



LEUMI INVESTMENT SERVICES INC.  
MEMBER FINRA, SIPC

# DISCLOSURE STATEMENT

**DISCLOSURE STATEMENT**  
**OF IMPORTANT INFORMATION TO CLIENTS OF**  
**LEUMI INVESTMENT SERVICES INC.**

*This statement contains important information regarding your account opened with Leumi Investment Services Inc. ("LISI") and transactions therein. Please take the time to review this statement carefully and in its entirety and contact your LISI account officer or LISI Compliance with any questions, complaints, or concerns. You may write to us at:*

Leumi Investment Services Inc.  
Attention: Compliance Officer  
350 Madison Ave. 4th Floor  
New York, NY 10017

**Disclosure Statement**

Leumi Investment Services Inc. ("LISI") is a wholly owned subsidiary of Bank Leumi USA ("BLUSA"). BLUSA is an indirect subsidiary of Bank Leumi le-Israel, B.M., an Israeli bank founded in 1902. In the USA, banking products and services are provided through BLUSA, and brokerage products and services are provided through LISI.

The non-deposit investment, insurance and annuity products offered through LISI and BLUSA are:

- Not insured by the FDIC, NCUA or any other federal or government entity.
- Not guaranteed by BLUSA, Bank Leumi le Israel, its affiliates, or any other financial institution.
- Subject to investment and insurance risks, including loss of the principal amount invested.

Investors and purchasers should carefully consider the risks, charges, fees, sales loads and/or expenses, review any applicable prospectus or offering information, and consider their personal financial situation and tolerance for risk before making any investment.

Your LISI Registered Representative will be pleased to meet with you at least annually or more frequently as you request. Please promptly inform your Registered Representative or LISI Compliance should your risk tolerance or financial situation change, or if you want to impose or change any reasonable restrictions on the management of your account.

**SIPC Protection**

LISI is a Securities Investor Protection Corporation ("SIPC") Member which protects accounts of its members up to \$500,000 (including \$250,000 for claims for cash). Certain restrictions apply. More information is available upon request. Information regarding SIPC, including a SIPC Brochure, may be obtained by contacting SIPC via its web site at [www.sipc.org](http://www.sipc.org) or by telephone at (202) 371-8300.

**FINRA Public Disclosure**

LISI is a member of the Financial Industry Regulatory Authority (FINRA). An investor brochure that includes information describing FINRA BrokerCheck may be obtained from FINRA upon request. The FINRA Public Disclosure (Broker Check) hotline number is (800)289-9999. The FINRA website address is [www.finra.org](http://www.finra.org).

**Financial Statement**

A financial statement of LISI is available for your inspection upon written request.

## BLUSA and LISI Privacy Commitment to Our Customers

This notice explains how we collect, use, and protect information about our individual customers. *Rev. January 2018*

FACTS	WHAT DO LEUMI GROUP UNITS DO WITH YOUR PERSONAL INFORMATION?
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
What?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Social Security number and transaction history</li> <li>• Account balances and credit history</li> <li>• Income and assets</li> </ul> <p>When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p>
How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons the Leumi Group units choose to share; and whether you can limit this sharing.

Reasons we can share your personal information	Do the Leumi Group units share?	Can you limit the sharing?
<b>For our everyday business purposes</b> — such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	YES	NO
<b>For our marketing purposes</b> — to offer our products and services to you	YES	NO
<b>For joint marketing with other financial companies</b>	YES	NO
<b>For our affiliates' everyday business purposes</b> — information about your transactions and experiences	YES	NO
<b>For our affiliates' everyday business purposes</b> — information about your creditworthiness	NO	We Don't Share
<b>For our affiliates to market to you</b>	NO	We Don't Share
<b>For nonaffiliates to market to you</b>	NO	We Don't Share

<b>Questions?</b>	<p>If you have any questions regarding this notice, please call your account officer or contact Customer Service at:</p> <p>Bank Leumi USA 579 Fifth Avenue, New York, NY 10017 Telephone: 1-800-892-5430</p>
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**PLEASE CONTINUE TO NEXT PAGE FOR ADDITIONAL INFORMATION ON PRIVACY**

Who we are	
Who is providing this notice?	Bank Leumi USA Leumi Investment Services Inc.

