



## Regulation Best Interest Disclosure Supplement

### About Us

Dawson James Securities, Inc. (“Dawson James” or the “Firm” or “us” or “we”) is registered with the Securities and Exchange Commission (SEC) as a broker-dealer and is a member of the Financial Industry Regulatory Authority (FINRA). We can also offer you investment advisory services, through our affiliated registered investment adviser, Dawson James Asset Management, Inc. (“DJAM”). DJAM is a separate entity from Dawson James and is registered with the State of Florida and also maintains other state registrations from time to time. It’s important that you understand brokerage and investment advisory services are different. To find out more information regarding DJAM, visit [www.dawsonjames.com/wealthmanagement](http://www.dawsonjames.com/wealthmanagement). We are also affiliated with Dawson James Financial Services, Inc., a licensed insurance agency. For more information regarding the insurance products and services we may offer you through this entity, visit [www.dawsonjames.com/insurance](http://www.dawsonjames.com/insurance).

### About this Document

This document is meant to provide additional information and disclosures regarding Dawson James (the broker-dealer) pursuant to Regulation Best Interest.

### Capacity in which your Financial Professional is Acting

Your financial professional may be a Registered Representative of our Broker-Dealer, an Investment Adviser under our affiliated Registered Investment Adviser, or both. You can check your financial professional at <https://brokercheck.finra.org/> which will allow you to search for your financial professional by name. Their respective profile will show you if they are a broker, investment adviser, or both and you can also find additional information about our firm.

In most cases, when making a recommendation to you regarding investments in your brokerage account or directly with an investment sponsor (known as “direct business”) your financial professional is acting in his/her capacity as a registered representative under the broker-dealer. When providing advice or a recommendation regarding investments in an advisory account, your professional is acting in the capacity of an investment adviser. Your account application or agreement will identify which type of account you have. However, there are exceptions and whenever your financial professional acts in a capacity inconsistent with this guidance, you will receive updated notice in writing as to the capacity in which they are acting when making a recommendation.

### Material Limitations

You should understand there are material limitations to the recommendations your financial professional provides. The Firm approves and offers only certain account types, products, and securities. There may be additional account types, products, and securities that are not offered by the Firm, which may benefit you and your portfolio. In addition, those that we do offer, may be available at a lower cost through another firm.

Additionally, the financial professionals associated with our Firm are licensed to offer certain account types, products, and securities. In some cases, even when available through our Firm or an affiliate, your financial professional might not be able to recommend a particular account type, product, and/or security which may benefit you and your portfolio. You can check to see the licenses your financial professional holds, by visiting <https://brokercheck.finra.org/>.

### Requirements for You to Open or Maintain an Account with Us

Generally, the Firm does not have a minimum amount to open a brokerage account. However, it’s also important to note, some products and investments we recommend may require a minimum investment, which can be found on their investment prospectus, offering materials, or similar documents.

### Our Firm’s Investment Approach

The Firm uses its industry knowledge and experience to provide brokerage services to retail clients. We offer a number of account types and investments. The firm seeks to understand our clients’ unique investment profiles and recommend investments and strategies consistent with their unique financial needs. However, the products and services offered by the Firm do vary and the investment philosophy, approach, risk, and objective of these investments will too. You should review the prospects or similar offering documents thoroughly before making an investment and contact your financial professional should you have additional questions.

## **Material Fees, Costs, and Associated Conflicts**

The Firm and its associated professionals receive compensation directly from their customers or indirectly from the investments a customer makes. This compensation takes the form of an upfront commission and/or ongoing compensation, known as trailing compensation. It is important to note that the amount of compensation can change over time. In order to receive specific and the most up-to-date information, Customers should review the respective prospectus, offering document, and/or other transaction statement. Customers should discuss with their financial professional if they have any questions regarding compensation and/or conflicts of interest.

