

**Stern Brothers & Co.**  
**Annual Disclosure to Clients August 2021**

(Please visit <https://sternbrothers.com/services/regulatory-documents/> for other additional disclosures)

**Privacy Statement**

Stern Brothers & Co is committed to protecting the privacy and maintaining the security of our clients' nonpublic personal information. Stern may collect personal information about clients from the following sources: client applications and questionnaires and information provided by the client electronically, in person, by telephone, in writing or by any other means. Stern does not disclose nonpublic personal information about clients or potential clients to affiliates or nonaffiliated third parties except as permitted by law or upon request of a securities regulatory authority. Stern maintains physical, electronic and procedural safeguards that comply with federal standards to protect client information. Stern restricts access to the personal information of clients to those associated persons who need to know that information in the course of their job responsibilities in order to provide Stern's services. When disposing of records containing client information our associated persons are trained to use an electronic shredder or destruction locked box. The full content of our privacy policy is located on our website at [www.SternBrothers.com](http://www.SternBrothers.com)

**Business Continuity Plan**

During times of local or national unrest or worldwide emergencies such as a pandemic, the office may be closed and every attempt to return to normal business operations will be made. During a period of disruption, to access your account funds or securities holdings, please call our main number 314-727-5519, or our alternative number 800-466-5519 or visit our website at [www.sternbrothers.com](http://www.sternbrothers.com) or send us an email at [info@sternbrothers.com](mailto:info@sternbrothers.com). If you cannot reach us by any of those means, you may directly contact our operations staff at 314-743-3051 or 816-268-8713 for instructions on how to access your funds and securities at Pershing LLC. We will assist you with any account related issues. Our Business Continuity Plan addresses varying degrees of business disruption and is reviewed and tested annually. Our Business Continuity Plan is subject to modification, a disclosure summary is posted on our website.

**Client Identification Program**

Important Information About Procedures for Opening a New Brokerage Account: To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify and record information that identifies each person or entity that opens an account. A corporation, partnership, trust or other legal entity may need to provide other information, such as its principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement or a trust agreement and other information that assist us in making a verification of identity. U.S. Department of the Treasury, Securities and Exchange Commission and FINRA Rules require this information to be provided to us. Without the requested information, we may not be able to open an account for you. We will also require additional documentation about the beneficial ownership of legal entity clients and the controlling individuals of those legal entity clients.

**FINRA BrokerCheck Investor Education and Protection**

FINRA BrokerCheck allows clients to learn about the professional background, business practices, and conduct of FINRA member firms and their associated persons. The website address is <http://www.brokercheck.finra.org>. A brochure is also available upon request telephone number is 800-289-9999. Per FINRA Rule 2210 a hyperlink to the FINRA BrokerCheck is on the first page of our website.

**FINRA Rule 2261**

Our Statement of Financial Condition dated September 30, 2020 is posted on our website.

**FINRA Rule 2266**

You may obtain more information about the Securities Investor Protection Corporation (SIPC) coverage on your brokerage account by contacting the firm and requesting a SIPC brochure. SIPC's website is [www.sipc.org](http://www.sipc.org) and the telephone number is 202-371-8300. A hyperlink to SIPC's website is on the first page of Stern's website.

**Money Market Funds in Brokerage Accounts**

An investment in a Federal Deposit Insured Corporation (FDIC)-Insured Deposit Program is protected by FDIC insurance and therefore not protected by SIPC. An investment in a money market mutual fund is not insured or guaranteed by the FDIC or any other government agency but is protected by Securities Investor Protection Corporation (SIPC). Although the funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investment in the fund.

**Inaccuracies and/or Discrepancies on Your Brokerage Account Statement**

Your brokerage account statement contains important information about your securities holdings, including recent transactions. All account statements sent to you shall be deemed complete and accurate if not objected to in writing within 10 days of receipt. Stern encourages you to review the details in your statement upon receipt. Please report any inaccuracy or discrepancy in your account statement to Stern's Operations Department.