What we do	
How do the Leumi Group units protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How do the Leumi Group units collect my personal information?	We collect your personal information, for example, when you: <ul style="list-style-type: none"> <li>• Open an account or deposit money</li> <li>• Pay your bills or apply for a loan</li> <li>• Use your credit or debit card</li> </ul> We also collect your personal information from others, such as credit bureaus, affiliates or other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only <ul style="list-style-type: none"> <li>• sharing for affiliates' everyday business purposes—information about your creditworthiness</li> <li>• affiliates from using your information to market to you</li> <li>• sharing for non-affiliates to market to you</li> </ul> State laws and individual companies may give you additional rights to limit sharing.

Definitions	
<b>Affiliates</b>	Companies related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> <li>• Our affiliates include companies with a Leumi name, such as Bank Leumi le-Israel B.M.</li> </ul>
<b>Nonaffiliates</b>	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> <li>• We do not share with non-affiliates so they can market to you.</li> </ul>
<b>Joint marketing</b>	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"> <li>• Our joint marketing partners include insurance companies and other financial service providers.</li> </ul>

**California Residents**

In January 2020, the California Consumer Privacy Act (“CCPA”) became effective. The CCPA gives you, as a California resident, certain specific privacy rights that are in addition to the BLUSA and LISI Privacy Commitment above.

Information about the CCPA is available in the “**BANK LEUMI USA & LEUMI INVESTMENT SERVICES INC. PRIVACY NOTICE FOR CALIFORNIA RESIDENTS**” document which can be found at <https://www.leumiusa.com/privacy> or upon request from BLUSA or LISI.

### **Credit Interest/Free Credit Balance**

You may receive interest on positive account balances, referred to as “free credit balances”, provided the funds are awaiting reinvestment, subject to certain minimum balances and time requirements. LISI may receive compensation from Pershing LLC (“Pershing”) based on the amount of free credit balances in its customer accounts. If you currently maintain free credit balances in your account solely for the purpose of receiving credit interest, and have no intention to invest the funds in the future, contact LISI to discuss your investment options. If you sell a bond you do not own and it runs past a coupon payable date, you are responsible for the interest on the bond. NOTE: This notification only applies to those accounts that currently have a balance awaiting reinvestment and that receive credit interest.

In accordance with applicable law, rules and regulations, your free credit balance is not segregated and LISI may use these funds in our business. You have the right to receive, in the normal course of business, any free credit balance and any fully paid securities to which you are entitled, subject to any obligations you owe in any of your accounts.

### **Margin Customers**

The Federal Reserve Board (“FRB”) and applicable exchange rules provide guidance regarding whether a purchase may be made on margin, how much of the purchase price must be in your account at the time you place your order, and your margin maintenance requirements. LISI reserves the right, at any time and without notice to you, to impose stricter requirements than those imposed by the FRB or applicable exchange rules. You will be charged interest on a daily basis on all debit balances that you owe to LISI and on credit extended to you by LISI for the purpose of purchasing, carrying, or trading in securities or otherwise.

Securities purchased on margin in your account are held as collateral by LISI and Pershing for the loan extended to you. Interest you pay on the loan may be shared by LISI and Pershing. If the securities in your account decline in value, so does the value of the collateral supporting your loan. As a result, LISI or Pershing may take action, such as issue a margin call and/or sell securities or other assets in any of your accounts held at Pershing 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, but are not limited, to:

- You may lose more funds or securities than you deposited in your margin account;
- LISI or Pershing may force the sale of securities or other assets in your account(s);
- LISI or Pershing may sell your securities or other assets in your account(s) without contacting you;
- You are not entitled to choose which securities or other assets in your account(s) would be liquidated or sold to meet a margin call;
- LISI or Pershing may increase its “house” maintenance margin requirements at any time and is not required to provide you with advance written notice; and
- You are not entitled to an extension of time on a margin call.

Your written Margin Agreement with Pershing or LISI provides for certain important obligations by you. The Margin Agreement is a legally binding agreement, cannot be modified by conduct, and no failure on the part of Pershing or LISI at any time to enforce its rights under the Margin Agreement to the greatest extent permitted shall, in any way, be deemed to waive, modify or relax any of the rights granted to Pershing or LISI, including those rights vested in Pershing or LISI to deal with the collateral on all loans advanced to you.

### **Short Selling**

If you are engaged in short selling a security, you may incur a charge due to certain borrowing costs for that particular security.

### **Securities Backed Line of Credit**

A non-margin securities account maintained at LISI and Pershing may be used as collateral for a loan from BLUSA. Using a securities account as collateral for a bank line of credit or loan entails special and greater risks, and you may lose some control over the handling of your account. Contact your BLUSA Bank Officer for the terms and conditions concerning use of securities held at LISI and Pershing for a BLUSA line of credit.

