Silver Oak Securities, Inc. Best Interest Disclosure Document

1. **Licensing and Qualification:** When discussing services with a Financial Professional you should understand which services your Financial Professional can provide. Financial Professionals are restricted as to the services they can provide and sometimes by the types of securities for which they can provide advice or recommendations. These restrictions are based on the exams they have passed, the designations they maintain, as well as the state in which they reside. Each additional exam a Financial Professional passes allows them to provide additional services and/or recommendations. Each designation a Financial Professional maintains has unique qualification standards and ongoing maintenance expectations. Each state has its own securities laws that dictate who can offer investment services in their state, and how each individual can offer investment services in their state. The following is a list of services and products for which a Financial Professional is allowed to offer based on this criteria.

    - **FINRA Series 7 Exam** – Limits a Financial Professional to providing recommendations on public offerings and/or private placements of corporate securities (stocks and bonds), rights, warrants, mutual funds, money market funds, unit investment trusts ("UIT"), exchange traded products, 529 plans, real estate investment trusts ("REIT"), options on mortgage backed securities, government securities, repurchase agreements ("REPO"), and certificates of accrual on government securities, direct participation programs ("DPP"), municipal securities, hedge funds, venture capital offerings, variable annuities ("VA"), variable life insurance ("VUL"), local government investment pools ("LGIP"), and closed-end funds. The Series 7 exam is called the general securities representative exam as it allows Financial Professionals to make recommendations on the largest number of securities products.
    - **FINRA Series 6 Exam** – Limits a Financial Professional to providing recommendations on VAs, VULs, UIT, 529 plans, LGIP, and closed-end funds on the initial offering only.
    - **FINRA Series 22 Exam** – Limits a Financial Professional to providing recommendations on DPPs including real estate, oil and gas, and equipment leasing, and limited partnerships ("LP"), limited liability companies ("LLC"), and S-Corporation securities.
    - **FINRA Series 52 Exam** – Limits a Financial Professional to providing recommendations on municipal securities.
    - **FINRA Series 62 Exam** – Limits a Financial Professional to providing recommendations on stocks, bonds, closed- end funds, and exchange traded products. This exam is commonly used in combination with the Series 6 exam.
    - **FINRA Series 82 Exam** – Limits a Financial Professional to providing recommendations on private placement securities which are non-public securities offerings sold under an available registration exemption outlined in the Securities Act of 1933.
    - **NASAA Series 63 Exam** – Entitles a Financial Professional to function as a securities agent in certain states. Generally, Financial Professionals who have passed the series 63 exam will be limited as to which products they can provide recommendations by the FINRA exams that they have passed. Financial Professionals utilizing a series 63 exam are considered registered representatives with a broker-dealer, such as SOSI, in order to offer recommendations to buy, sell, or exchange securities products.
    - **NASAA Series 65 Exam** – Entitles a Financial Professional to function as an investment adviser representative in certain states. Certain states allow individuals to function as an investment advisor representative without taking or passing the series 65 exam or any other exam. Certain states accept certain designations in lieu of taking or passing the series 65 exam.
    - **NASAA Series 66 Exam** – Entitles a Financial Professional to function as both a securities agent and an investment advisor representative. The series 66 exam combines the content of the series 63 exam and the series 65 exam.
    - **Designations** – Most states accept the following designations in lieu of taking or passing the series 65 exam: Certified Financial Planner (CFP®), Chartered Financial Consultant (ChFC®), Personal Financial Specialist (PFS), Chartered Financial Analyst (CFA), Chartered Investment Counselor (CIC). Additionally, while not accepted in lieu of the series 65 exam, Financial Professionals may maintain many other designations. For additional information, please visit https://www.finra.org/investors/professional-designations.
    - **Insurance** – Certain investment products, such as VAs and VULs, require a Financial Professional to maintain state insurance licensing, in addition to the required investment exams. Each state has unique qualification standards and ongoing maintenance expectations for the required insurance license to sell these hybrid investment products.