**Payment for Securities**

In the event that you wish to pay for securities purchased through Stern other than through the federal wire system, please make checks payable to Pershing LLC our clearing firm for securities transactions. Also please your write account number and Stern Brothers in the memo section of the check.

### **Market Orders**

The firm will make all reasonable efforts to obtain the best possible price available at the time the order is received. Stern does not conduct proprietary trading therefore a client market order never competes with a firm order.

### **Limit Orders**

The firm will handle all client limit orders as received. Stern does not conduct proprietary trading therefore a client limit order will never be placed at prices equal to or less than that of a firm limit order, or conversely the firm does not trade on sell orders at prices equal to or greater than that of the client limit order.

### **FINRA Rule 5320 – Order Handling Practices**

Stern does not conduct proprietary trading therefore this Rule does not apply.

### **Net Basis Orders**

At the time an order is placed with Stern, our firm may trade the order on a “net” basis, unless the client affirmatively raises an objection. A net transaction is a principal transaction in which Stern may perform either of the following actions: (1) after having received an order to buy an equity security, Stern then purchases that equity security at one price from another broker-dealer (or another client) and then sells it to you at a different price; or (2) after having received an order to sell an equity security Stern then sells that equity security at one price to another broker-dealer (or another client) and then buys it from you at a different price. In either case Stern will not charge you a commission and will instead be compensated for the transaction by retaining the difference between the purchase and sale transaction. Net trades must comply with the Order Protection Rule included in Regulation NMS. The net price, which is reported is the price of the trade with respect to the Order Protection Rule and is the price used when determining whether or not a trade-through has occurred and whether the firm has availed itself of the ISO exception.

### **SEC Rule 606 Disclosure**

In accordance with SEC Rule 606, Stern is making available a quarterly report which identifies the significant market centers to which client orders were routed for execution. This Rule requires Stern to disclose the top 10 market centers in terms of total number of orders routed for execution and any other market centers to which the firm routes 5% or more of its clients’ orders. The report is divided into four sections as mandated by the SEC: (1) equity securities listed on the NYSE, (2) equity securities listed on the NASDAQ Stock Market, Inc., (3) equity securities listed on the AMEX or any other national securities exchange, and (4) exchange-listed options The report will disclose the material aspects of Stern’s relationship with those top market centers should it receive a significant amount of order flow and what percentage of client orders are routed to each of the top market centers. This information is available on Pershing’s website at <https://www.orderroutingdisclosure.com/> and at [www.SternBrothers.com](http://www.SternBrothers.com). Additionally, this information is also available to clients upon written request as to the venues to which their individual orders were routed.

Rule 606(a)(1) requires: (1) In depth information regarding venues, orders and executions, (2) Held NMS Equity and Option orders less than \$50,000 must be disclosed, (3) Marketability of security at route time, (3) Detailed fee and rebate disclosure, (4) Required to be in XML and PDF Format and upon request XML and PDF reports for held, exempt not-held and options orders and (5) Detailed order execution data, including execution venue and time for any customer order.

Rule 606(b) requires information requested to be provided on whether orders were filled on a held or not held basis and, if the order involved options contracts, the identity of the venue to which the customer’s orders were routed for execution in the six months prior to the request, whether the orders were directed or non-directed orders, and the time of the transactions, if any, that resulted from such orders.

Rule 606(b)(3) requires upon request, XML and PDF reports for not-held orders must be provided within 7 days which includes information on: (1) Actionable Indications of Interest (IOIs) including venues that received the IOI Order Routing, including size and further routable instructions, (2) Order Execution, including volumes, fees, rebates, spread position, and (3) Liquidity, including whether liquidity was provided or removed, fees and rebates associated with time or execution.