## **Payment for Order Flow**

The SEC and FINRA require that all broker-dealers inform their customers when a new account is opened, and on an annual basis thereafter, of payment for order flow practices (compensation received for placing orders through specialists on national securities exchanges, over-the-counter market makers, alternative trading systems, and ECNs).

Pershing sends certain equity orders to exchanges, electronic communication networks or broker-dealers during normal business hours and during extended trading sessions. Some of these market centers provide payments to Pershing or charge access fees depending upon the characteristics of the order and any subsequent execution. In addition, Pershing may execute certain equity orders as principal. The details of these payments and fees are available upon written request.

Pershing receives payments for directing listed options order flow to certain options exchanges. Compensation is generally in the form of a per option contract cash payment. This disclosure only applies to orders directed to Pershing by LISI. For a list of organizations that pay Pershing for order flow, please refer to [www.orderroutingdisclosure.com](http://www.orderroutingdisclosure.com).

Equity, option and mutual fund transactions routed through the clearing broker will be executed with LISI acting in the capacity of "Agent". It is intended that the commission on each transaction will be the only remuneration LISI receives for each transaction. The commission for each "agency" transaction shall be disclosed to the customer on the confirmation issued by the clearing broker. LISI does not anticipate receipt of any additional revenue as a payment for order flow. However, should a situation arise wherein LISI does begin accepting payment for order flow, such remuneration will either be specifically disclosed on the customer confirmation or a statement to the effect that "LISI may have received payment for order flow for this transaction; additional information is available upon request".

## **Best Execution**

LISI will make reasonable effort to ensure that the transactions executed by the "Trading Department" comply with "Best Execution" principles. In this regard, "Best Execution" of all orders will be achieved through a reasonable comparison of prices offered in the market both externally, from other similar transactions, price quotes, other executions and LISI's own Trading Desk, and other pricing factors deemed relevant to the extent a market exists for any particular kind of trade. LISI will consider all factors in assessing each trade to ensure that it is considered a Best Execution. Such factors will include the speed and size of the transaction.

In any transaction for or with a customer, LISI and persons associated with the Firm shall use reasonable diligence to ascertain the best interdealer market for the subject security and buy or sell in such markets so that the resultant price to the customer is as favorable as possible under prevailing market conditions. The factors that provide the foundation for "reasonable diligence" include:

- 1) The character of the market for the security, e.g., price, volatility and relative liquidity;
- 2) The size and type of transactions;
- 3) The number of markets checked;
- 4) The accessibility of the quotation; and
- 5) The terms and conditions of the order which result in the transaction, as communicated to the member and persons associated with the member.

LISI regularly reviews transactions for execution quality based on the foregoing factors.

## **Customer Order Protection**

Effective controls are put in place, including information barriers, to prevent the inappropriate sharing of order information. To the extent permitted by rule or law, when a trading desk handles your orders, another Leumi trading desk may separately transact – without knowledge of your orders – for its principal account at prices that would satisfy your orders. In either case, you should know that the relevant trading desk's execution prices could be better, the same, or worse than the prices you receive for the same security.

## **MUTUAL FUND AND ANNUITY INVESTORS**

### **MUTUAL FUND BREAKPOINT DISCOUNTS AND OTHER DISCLOSURES RELATING TO MUTUAL FUND, MONEY FUND, AND ANNUITY FEES AND REVENUE SHARING**

Before investing in mutual funds, it is important that you understand the sales charges, expenses, and management fees that you will be charged as well as the breakpoint discounts to which you may be entitled. Understanding these charges and breakpoint discounts will assist you in identifying the best investment for your particular needs and may help you to reduce the cost of your investment. This section will give you general background information about these charges and discounts; however, sales charges, expenses, management fees, and breakpoint discounts vary from mutual fund to mutual fund.

Therefore, you should discuss these matters with your investment professional and review each mutual fund's prospectus and statement of additional information (which are available from your private banker) to obtain the specific information regarding the charges and breakpoint discounts associated with a particular mutual fund.