### Sales Compensation

The Firm receives selling compensation when it buys or sells a security. This selling compensation is also referred to as a commission, markup/markdown, placement fee, or sales charge/load. Typically, the Firm receives selling compensation and shares a certain percentage of the selling compensation with your financial professional.

Because the amount of selling compensation charged can vary between different securities and products, this could create an incentive to sell certain investments over others. It could also create an incentive to conduct a higher number of transactions.

- **Equity/ETF/ETN/CEF/Options:** The Firm charges a minimum commission of \$100.00 and a maximum of 5% per transaction on these types of securities. The Firm is able to waive or reduce this amount depending on the circumstances and often does.
- **Fixed Income and Bonds:** Typically, fixed income securities, such as a corporate bonds, municipal bonds, collateralized mortgage obligations (CMO), and other types of fixed income securities are charged a markup or markdown. This means when a customer is seeking to purchase one of these securities it is first purchased by the Firm and placed in a Firm account. The Firm then sells that security to the customer for a higher price and moves the security from the Firm's account into the customer's account. Similarly, when selling one of these securities, the Firm purchases the security from the customer and moves it into a Firm account, the Firm will then sell the security in the marketplace at a higher price. The maximum amount charged in the Form of a markup or markdown is typically 1%, but this amount can go higher in certain circumstances that may make the security harder to buy or sell, including a thinly traded security or a low-priced security.
- **Mutual Funds and 529 Plans:** The Firm typically receives a maximum of 5.75% sales load on mutual funds and 529 plans, but this amount can be reduced based on a number of factors, including the amount invested and the share class. The sales load reduces the value of your investment. The Firm also receives trailing compensation on these investment which can vary based on the share class selected.
- **Variable Annuities:** The maximum amount paid for the sale of an annuity is typically 5.5%, but can vary based on the type of annuity chosen and share class, when applicable.
- **Alternative Investments:** The Firm typically receives a maximum upfront commission of 8% for the sale of alternatives investments such as hedge funds, private equity funds, real estate investment trusts (REITs), business development companies (BDCs) and private placements.
- **Unit Investment Trusts ("UITs"):** The maximum sales charge for a UIT will range between 1.85% and 2.5%.

**Understanding Share Classes** The amount of upfront selling compensation versus trailing compensation charged on certain products, such as mutual funds, variable annuities, or 529 investments will vary, depending on the share class selected. For mutual funds, typically, Class A shares will result in a higher upfront sales charge and lower trailing compensation, while the opposite is true for a Class C. In order to see a complete list of the share classes available for a particular investment and their respective costs, you should review the investment prospectus, offering document, and/or other transaction statement.

### Product Costs and Fees

Financial professionals provide recommendations with respect to a broad range of investment products, including stocks, bonds, ETFs, mutual funds, annuities and alternative investments. Many investment products charge fees and costs that are separate from and in addition to the commissions and fees that the Firm and financial professionals receive. You can learn more about these fees and costs charged by an investment product by reviewing the investment product's prospectus, offering memorandum, or other disclosure documents.

### Account Fees

In addition to the commissions and sales charges described above, customers can also be charged direct fees and charges for miscellaneous account services such as wire transfers, inactivity fees, account transfers (ACAT), error corrections, and account maintenance. They may also be charged transaction fees known as "ticket charges" which typically are around \$30 as well as contract charges for certain options activities. These fees are typically charged by the clearing firm where your assets are custodied and some of these fees may be shared with the Firm. These fees typically range between \$6 and \$175. For a complete list of these charges and fees you should review your account agreement and/or fee schedule and discuss these charges with your financial professional.