2. **Capacity Disclosure:** All recommendations regarding your commission brokerage account and/or commission packaged products will be made in a broker-dealer capacity, and all recommendations regarding your advisory account(s) will be in an advisory capacity. When we make a recommendation to you, we will expressly tell you orally which account we are discussing.

3. **Understanding Fees and Charges:** Certain types of securities, including 529s, mutual funds, UITs, interval funds, money market funds, VAs and VULs and other investment products utilize share classes. Fees and expenses that are commonly associated with

share class securities include, sales charges (commonly referred to as "loads"), fund maintenances fees, potential volume discounts (often referred to as "breakpoints"), and 12b-1 fees which are paid to the Financial Professional from fund assets, therefore, indirectly from your invested assets. Understanding these charges and volume discounts will assist you in identifying the best investment for your particular needs and may help you to reduce the cost of your investment. More details about share classes, commissions, fees, and expenses of these securities are outlined in the product's prospectus and any other required offering materials.

The most common types of compensation structures associated with share classes are front end load, back end load, level load, no load, and load waived.

- **Front End Load** – A sales charge is deducted from your investment at the time you buy the investment. This sales charge is a percentage of your total purchase. Some investments offer volume discounts to the front end sales charge assessed on certain share classes at predetermined levels of investment.
- **Back End Load** – No sales charge is deducted at the time of purchase. The load is paid by deducting it from profits or principal when you sell the investment.
- **Level Load** – An annual charge, also referred to as a 12b-1 fee, is deducted from your investment for as long as you hold the investment. These share classes typically do not have set surrender periods.
- **No Load** – These investments do not impose sales charges and you typically buy shares directly from the investment company. The same funds may be available with a load through a Financial Professional. While no load funds have no sales charges, they may still charge 12b-1 fees, purchase fees, redemption fees, exchange fees, and account fees in addition to the operating fees that all funds charge.
- **Load Waived** – If permitted by the issuer, some investments may be purchased on a net of commission basis. The load waived fund is a fund offered by an adviser or broker who might waive the load but keep other fees, such as the 12b-1 fee.

4. **Investment Objectives:** Investment objective is used in conjunction with other factors such as risk tolerance, time horizon etc. to determine the suitability and best interest of your portfolio.

   I hereby acknowledge that SOSI cannot assure that any investment will achieve my intended objective. I acknowledge that I must make my own investment decisions and determine for myself if the investments I select are appropriate and consistent with my investment objectives.

   - **Speculative** - Client is prepared to take exceptional risk and accept significant fluctuation in their portfolio to achieve their investment goals. This may include taking highly speculative and concentrated positions in high-risk securities.
   - **Aggressive** - Client is not concerned with the level of fluctuation in their portfolio value. Client is prepared to take substantial risk to achieve their investment goal of significantly growing their portfolio.
   - **Moderate Aggressive** - Client is less concerned with the level of fluctuation in their portfolio value and is prepared to accept some leverage to achieve their investment goals. Client has no need to receive current income from their portfolio.
   - **Moderate** - Client is willing to accept a moderate level of fluctuation in their portfolio's value. Client has no need to receive current income from their portfolio.
   - **Moderate Conservative** - Client seeks both higher returns from capital appreciation and some current income. Client hopes to achieve this by investing the portfolio primarily in growth equities, which produce little or no current income, and in income- producing investments of all grades, while recognizing and accepting the increased risks associated with investments of this type.
   - **Conservative** - Client's primary goal is to have a portfolio that produces current income. Client understands that a portfolio seeking income above the market average carries higher risks and can be more volatile than the general market.
   - **Capital Preservation** - Client's primary goal is to preserve capital so the return must be at least equal to the inflation rate. Client is averse to short-term loss and can accept only minimal fluctuations in their portfolio value. Client has a need for current income from their portfolio.

5. **Risk Tolerance Descriptions:** Risk tolerance is defined as the degree of uncertainty that an investor can handle in regard to a negative change in the value of their portfolio. There is a direct correlation between the level of risk that an investor is willing to take in their portfolio and the potential upside that is possible with that given portfolio. When identifying risk tolerance, it is important to note that, in general, investments with a low degree of risk generally will have a lesser degree of upside potential but provide lesser downside risk as well. Conversely, those investments that have a high degree of risk have the potential for greater returns but provide significant risk to the downside as well.