### **SEC Rule 607**

In accordance with SEC Rule 607 of Regulation NMS, Stern is required to disclose upon account opening and on an annual basis thereafter (1) its policies regarding payment for order flow, including a statement as to whether any payment for order flow is received for routing client orders and a detailed description of the nature of the compensation received, and (2) its polices for determining, in the absence of specific client instructions, where to route client orders that are the subject of payment for order flow, including a description of the extent to which orders can be executed at prices superior to the NBBO. Orders routed to public exchanges may be eligible for

“rebates” under the relevant exchange rules. If Stern were to receive a rebate net of fees assessed by such an exchange, such could be considered “payment for order flow”. For any execution, clients of Stern are entitled to know the venue of execution, and whether Stern netted a rebate from such venue during the relevant time period. Stern does not pay for order flow nor does it receive payment for order flow.

#### **Rule 144A Securities**

In order to transact 144A securities, the accountholder must attest to being a Qualified Intuitional Buyer (“QIB”) or an accredited investor.

#### **Indications of Interest**

If you provide Stern with an order to “work” the firm may handle the order by issuing an Indication of Interest (“IOI”) to another market participant or trading venue. An IOI is a non-binding expression of trading interest that contains one or more but not all of the following elements: security name, size, side, capacity and price. The use of an IOI is intended to solicit contra-side interest in an attempt to minimize market impact. IOIs may be disseminated over an electronic trading system or through direct connections to a client’s order management system. An IOI disseminated on your behalf cannot exceed the size of the order you have submitted unless you indicate that the size of your interest may increase.

#### **Confirmations**

In the case of a transaction in a reported security, or an equity security quoted on NASDAQ or traded on a national exchange and that is subject to last sale reporting, the name of the party from or to whom the securities were purchased or sold to you, the time the transaction took place, the difference between the price to the client and the dealer's purchase price, and the source and amount of any other remuneration received or to be received by the firm in connection with the transaction will be furnished upon request.

#### **Seniors and Individuals with Diminished Capacity**

Please consider providing contact information for a trusted party with whom you authorize your registered representative to share your nonpublic personal information held at Stern\*. This authorization includes, but is not limited to, sharing or disclosing any information regarding securities, insurance, bank related, financial planning or other financial products or services offered by or through Stern. Please understand that the named trusted contact person(s) may be contacted if there are questions or concerns about your whereabouts or health status or if Stern becomes concerned that you may be a victim of fraud or exploitation. You should contact your registered representative with additional questions. You may also contact FINRA’s senior investors line at (844) 57-HELPS [(844) 574-3577], Monday-Friday, 9 a.m.-5 p.m. (ET), to get assistance or raise concerns about issues with brokerage accounts and investments.

\*“Nonpublic personal information” includes, but is not limited to: financial account information and balances, information regarding the purchase of a security or insurance product, and any other personally identifiable financial information: (i) provided by you to Stern; or (ii) resulting from any transaction in your account or any service performed on your behalf.

#### **Changes of Address**

Please promptly notify your Stern representative of any change in your contact information. Failure to notify the firm may result in Stern’s inability to send you important notifications which could result in restrictions or other issues in your account.

#### **Changes in Your Stated Investment Objectives**

Please promptly notify your Stern representative of any changes in your investment experience, investment objectives or financial information.

#### **Tax and Legal Advice**

No one associated with Stern is authorized to render tax or legal advice and clients may not and should not rely upon such advice, if given inadvertently.

#### **Complaints**

Complaints regarding your account may be directed to the Stern Brothers & Co. at 8000 Maryland Ave., Suite 800, St. Louis, MO 63105. Attention: Compliance Department. The telephone number is 314-727-5519.

#### **Municipal Securities Rulemaking Board (“MSRB”) Rule G-10 Investor Education and Protection**

Stern is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board (“MSRB”), the MSRB website is [www.msrb.org](http://www.msrb.org) An investor brochure that describes the protections available under MSRB rules and instructions on how to file a complaint with an appropriate regulatory authority may be found on the MSRB website. Stern is not a municipal advisor.

#### **FINRA Rule 2265 Extended Trading Hours Trading Risk Disclosure**

Stern offers its clients the opportunity to trade securities when the major U.S. securities markets are not open. The hours for trading outside of customary market hours are 8AM-9:30AM and 4PM-8PM EST. There are risks to trading securities when the major trading markets are closed. To make sure you are aware of these risks, the FINRA has developed the following model disclosure or risks of extended hours trading.