#### **Sales Charges**

Investors who purchase mutual funds must make certain choices, including which funds to purchase and which share class is most advantageous in light of their specific investment needs. Each mutual fund has a specified investment strategy. You should consider whether the mutual fund's investment strategy is compatible with your investment objectives. Additionally, many mutual funds offer different share classes. Although each share class represents a similar interest in the mutual fund's portfolio, the mutual fund will charge you different fees and expenses depending upon your choice of shares class. As a general rule, Class A shares carry a "front-end" sales charge or "load" that is deducted from your investment at the time you buy the fund shares. This sales charge is a percentage of your total purchase. As explained below, many mutual funds offer volume discounts to the front-end sales charge assessed on Class A shares at certain predetermined levels of investment, which are called "breakpoint discounts." In contrast, Class B and C shares usually do not carry any front-end sales charges. Instead, investors who purchase Class B or C shares pay asset-based sales charges, which may be higher or lower than the charges associated with Class A shares. Investors that purchase Class B or C shares may also be required to pay a sales charge known as a contingent deferred sales charge when they sell their shares, depending upon the rules of the particular mutual fund. This is known as a "back-end" sales charge or "load."

#### **Mutual Fund Revenue Sharing and Additional Compensation**

LISI receives compensation from some funds or their affiliated service providers for shareholder servicing, recordkeeping, networking, administrative and other associated service fees. Revenue-sharing payments are in addition to sales charges, annual distributions and service fees (referred to as "12b-1" fees), applicable redemption fees and deferred sales charges and other fees and expenses disclosed in the fund's prospectus fee table. Revenue-sharing payments are generally paid out of the fund's investment advisor, distributor or other fund affiliate's revenues or profits and not from fund assets, however, fund affiliate revenues or profits may be in part derived from fees earned for services provided and paid for by the fund. This fact presents a conflict of interest for LISI to promote and recommend those fund families with larger revenue-sharing arrangements. To mitigate this conflict of interest, Registered Representatives do not receive additional compensation as a result of these revenue-sharing payments.

#### **Right of Accumulation**

Many mutual funds allow investors to count the value of previous purchases of the same fund, or another fund within the same fund family, with the value of the current purchase to qualify for breakpoint discounts. Moreover, mutual funds may allow investors to count existing holdings in multiple accounts, such as individual retirement accounts (IRAs) or accounts at other financial organizations to qualify for break-point discounts. In addition, many mutual funds allow investors to count the value of holdings in accounts of certain related parties, such as spouses or children, to qualify for breakpoint discounts. Each mutual fund has different rules that govern when relatives may rely upon each other's holdings to qualify for breakpoint discounts. You should consult with your investment professional and review the mutual fund's prospectus or statement of additional information to determine what these rules are for the fund family in which you are investing. Moreover, mutual funds also follow different rules to determine the value of existing holdings. Some funds use the current net asset (NAV) of existing investments in determining whether an investor qualifies for a break-point discount. However, a small number of funds use the historical cost, which is the cost of the initial purchase, to determine eligibility for breakpoint discounts. If the mutual fund uses the historical costs, you may need to provide account records, such as confirmation statements or monthly statements, to qualify for a breakpoint discount based upon previous purchases. Therefore, if you want to take advantage of the mutual funds features mentioned above, you should consult with your investment professional and review the mutual fund's prospectus and statement of additional information to determine whether the mutual fund uses NAV or historical costs to determine breakpoint eligibility.

## **Letter of Intent**

Most mutual funds allow investors to qualify for breakpoint discounts by signing a LOI, which commits the investor to purchasing a specified amount of Class A shares within a defined period of time, usually 13 months. For instance, if an investor plans to purchase \$50,000 worth of Class A shares over a period of 13 months, but each individual purchase would not qualify for a breakpoint discount, the investor could sign a LOI at the time of the first purchase and receive the breakpoint discount associated with a \$50,000 investment on the first and all subsequent purchases. Additionally, some funds offer retroactive LOIs that allow investors to rely upon purchases in the recent past to qualify for a breakpoint discount. However, if an investor fails to invest the amount required by the LOI, the fund is entitled to retroactively deduct the correct sales charges based upon the amount that the investor actually invested. The availability of breakpoint discounts may save you money and may also affect your decision regarding the appropriate share class in which to invest. Therefore, you should discuss the availability of breakpoint discounts with your private banker and carefully review the mutual fund prospectus and its statement of additional information when choosing among the share classes offered by a mutual fund. If you wish to learn more about mutual fund share classes or mutual fund breakpoints, you can also review the investor alerts that are available on the FINRA web site at:

<https://www.finra.org/investors/alerts/understanding-mutual-fund-classes>; and <https://www.finra.org/investors/alerts/mutual-fund-breakpoints-are-you-owed-refund>.

