours. Unless expressly agreed, we will not monitor your account and will not make implied hold recommendations.

Acting as your broker-dealer, when making a recommendation of a securities transaction or investment strategy involving securities, including account recommendations, we shall act in your best interest at the time the recommendation is made without placing our financial or other interest ahead of you.

## Compensation comparison between brokerage and investment advisory services product offerings:

### BROKERAGE SERVICE

#### Compensation structure:

- Commissions for stock, bond, and ETF trades
- Mark-up / mark-down for bonds (held as inventory)
- One-time sales loads for mutual funds (may be 5% or more of purchase amount)
- Ongoing 12b-1 expenses for mutual funds (of 0.25% - 1.00% per year)
- Breakpoints are available through Rights of Accumulation (ROA) and Letter of Intent (ROI)
- Contingent Deferred Sales Charges of 1% for some (class C shares) mutual funds held for less than one year

#### Investment universe:

- Stocks, bonds, and ETFs
- Class A mutual funds (these funds have an initial sales charge and ongoing 12b1 expenses of 0.25%)
- Class C mutual funds (these funds do not have an initial sales charge, but have an ongoing 12b1 expense of 1.00% and a one-year 1.00% CDSC; typically convert to an institutional share class after 10 years)
- The following securities are not available in brokerage accounts:
  - No-load mutual funds
  - Institutional-price mutual funds

### INVESTMENT ADVISORY SERVICE

#### Compensation structure:

- Fully disclosed asset-based fee
- Typically provides breakpoints as assets increase

#### Investment universe:

- Stocks, bonds, and ETFs
- No-load mutual funds
- Institutional-price mutual funds
- Separately-managed accounts
- Investment advisory accounts must use the lowest cost mutual fund shares available.

C shares can be purchased in advisory accounts provided the required due diligence is completed and approved.