**Risk of Lower Liquidity:** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.

**Risk of Higher Volatility:** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price in extended hours trading than you would during regular market hours.

**Risk of Changing Prices:** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening the next morning. As result, you may receive an inferior price in extended hours trading than you would during regular market hours.

**Risk of Unlinked Markets:** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

**Risk of News Announcements:** Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

**Risk of Wider Spreads:** The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

**Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value (IIV):** If trading in certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying IIV is not calculated or widely disseminated during pre-market and post-market sessions, an investor who is unable to calculate implied values for certain derivative securities products in those sessions be placed at a disadvantage to other market professionals.

#### **FINRA Rule 2264 Margin Disclosure Statement**

Your brokerage firm is furnishing this document to you to provide some basic facts about purchasing securities on margin, and to alert you to the risks involved with trading securities in a margin account. Before trading stocks in a margin account, you should carefully review the margin agreement provided by your firm. Consult your firm regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm. If you choose to borrow funds from your firm, you will open a margin account with the firm. The securities purchased are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following (a):

**You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to the firm that has made the loan to avoid the forced sale of those securities or other securities or assets in your account(s).

**The firm can force the sale of securities or other assets in your account(s).** If the equity in your account falls below the maintenance margin requirements, or the firm's higher "house" requirements, the firm can sell the securities or other assets in any of your account held at the firm to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.

**The firm can sell your securities or other assets without contacting you.** Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. Most firms will attempt to notify their clients of margin calls, but they are not required to do so. However, even if a firm has contacted a client and provided a specific date by which the client can meet a margin call, the firm can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to the client.

**You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, the firm has the right to decide which security to sell in order to protect its interests.

**The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice.** These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the member to liquidate or sell securities in your account(s).

**You are not entitled to an extension of time on a margin call:** While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have a right to the extension.

(b) Members shall, with a frequency of not less than once a calendar year, deliver individually, in writing or electronically, the disclosure statement described in paragraph (a) or the following bolded disclosures to all non-institutional clients with margin accounts:

Securities purchased on margin are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, the firm can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held with the member, in order to maintain the required equity in the account. It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

**You can lose more funds than you deposit in the margin account.**

**The firm can force the sale of securities or other assets in your account(s).**

**The firm can sell your securities or other assets without contacting you.**

**You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.**

**The firm can increase its "house" maintenance margin requirements at any time and is not required to provide you advance written notice.**

**You are not entitled to an extension of time on a margin call.**

The annual disclosure statement required pursuant to this paragraph (b) may be delivered within or as part of other account documentation, and is not required to be provided in a separate document.

(c) In lieu of providing the disclosures specified in paragraphs (a) and (b), a member may provide to the client and, to the extent required under paragraph (a) post on its Web site, an alternative disclosure statement, provided that the alternative disclosures shall be substantially similar to the disclosures specified in paragraphs (a) and (b).

(d) For purposes of this Rule, the term "non-institutional customer" means a customer that does not qualify as an "institutional account" under Rule 4512(c).

#### **Accounts Approved for Options Trading\***

Please review the Characteristics and Risks of Standardized Options which can be found in these hyperlinks:

<https://www.theocc.com/components/docs/riskstoc.pdf>

[https://www.theocc.com/getmedia/35f73900-f768-42e7-b786-02367df89951/october\\_2018\\_supplement.pdf](https://www.theocc.com/getmedia/35f73900-f768-42e7-b786-02367df89951/october_2018_supplement.pdf)

[https://www.theocc.com/components/docs/about/publications/november\\_2012\\_supplement.pdf](https://www.theocc.com/components/docs/about/publications/november_2012_supplement.pdf)

\*Stern's designated Options Principal will not as a matter of firm policy approve an option account for uncovered writing, therefore the full text of the disclosure statement regarding the special risks associated with uncovered option writing has been omitted from this document.