## **Breakpoint Discounts**

Most mutual funds offer investors a variety of ways to qualify for break-point discounts on the sales charge associated with the purchase of Class A shares. In general, most mutual funds provide breakpoint discounts to investors who make large purchase at one time. The extent of the discount depends upon the size of the purchase. Generally, as the amount of the purchase increases, the percentage used to determine the sales load decreases. The entire sales charge may be waived for investors that make very large purchase of Class A shares. Mutual fund prospectuses contain tables that illustrate the available breakpoint discounts and the investment levels at which breakpoint discounts apply. Additionally, most mutual funds allow investors to qualify for breakpoint discounts based upon current holdings from prior purchases through Rights of Accumulation (ROA) and from future purchases based upon Letters of Intent (LOI). Mutual funds have different rules regarding the availability of ROAs and LOIs. Therefore, you should discuss these matters with your investment professional and review the mutual fund's prospectus and statement of additional information to determine the specific terms upon which a mutual fund offers ROAs or LOIs.

## **Municipal Securities Rulemaking Board® (MSRB®) Rule G-10 Investor and Municipal Advisory Client Education and Protection**

An investor brochure that describes the protections available under MSRB rules and instructions on how to file a complaint with an appropriate regulatory authority can be found on the MSRB website, [www.msrb.org](http://www.msrb.org).

Leumi Investment Services Inc. is registered with the Securities and Exchange Commission (SEC) and MSRB, and a member of FINRA and the NYSE.

## **Alternative Investment Partners Program**

LISI may receive compensation for sales of alternative investments. Managers of alternative investments and their affiliated companies are typically provided with opportunities to sponsor meetings and conferences and may be granted access to LISI branches and Financial Advisors ("Advisors") for educational, marketing and other promotional efforts. LISI may receive payments from certain managers of alternative investments in connection with these promotional efforts to help offset expenses incurred for sales events and meetings. The fact that alternative investments and their affiliated companies pay such fees may present a conflict of interest for LISI and incentivize its Advisors to focus on those alternative investments offered by our alternative investment partners when recommending alternative investments to eligible clients instead of on alternative investments from managers that do not commit similar resources to educational, marketing and other promotional efforts. LISI mitigates this conflict by not providing Advisors and their Branch Managers additional compensation for recommending alternative investments managed by our alternative investment partners.

## Structured Products

LISI may receive compensation for sales of structured products. Structured products are generally highly illiquid investments. Estimated values are provided for structured products for informational purposes only. Accuracy is not guaranteed. These values may differ substantially from prices, if any, at which a structured product may be bought or sold and do not necessarily represent the value you may receive upon liquidation.

Structured products are unsecured obligations with a return at maturity that is linked to the performance of an underlying asset. Structured products include debt securities; reverse convertible notes; principal-protected notes; performance and non-principal protected notes; obligations or certificates of deposit issued by unaffiliated third parties, and with returns linked to such underlying assets as equities, commodities, foreign exchange, interest rates, credit indexes, or hedge funds. Certain structured products have not been registered with the SEC or under any state securities laws. Structured products involve unique terms, features and risks. *Selected risks may include, but are not limited to derivatives risk, concentration risk, credit risk, foreign exchange risks and liquidity risks.* You should review the most recent offering document or prospectus, if applicable, before making a purchase in these complex and generally illiquid securities, *which may pose potentially significant risk to principal.*

## Options

LISI may receive compensation for sales of options. If you invest in options, you have received the "Characteristics and Risks of Standardized Options" booklet and, if applicable, the "Special Statement for Uncovered Writers". They describe the risks associated with options including the possible rapid loss of the entire principal investment. Please contact the LISI Compliance Department if you would like to have another Options booklet or Special Statement sent to you. Individual options commission charges have been included in your confirmation. You may request a summary of this information.

## Private Investments

Private investment securities (including direct participation program and real estate investment trust securities) are generally highly illiquid and do not trade on a national securities exchange. The values shown for these investments are estimated values derived from various methods. We provide estimated values for private investment securities (and certain structured products) for informational purposes only. Accuracy is not guaranteed.

