

As with most financial services companies, B.B. Graham & Company, Inc. (referred to as “we” “us” “our” or “Firm”) has certain conflicts of interest that we feel is important for you to know. This brochure provides information about how we and our financial professionals (“Financial Professionals”) are compensated and related conflicts of interest. In particular, the information below describes conflicts of interest associated with compensation received by us and our Financial Professionals. We and our Financial Professionals are either compensated directly by customers, or indirectly from the investments made by customers. We can get paid a commission at the time of the transaction, and/or ongoing compensation, typically called a trail payment, depending on how long a customer holds an investment. If we are paid a commission, it means that the more transactions a customer makes, the more we are paid. The amount we receive varies depending on the particular type of investment a customer makes. The compensation described in this document represents the gain or profit we receive on an investment before subtraction of any expenses.

Please note that not all of the conflicts described in this brochure apply to a particular Financial Professional or his or her services and the products we sell, and the types and amounts of compensation we receive may change over time, so we encourage you to periodically review this disclosure document for material updates. Customers should ask their Financial Professional if they have any questions about compensation and/or conflicts of interest. Additional information can be found at [www.bbgraham.com/disclosures](http://www.bbgraham.com/disclosures). Furthermore, we provide both advisory and brokerage services, and disclose conflicts of interest related to our advisory programs and services in our Form ADV, Part 2A brochure available on the SEC’s [Investment Adviser Public Disclosure website](#).

### Commissions and Sales Related Compensation

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**Commissions and Sales Charges.** We receive commissions when we execute transactions that result in the purchase or sale of a security. A commission, which also may be called a sales load, sales charge or placement fee, is typically paid upfront, can reduce the amount available to invest, can be charged directly against an investment and is often based on the amount of assets invested. We receive a portion of the sales charge or commission and share it with our Financial Professional. Commissions vary from product to product. This creates an incentive to sell a higher commission security rather than a lower commission security. For more information about the commissions that apply to a particular transaction, please refer to the applicable prospectus or other offering document and/or transaction statement.

- **Equities, OTC and Other Exchange Traded Securities** -The commission we charge in an agency capacity on an exchange-traded securities transaction, such as an equity, ETF, exchange traded note (ETN) or closed end fund (CEF), is 5% or less of the transaction amount. In addition, our Financial Professionals can negotiate and decide to discount the commission amount. Option Trades may be over 5% due to extra costs and smaller dollar amounts are involved.
- **Mutual Funds and 529s** - The commission range is typically 3% - 5.75 % or less, however, the maximum allowable under existing rules is higher.
- **Annuities** - The commission paid for new sales of annuities typically ranges from 3% - 7% or less and varies depending on the type of annuity, such as fixed, fixed index or variable annuities.
- **Alternative Investments** - For alternative investment products, such as structured products, real estate private placements, or real estate investment trusts ("REITs"), the commission is typically a range of 3% – 8%.
- **Unit Investment Trusts ("UITs")** - The upfront sales charge paid is 3.95% or less and can vary based on the length of the term of the UIT.

**Markups and Markdowns.** If a customer holds an account with us, and we buy from or sell to the customer a security in a riskless principal capacity, we and our Financial Professional will receive a markup or markdown on the transaction. A riskless principal trade is one in which we, after receiving an order to buy or sell a security, execute the order as principal, at the same price, to satisfy that order. The markup and markdown on a transaction with a customer that we receive when acting in a riskless principal capacity typically does not exceed 3% of the value of the security. The actual markup or markdown percentage could be lower based on factors such as quantity, price, type of security, rating, maturity, etc.

### Third-Party Compensation

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We and our Financial Professionals receive compensation from investment sponsors in connection with investments the customers make in securities, such as mutual funds, annuities, and alternative investments. The types of third-party compensation are described below.