I hereby acknowledge that it is my responsibility to identify the level of risk that I am willing to accept for this account.

- **Conservative** - This risk tolerance indicates that I am not willing to tolerate large market fluctuations and am willing to forgo significant upside potential to achieve this goal. I want my portfolio to provide an income stream to meet living expenses and am more concerned with protecting my principal than growing my portfolio.
- **Moderately Conservative** - This risk tolerance indicates that I am willing to tolerate a bit more risk that the conservative investor but am still averse to large short-term fluctuations. I want to be protected somewhat from large downside market movements and am willing to not fully participate when the markets rally upwards. I understand my portfolio will still fall when markets decline but I want to be somewhat protected.
- **Moderate** - This risk tolerance indicates that I want good returns and understand that I must take on more risk to get those good returns. I understand that my portfolio may hold a wide range of asset classes ranging from short term bonds to high-risk stock funds. I understand that I will lose money if the markets go down but also expect to participate in gains when the markets are performing well.
- **Moderately Aggressive** - This risk tolerance indicates that I seek to outperform stock market indices when the markets go up but am aware and comfortable with the fact that my portfolio will likely be down more than the market indices when the stock markets perform poorly. I am willing to accept more risk that the average investor for the potential of greater returns.
- **Aggressive** - This risk tolerance indicates I am comfortable with accepting a higher degree of risk in order to seek returns that will substantially outperform the stock market. I am aware that a similar level of outperformance when markets are performing well can negatively impact returns when markets are not performing well. I Understand with this risk tolerance that I am accepting a high level of risk with potential for greater returns.
- **Speculative** - This risk tolerance indicates I am comfortable with the highest level of risk and the highest average possibility for loss of my initial investment value in exchange for higher potential to profit from an anticipated price move.

6. **General Conflicts:** Certain product sponsors provide your Financial Professional with economic benefits as a result of your Financial Professional's recommendation or sale of the product sponsors' investments. These other products and services can benefit SOSI and/or your Financial Professional but may not benefit you. The economic benefits received can include, but are not limited to,
    - Financial assistance or the sponsorship of conferences, client meetings or other events, and educational sessions
    - Marketing support
    - Payment of travel expenses
    - Occasional business entertainment, including meals, invitations to sporting events, including golf tournaments
    - Educational opportunities and tools to assist your Financial Professional in providing various services to clients, including but not limited to, software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), provide research, pricing information and other market data, facilitate payment of fees from client's accounts, and assist with back-office training and support functions, record-keeping and client reporting.

    Some of these services may be used to service all or some substantial number of accounts, including those that are not specifically maintained by an individual product sponsor. These services are intended to help manage and further develop the business of SOSI and your Financial Professional and can include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. Some product sponsors may make available, arrange and/or pay vendors for these types of services or discount or waive fees it would otherwise charge.

    These economic benefits may be received directly by your Financial Professional or indirectly through SOSI who have entered into specific arrangements with product sponsors. A recommendation/requirement that clients maintain their assets in accounts based in part on the benefit to your Financial Professional, SOSI, or the availability of some of these products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided create a potential conflict of interest. These economic benefits could influence your Financial Professional to recommend certain products/programs over others.

    Certain SOSI clients utilize commission brokerage accounts; there are conflicts of interest associated with these accounts.
    - SOSI provides clients with access to certain money market funds. SOSI receives payments when cash is placed into a money market fund. This presents a conflict for SOSI due to the financial benefit that is received by us. SOSI does not share any portion of this compensation with your Financial Professional. Money market funds can lose value and have

done so in the past. It is important to discuss your options with your Financial Professional as they can help determine the right money market option for you.