- Values may not reflect the original purchase price, actual market value or be realized upon liquidation. These values may differ substantially from prices, if any, at which a private investment security or structured product may be bought or sold and do not necessarily represent the value you may receive upon liquidation.
- Third party estimates of value are as of a certain date and are supplied to LISI on a regular basis by an independent valuation firm.
- Issuer, general partner or sponsor estimated values, if any, are supplied to the Firm by the issuer, general partner or sponsor and may be calculated based on different information from that used by the third parties to derive their estimated values.
- You can obtain additional information regarding the methodology used to determine the estimate of value and the date of the information that is the basis for the estimate by contacting your Financial Advisor.
- Third party estimated values may be reflected as "Not priced" in several situations:
  - When an independent valuation firm has not supplied or is unable to assign a value,
  - When we become aware that a material event has occurred that may call a previously reported value into question, or
  - When a value would be highly speculative due to the nature of the security.
  - When neither an issuer, general partner or sponsor estimated value nor a third-party estimate is provided, the value of the security will be different from its purchase price.
- "Distributions to date" may include return of capital, income or both.
- "Original unit size" represents the initial offering price per unit and may not reflect your cost basis.
- These investments are not covered under SIPC protection.

## Trading in Non-US Markets

Investments outside the US are subject to additional risks associated with currency exchange rates, different accounting

and financial standards, different taxation systems, and possible political and economic instability. Currency exchanges are affected by affiliates of LISI and may include a markup or markdown as appropriate. More favorable exchange rates may be available through third parties not affiliated with LISI. Securities trades executed on a non-US exchange will be affected by one or more affiliates of LISI, which may be compensated for their services.

### **Foreign Currency Transactions**

Pershing may execute foreign currency transactions as principal for your account. Pershing's currency conversion rate will not exceed the highest interbank conversion rate identified from customary banking sources on the conversion date or prior business day, increased by up to 1%, unless a particular rate is required by applicable law.

LISI may also increase the currency conversion rate. Conversion rates may differ from rates in effect on the date a dividend, interest payment, or corporate action is credited or declared.

Unless you instruct LISI otherwise, Pershing may automatically convert foreign currency to or from U.S. dollars for dividends, interest and corporate actions.

### **Restrictions on Trading**

LISI may, in its sole discretion, with or without prior notice, prohibit or restrict trading of securities or substitution of securities in your account and refuse to enter into any transactions with you or accept any transactions from you. We are committed to compliance with all applicable laws, rules and regulations, including those related to combating money laundering. In our discretion, we may decline to effect transfers of securities or other property to certain countries or persons.

### **Description of Fees, Commissions and Other Compensation**

LISI provides a broad scope of services and products, whether we serve you as a broker-dealer, investment adviser or insurance agent. While there are similarities between the brokerage and advisory services we provide, there are important differences, including the pricing structures for these services. Please contact your registered representative and/or investment adviser representative regarding the distinctions between these services and the fees associated with each service. LISI's "Form ADV Part 2a" contains information about investment adviser service fees and costs. Clients may purchase many of our products and services in either transaction-based or fee-based accounts, or a combination of both. The costs associated with our services vary based on each client's investment preferences and needs, and the type of account you open. Brokerage relationships generate transaction-based compensation. 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. Please refer to Form CRS for differences between brokerage and advisory regimes. When we make a recommendation to you, we will expressly tell you orally which account we are discussing. Your Registered Representative will also generally describe the fees and costs associated with a particular recommendation at the time of the recommendation.

In brokerage relationships:

- Investors pay for the products and services they receive, such as buying or selling stocks, bonds, mutual funds, annuity contracts, structured products, buying and selling options, and other investment products
- Compensation to LISI may include commissions, transaction fees, and concession fees directly from the issuer for new products, mark-ups or mark-downs on fixed income securities, sales charges or expenses that are imbedded in the purchase or sale price
- Brokerage accounts are not actively monitored by LISI or its Registered Representatives
- Advisory Relationships have fee-based compensation. Clients pay a set fee, flat fee or fee based on a percentage of assets in the relationship according to an investment advisory program agreement.

When selling insurance policies, LISI generally is paid compensation by the insurer based in whole or in part on the insurance policy that is being sold by LISI. The compensation paid to LISI may vary depending on a number of factors, including (if applicable) the insurance policy and the applicable insurer, the volume of business LISI provides to the insurer or the profitability of the insurance policies that LISI sells on behalf of the insurer. The customer may obtain additional information about the compensation expected to be received by LISI based in whole or in part on the sale, or any alternative quotes presented by LISI by requesting such information from LISI.

Other than the fees and charges discussed above, LISI may also receive compensation for, including but not limited to, mutual fund trailer (12b-1) fees, mutual fund and insurance third parties, referral fees, account transfer and termination fees, and account maintenance fees.