**Trail Compensation.** We and our Financial Professionals receive ongoing compensation from investment products, such as mutual funds, annuities and alternative investments. This compensation (commonly known as trails or Rule 12b-1 fees) is typically paid from the assets of the investment under a distribution or servicing arrangement with the investment sponsor, is calculated as an annual percentage of invested assets, and is shared between us and our Financial Professional. The more assets you invest in the product, the more we will be paid in these fees. Therefore, we have an incentive to encourage you to increase the size of your investment. The amount of trails received varies from product to product. This creates an incentive to recommend a product that pays a higher trail rather than a lower trail. For more information about trail compensation received with respect to a particular investment, please refer to the prospectus or offering document for the investment. The ongoing annual trail compensation for mutual funds, 529's, annuities and alternative investment products typically range between 0-1.5% on an annual basis.

**Revenue Sharing Payments.** The Firm receives, from its clearing firm, a share of revenue generated from margin interest, lending services, cash sweep programs (see below), ACAT termination fees, and handling service fees. Additional information concerning margin, cash sweep programs, and lending programs are made available in the account/program agreements. For margin, lending, and cash sweep programs, the firm will receive more revenue if your balances increase. For certain alternative investments, we may receive a marketing/due diligence allowance fee directly from the investment sponsor, and not as a portion of the upfront commission or trail. These fees are typically 1% of the investment amount.

### Cash Sweep Program

We provide the "cash sweep" program available through our clearing firm, RBC. The "cash sweep" program through RBC is a program where uninvested cash balances (such as from securities transactions, dividends, interest payments, or deposits) in your brokerage account are deposited into a designated investment option each business day. We use the RBC Bank Deposit Sweep Program (cash sweep) as the cash sweep option for eligible RBC brokerage accounts you open with the firm. Cash invested in the program is placed in an FDIC insured account and earns a yield, that can vary, calculated as an annual interest rate based on the amount invested. At any time, you may select another available cash sweep option such as a non-FDIC insured government money market fund. Non-FDIC insured government money market funds could pay a higher yield than the FDIC-insured cash sweep program offered by the firm. The FDIC-insured cash sweep program is intended to be a short-term vehicle for cash in your brokerage account. Please contact your Registered Representative if you are interested in investing your cash balances in other available investment options and for current yields of such options. Accounts that are not eligible for the cash sweep program (Ineligible Accounts) will be swept to a designated government money market fund as the cash sweep option. We receive a portion of the yield on amounts invested in the cash sweep program in the form of payments from RBC. The portion of the yield we receive could be higher than the portion you receive. If interest rates rise, the payment we receive from RBC increases. The payments we receive in connection with the cash sweep create a conflict of interest and incentive for us to use the RBC cash sweep program as the cash sweep option. In addition, these payments create a conflict of interest and incentive for us to continue to use RBC as its clearing firm and custodian for brokerage accounts. As

## B.B. Graham & Company, Inc. - Additional Disclosures and Related Conflicts of Interest

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there are other sweep investment options available in the marketplace, designating the RBC cash sweep program as the cash sweep option is a material limitation placed on brokerage accounts offered through the firm. This material limitation, and our receipt of a portion of the yield on the cash sweep, creates a conflict of interest and incentive for us to direct you to utilize the cash sweep program over other available cash sweep options. With respect to other cash sweep options available, we typically receive payments from the sponsor of available money market sweep options or its affiliates. These payments are a conflict of interest and incentive for us to designate or make available a particular money market fund as a cash sweep option over other available investment options. Please visit RBC's public website at <https://www.rbcclearingandcustody.com/en-us/legal/> for more information on the program including yields and eligibility.

**Life Insurance.** We receive compensation from issuers of various life insurance contracts that are available to customers. The amount of initial and/or ongoing compensation varies depending on various factors such as the issuer, type of coverage (Term, Whole Life, Variable Life etc.) and the premium amount. Due to the various compensation arrangements, please refer to the specific insurance documents for more information. For products available through us, our Financial Professionals receive a percentage of the commissions and trailing commissions the insurance company pays us.

