

## **ORDER ROUTING POLICIES AND COMPENSATION FOR ORDER FLOW**

The Securities and Exchange Commission (“SEC”) requires broker/dealers to notify you in writing of policies regarding compensation in payment for directing order flow and to disclose where orders subject to compensation are routed, as described under SEC Rule 10b-10. The SEC’s broad definition of payment for order flow includes any payment or benefit that results in compensation to the broker-dealer for routing orders for execution to a particular venue. In these compensation arrangements, the broker-dealer may receive monetary or non-monetary payment, such as reciprocal agreements for the provision of order flow, other services, rebates or credits.

**Order routing policies:** Jackson Securities (JS) primarily uses an Execution Management System (EMS) to electronically transmit orders for execution. In order to provide best execution and to access the fragmented equity markets, JS has engaged trading relationships with numerous execution venues to ensure access to various liquidity sources and speed of execution points. These execution venues include sponsored access to NYSE and ARCA exchanges, DMA, smart router liquidity sweeps, \$2 NYSE floor brokers, Market Centers and numerous broker-sponsored algorithm providers. In some cases, the execution venue may transmit your order for execution to various exchanges or market centers. The determination of execution venues to which orders are routed is based on a number of factors including, but not limited to, those listed below. Such factors are weighed along with the anticipated speed of execution, the desire to achieve price improvement and the appropriate routes to employ the best strategy that we believe provides the best and timely execution according to our clients’ needs and instructions.

- Size and type of the order
- Trading characteristics (price, volume, time & sales, liquidity, etc.)of the security
- Favorable execution price (including the opportunity for price improvement)
- Access to reliable market data
- Availability of efficient automated transaction processing
- Industry rules & regulations of order type
- Customer specifications

Certain order routing policies are designed to produce favorable transaction processing for you, as we must meet best execution obligations when orders are received, handled, routed and executed. JS is committed to providing quality execution through our diligence in watching, working and reviewing all orders.

**Compensation for order flow:** Jackson Securities’ (JS) provides equity execution primarily for institutional clients. Unless specified otherwise by the institutional client, we understand that orders placed with JS are directed on a “not held” basis, indicating clients’ consent to give JS traders discretion to exercise judgment to seek the best execution of the order(s).

JS’ primary equity execution goal is to provide best execution irrespective of the cost to provide such execution. These factors include, but are not limited to, client instructions, current price, current volume, available liquidity, industry rules and regulation, market news, etc. In order to provide best execution and to access the fragmented equity markets, JS has engaged trading relationships with numerous execution venues to ensure access to various liquidity sources and speed of execution points. These execution venues include sponsored access to NYSE and

ARCA exchanges, DMA, smart router liquidity sweeps, \$2 NYSE floor brokers, market centers and numerous broker-sponsored algorithm providers. The fee structure arrangements with JS execution providers are based either on a flat execution rate per share or the cost + model. In the cost + model, typical of smartrouter, DMA and exchange provider fee structures, liquidity rebates and fees are passed through the execution provider to JS' billing from the exchange. As such, JS will receive fee rebates in cases where our executions add liquidity, and JS will be charged fees in cases where our executions take out liquidity. These rebates and fees are in addition to the cost per share execution rate and are based on agreed upon price schedules.

JS is committed to providing best execution for our clients regardless of the fee structures in place with execution venues.

**Reports:** By virtue of our firm's size and the number of orders routed, we are not required to make quarterly reports available which identify the market centers to which orders were routed. However, our firm maintains records regarding each execution, and upon request, customers may receive information regarding the venues to which specific orders were sent for execution. If the number of orders increases and we determine that reporting is required, we will update this order routing disclosure and will make such reports publically available to you on a quarterly basis as required by SEC Rule 606. The reports will identify the venues to which orders are routed for execution and will provide information concerning the relationship with the venues.