In sum, LISI charges different fees and expenses for different products and services. Your registered representative can explain in detail these products and services and the fees and expenses associated with each. In addition, if you have questions about fees and expenses for product and services provided you can contact LISI Compliance. Please note that for some products the compensation structure will also be included in the offering materials and for other products the fees and expenses will be detailed on trade confirmations.

### **Registered Representative Compensation**

LISI Registered Representatives are compensated in part through sale of securities or products, asset-based sales charges (for advisory accounts) and service fees (on mutual funds). Fees and costs are paid directly or indirectly by retail customers as well as product sponsors. Certain products may provide more incentive compensation to Registered Representatives.

### **Form CRS-Account Responsibilities**

When LISI is acting in a broker-dealer capacity, it has an obligation to act in the best interest of its retail clients and a suitability obligation in its other client relationships. When LISI acts as an investment advisor, it has a fiduciary obligation to its clients. LISI is not a fiduciary in retirement brokerage accounts. For more information of LISI's obligations owed to you and information about the best interest standard, please refer to LISI's "Form CRS". In connection with life insurance transactions, LISI applies the NYSDFS Best Interest standard rules. For questions related to any of our account responsibilities detailed above, please contact your registered representative or the LISI Compliance Department.

### **Confirmation of Executions and/or Cancellations Disclosure**

Confirmations of executions or cancellations may be delayed, erroneous (e.g., due to computer system issues) or cancelled/adjusted by an exchange or market center. Any reporting or posting errors, including errors in execution prices or cancellations, will be corrected to reflect what actually occurred in the marketplace; you will be bound by such terms. The cancellation of an order is not guaranteed. The order may only be cancelled if the request to cancel is received by the market center to which the order was routed and matched with the order to be cancelled before it is executed. During market hours, it is rarely possible to cancel a market order or a marketable limit order; as such orders are subject to immediate execution. You should not assume that any order has been executed or cancelled until you have received a transaction or cancellation confirmation from LISI or Pershing.

### **E-Delivery Option**

Please be advised that you can choose to consent to an e-delivery option. This service enhancement will help reduce the amount of mailings we send you by electing to receive your account records electronically. You should know that you may revoke the consent at any time and receive all covered documents in paper format.

### **Reg S and/or Third Party Services**

Certain products and services are (1) available only to non-US residents, and (2) offered through third party services.

### **Material Conflict of Interest Disclosure**

Conflicts of interests can arise in particular when LISI has an economic or other incentive to act, or persuade you to act, in a way that favors LISI or its affiliates. You also should be aware that LISI or an affiliate may own stock in, or have some other form of ownership interest in, one or more U.S. or foreign Trading Facilities or Clearing Houses where your transactions in Contracts may be executed and/or cleared. As a result, LISI or an affiliate may receive financial or other benefits related to its ownership interest when Contracts are executed on a given Trading Facility or cleared through a given Clearing House, and LISI would, in such circumstances, have an incentive to cause Contracts to be executed on that Trading Facility or cleared by that Clearing House.

### **Special Disclosure for Israeli Customers**

"Connection" to certain securities and financial assets – When providing brokerage services LISI receives compensation, directly or indirectly with respect to all purchase of stocks, bonds, mutual funds, annuity contracts, structured products, buying and selling options, and other investment products. Compensation to LISI may include commissions, transaction fees, and concession fees

directly from the issuer for new products, mark-ups or mark-downs on fixed income securities, sales charges or expenses that are imbedded in the purchase or sale price. In LISA Advisory Relationships: LISA may also receive compensation for, including but not limited to, mutual fund trailer ("12b-1") fees, mutual fund and insurance third parties, referral fees, account transfer and termination fees, and account maintenance fees. LISA may also receive compensation from some funds or their affiliated service providers for shareholder servicing, recordkeeping, networking, administrative and other associated service fees. Revenue-sharing payments are in addition to sales charges, annual distributions and trailer fees ("12b-1" fees), applicable redemption fees and deferred sales charges and other fees and expenses disclosed in the fund's prospectus fee table. LISA may receive payments from certain managers of alternative investments in connection with these promotional efforts to help offset expenses incurred for sales events and meetings. "Connection" – As such term is defined in the Israeli Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995.

### **Senior and Vulnerable Investors**

If you are a senior investor, you need to be aware of potentially abusive or unscrupulous sales practices or fraudulent activities targeting senior investors. LISA's procedures and controls take into consideration the age and life stage of our customers.

Should LISA detect apparent fraudulent activity in your account, LISA reserves the right to freeze distributions and withdrawals from the account until it can be reasonably determined there was not undue and inappropriate pressure or influence applied to the vulnerable person/owner.