**Non-Cash Compensation.** We, our employees and our Financial Professionals can receive compensation from investment sponsors that is not in connection with any customer transaction. Non-Cash Compensation includes reimbursement in connection with educational meetings, customer workshops/events, or marketing/advertising initiatives, including services for identifying prospective customers and gift items such as an occasional meal or ticket to a sporting event valued at no more than the current (future limits may be higher) regulatory limit of \$100.

### Trade Errors & Corrections

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If a trade correction is required as a result of a customer action, we will cancel the trade, and any resulting monetary loss will be borne by the customer. In the case of a trade that requires a correction as described above and that resulted in a monetary gain, such gain will be removed from the account and may result in a financial benefit to us.

### Share Class Selection

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We offer various share classes in products such as mutual funds, variable annuities, and 529's. As an example, certain mutual fund share classes, often referred to as Class A shares, pay an upfront sales charge and an ongoing trail. For other mutual fund share classes, often titled Class C shares, there is no upfront sale charge paid, however, there is an ongoing trail payment and a contingent deferred sales charge to the investor if there is a redemption within a certain period of time after purchase. Depending on the length of the holding period for the mutual fund or 529, and other factors, one share class may be less expensive to the investor than another, and we and our Financial Professionals may earn more or less in compensation for one share class than another.

### Compensation for Other Services

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We and our Financial Professionals can offer various types of advisory and brokerage programs, platforms and services and therefore we and our Financial Professionals can earn more or less if a certain type of service, program or platform is recommended.

## Outside Business Activities

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Our Financial Professionals are permitted to engage in certain approved business activities other than the provision of brokerage and advisory services through us, and in certain cases, our Financial Professionals could receive greater compensation, through the outside business than through our firm. For example, our Financial Professionals could also be an accountant, real estate agent, could provide advisory services through an independent unaffiliated investment advisory firm or sell insurance through a separate business. If you engage with one of our Financial Professionals for services separate from us, you may wish to discuss with him or her any questions you have about the compensation he or she receives from the engagement.

## Rollovers

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If a customer decides to roll assets out of a retirement plan, such as a 401(k) plan, into an individual retirement account ("IRA") with us, we have a financial incentive to recommend that a customer invests those assets with or through us, because we will be paid on those assets, for example, through commissions, fees and/or third-party payments. A customer should be aware that such fees and commissions could be higher than those the customer pays through the plan, and there can be custodial and other maintenance fees. As securities held in a retirement plan are generally not transferred to an IRA, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan.

### **Acknowledgment of Fiduciary Status under ERISA**

On occasion, B.B. Graham & Co. Inc. (BBGC) investment professionals may recommend rollovers to retirement plan participants, including;

- (i) from an ERISA plan to another ERISA plan or to an IRA;
- (ii) (ii) from an IRA to another IRA; or
- (iii) (iii) from one type of account to another, such as a commission-based account to a fee-based account.

In such cases, BBGC investment professionals would be providing ERISA fiduciary advice when it discusses specific investment products or advice with a client prior to the rollover, and the clients and BBGC investment professionals have a mutual understanding that BBGC investment professionals will be providing investment advice on a regular basis after the rollover.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts.

The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest

### Limitations on Our Investment Recommendations

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We and our Financial Professionals offer and recommend investment products only from investment sponsors with which we have entered into selling and distribution agreements. Other firms may offer products and services not available through us, or the same or similar investment products and services at lower cost. In addition, we may only offer certain products in a brokerage account, even though there is a version of the product that may be lower cost and could be available in an advisory account, and vice versa. The scope of products and services offered by our individual Financial Professionals may also be more limited than generally available through us, based on their licensing, training or branch office policy restrictions. You may ask our Financial Professionals about the securities or services he or she is licensed or qualified to sell, and their ability to service investments transferring to us from another firm.

### Contact Us

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For any questions, please contact your Financial Professional directly or contact us at 714-628-5200 or via email at [operations@bbgrahamco.com](mailto:operations@bbgrahamco.com).