- Some commission brokerage accounts utilize margin. When a client chooses to utilize margin, our clearing firm, StoneX, charges margin extension and interest fees to the account. SOSI receives a portion of these charges. This arrangement provides a financial incentive for SOSI to maintain the relationship with StoneX. Although this retained revenue is not paid to your Financial Professional, this is a conflict of interest because of the additional compensation received by SOSI.
- For commission brokerage accounts, more commissions will be generated when there are more trades in your account; therefore, your Financial Professional has an incentive to encourage you to trade more often.
- For packaged products, your Financial Professional only receives compensation (up-front and trailing) when products are purchased; therefore, your Financial Professional has an incentive to recommend that you purchase such products.
- The more assets you have in an advisory account, including cash, the more you will pay. Therefore; your Financial Professional has an incentive to increase the assets in your account in order to increase their fees. You will pay fees even if you do not buy or sell, and even if you lose money.

7. **Methods of Analysis, Investment Strategies and Risk of Loss:** Investing in securities involves risk of loss that you should be prepared to bear. Risks associated with the strategies described below include:
   - **Capital risk –** The risk that your investments may lose value.
   - **Currency risk –** If the assets you invest in are held in another currency there is a risk that currency movements alone may affect the value.
   - **Financial risk –** The risk that there may be a disruption in the internal financial affairs of the investment, thereby causing a loss of value.
   - **Market risk –** The risk that the value of a security or portfolio will decrease due to the change in value of the overall market.
   - **Credit risk –** The risk of loss arising from a borrower who does not make payments as promised.
   - **Interest rate risk –** The risk that an interest-bearing asset, such as a bond, will lose value due to variability of interest rates. In general, as rates rise, the price of a fixed rate bond will fall, and vice versa.

   Your Financial Professional may use one or more of the following methods of analysis:
   - **Fundamental –** Analyzes individual investments in relation to expectations regarding the market and international and national economic indicators, such as GDP growth rates, inflation, interest rates, exchange rates, productivity, and energy prices.
   - **Technical –** Analyzes past market data trends, primarily price and volume, in an attempt to forecast the direction of securities prices.
   - **Cyclical –** Analyzes past economic and market cycles in an attempt to forecast the direction of securities prices.
   - **Computer model –** Software programs utilizing statistics and probability, calculus, and econometrics to produce trading signals for the purpose of timing portfolio re-allocations.

   Your Financial Professional may use one or more of the following investment strategies in managing your assets:
   - **Buy and hold -** A long term investment strategy based on the view that in the long run financial markets give a good rate of return despite periods of volatility or decline. This viewpoint also holds that short-term market timing, i.e. the concept that one can enter the market on the lows and sell on the highs, does not work so it is better to simply buy and hold.
   - **Market timing (active management) -** A strategy of making buy or sell decisions of financial assets by attempting to predict future market price movements. The prediction may be based on an outlook of market or economic conditions resulting from technical or fundamental analysis. This is an investment strategy based on the outlook for an aggregate market, rather than for a particular financial asset.
   - **Momentum investing (active management) –** A strategy of buying securities that have had high returns over a specific historical time period (ex. the twelve months) and selling those that have had poor returns over the same period.
   - **Tactical asset allocation (active management) –** A strategy that attempts to overweight those asset classes that are expected to outperform on a relative basis and underweight those expected to underperform. Financial and economic variables (“signals”) are used to predict performance and assign relative short-term asset-class weightings.
   - **Strategic asset allocation (passive management) -** A strategy that involves the establishment of a long-term target allocation in major asset classes such as stocks, bonds, and cash based on portfolio objective, risk tolerance, and time horizon.

The strategies described above may utilize a combination of long-term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 30 days), or options contracts. Frequent trading in your account can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Investment strategies and recommendations may be based upon consideration of any of the following:

- **Diversification –** for the purpose of balancing risk while maintaining the possibility of gain; or,
- **Risk Factors –** including the risk of capital loss (market risk) and the risk of loss of purchasing power (inflation risk), and the client's understanding of, and financial ability to bear, such risks; or,
- **Asset Balance –** taking into consideration short and long-term liquidity needs, blending of lesser and greater risk approaches, and combining income, growth, and safety concepts; or,
- **Discipline –** emphasizing commitment and follow through over a reasonable period of time in order to permit the investment plan or recommendations to achieve the intended/pursued result; or,
- **Income Tax Considerations**, but these should not replace the economic benefits as the principal determinant of investment decisions.