### **Trusted Contact**

You may provide LISA with Trusted Person information for your account(s). Providing this information would allow you ("you" includes all account co-signers and joint owners), in the event of your incapacity or possible fraud occurring in the account, to authorize LISA and its affiliates to share your nonpublic personal information held at LISA and/or Pershing to the named Trusted Person you provide to LISA. Please contact your Leumi Private Banker or LISA Compliance for additional information about this account feature.

### **ADV Brochure**

LISA is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. The "ADV brochure Part 2A", the "2A Supplemental" brochure, and "Part 2B" provide information about the qualifications and business practices of LISA and your Investment Advisor Representative. If you have any questions about the contents of this brochure, please contact us at (212) 407-4353. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority. Additional information about LISA also is available on the SEC's website at [http://www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd\\_SiteMap](http://www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd_SiteMap).

### **Negative Interest Rate Charge**

Non-dollar deposit balances may be subject to negative interest rates due to market conditions. The resulting charge, if applicable, will be reported as "Free Credit Balance Interest Charge" on your account statements, and will be reported on your Form 1099 and/or 1042.

### **Business Continuity**

In conjunction with its parent Bank Leumi USA ("BLUSA"), LISA has developed a Disaster Recovery Plan on how we will respond to events that would significantly disrupt business. Significant business disruptions can vary from impacting a single building to an entire city or region. If only a single building, we would likely transfer operations to another local site and resume business from the new location. Longer and larger disruptions could mean shifting operations to an office location in a different region.

If, after a significant business disruption, you cannot contact us as you usually do, attempt contacting the alternate telephone at (800) 892-5430 for instructions and information.

Questions concerning the LISA Disaster Recovery Plan can be directed to the LISA Compliance Department at (212) 407-4353.

In addition to the BLUSA Disaster Recovery Plan, LISA's clearing firm, Pershing LLC, maintains its own business continuity plan, including redundant data centers and alternate processing facilities, to address interruptions to its normal course of business. These plans are

reviewed annually and updated as necessary. The plans outline the actions Pershing will take in the event of a building, city-wide, or regional incident, including relocating technology and operational personnel to pre-assigned alternate regional facilities. Technology data processing can also be switched to an alternate regional data center. All Pershing operational facilities are equipped for resumption of business and are tested several times per year. Pershing's recovery time objective for business resumption, including those involving a relocation of personnel or technology, is four (4) hours.

This recovery objective may be negatively affected by the unavailability of external resources and circumstances beyond our control. In the event that LISI experiences a significant business interruption, Pershing may be contacted directly to process limited trade-related transactions, cash disbursements, and security transfers. Instructions to Pershing must be in writing and transmitted via facsimile at (201) 413-5368 or by postal service as follows:

Pershing LLC

P.O. Box 2065

Jersey City, New Jersey 07303-2065

For additional information about how to request funds and securities when LISI cannot be contacted due to a significant business interruption, please visit the "About Pershing" section of the Pershing web site at [www.Pershing.com](http://www.Pershing.com) or call (201) 413-3635 for recorded instructions. If you cannot access the instructions from the website or the previously noted telephone number, Pershing may be contacted at (213) 624-6100, extension 500, as an alternate telephone number for recorded instructions.

### **Foreign Account Tax Compliance Act (FATCA)**

The provisions commonly known as the Foreign Account Tax Compliance Act (FATCA) became law in March 2010. FATCA targets tax non-compliance by U.S. taxpayers with foreign accounts. FATCA focuses on reporting by U.S. taxpayers about certain foreign financial accounts and offshore assets and by foreign financial institutions about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest. The objective of FATCA is the reporting of foreign financial assets; withholding is the cost of not reporting.

LISI, as a U.S. financial institution (USFI), is required to withhold 30% on certain U.S. source payments made to foreign entities, if we are unable to document such entities for purposes of FATCA. LISI must also report to the IRS information about certain non-financial foreign entities with substantial U.S. owners.

### **Legal or Tax Advice**

LISI does not provide legal or tax advice. Please consult your legal advisor or tax accountant when necessary.

### **Applicable Law**

All transactions are subject to the provisions of your account agreement, and all transactions with the exception of certain insurance contracts are governed by New York law. All transactions are subject to applicable federal, state and foreign laws and regulations; and to the rules, regulations, interpretations and customs of the exchange or market on which they are made or the clearing agency through which comparison of terms, delivery and payment is affected.

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