### Registered Representative Specific Compensation

As described in our Customer Relationship Summary (Form CRS) registered representatives compensation package typically includes a percentage of the selling compensation described herein, but may also receive salaries and other cash or non-cash compensation and benefits that may or may not be tied to their performance, including, but not limited to the amount revenues they generate from their customer base. The percentage of revenue the registered representative receives is negotiated with the Firm on a periodic basis depending on a number of factors. Financial professionals can also receive special recruitment incentives such as forgivable loans and bonuses. They can also receive help with certain operations, including expense

reimbursement. In addition, they receive an amount of the contract charges on options transactions, usually 77cents per contract. Registered representatives may also receive certain warrants as additional compensation from issuers of securities in which we sell. Although the types and features of warrants may vary, they represent the right to purchase a security at a certain price. Lastly, registered representatives may also receive other non-cash compensation such as entertainment, meals, and conferences.

#### Additional Compensation from Third Parties and Related Conflicts

In addition to the commissions and sales compensation described above, the Firm and your financial professional also receives additional compensation from third-parties. This additional compensation could create incentive for the Firm to recommend certain investments over others. It's important to note that the amount of compensation can change and vary between security types and product/investment sponsors. In order to receive specific and the most up-to-date information, customers should review the respective prospectus, offering document, and/or other transaction statement.

- **Investment Banking and Consulting Fees:** The firm acts in numerous investment banking and consulting capacities. Accordingly, the compensation we receive can vary greatly depending on our capacity and a number of other factors. We may act in an investment banking or consulting capacity with certain issuers of securities we may recommend to you, which could increase the level of compensation we receive beyond the selling compensation described above. We may also receive reimbursement for certain expense. As indicated above, in order to receive more detailed information regarding our compensation in connection with a security we may recommend, you should receive the investment prospectus, private placement memorandum, or similar offering materials.
- **Other Trailing Compensation:** The Firm also receives trailing compensation, including 12b-1 fees, which are paid from certain investment sponsors for mutual funds, annuities, and alternative investments. The amount can vary based on the product and amount invested. For mutual funds, the maximum amount is typically 1%, while annuities and alternative investments can be as high as 2%.
- **Product Onboarding:** The Firm receives onboarding fees or reimbursement for certain expenses associated with product onboarding, including due diligence. This payments can be fixed or a percentage of the total value of an offering, but typically range between 1% and 3%.
- **Non-Cash Compensation and Marketing:** The Firm and its employees periodically receive compensation that is not transaction based from investment sponsors. This includes entertainments such as tickets to a sports game, costs associated with dinner, small gifts valued at less than \$100, or marketing fees for workshops, events, and advertising.
- **Cash Sweeps:** The Firm receives compensation for when a cash balance is moved to a particular fund/account which the Firm generates additional compensation from. This amount is usually not shared with your financial professional and can be as high as .5%.
- **Margin:** When a customer receives margin, the Firm will receive a percentage of the balance lent, which typically does not exceed .5%.
- **Payment for Order Flow:** The Firm may receive remuneration for directing orders in securities to particular market centers for execution. The Account Holder understands that this remuneration, known as "payment for order flow," is considered compensation to the Firm.
- **Firm Conferences:** The Firm allows third parties to sponsor conferences and events. Some of these sponsorships come from product/investment sponsors which we may recommend to customers and the amount can vary depending on the level of sponsorship. It is important to note, these sponsorships are not contingent on production or connected with the sale of a security. Typically sponsors use this as an opportunity to inform our financial professionals about the products or services they offer.

#### **Additional Conflicts of Interests**

**Gifts and Entertainment** A conflict of interest may arise when an employee receives or offers a gift, entertainment, or anything of value that creates an incentive for an employee, third party service provider, or a client to act in a certain way.

**Shared Revenues and Payments from Third Parties** We receive shared revenue, fees, and/or payments from product sponsors and our clearing firm which could create an incentive to offer or recommend certain activities and investments.

**Proprietary Trading** The firm engages in business and trading activities for its own account or client accounts while other clients are active in relevant markets at the same time. We are incentivized to maximize our returns and certain trades could disadvantage the performance in your account.

**Multiple Roles** The firm or its affiliates may perform multiple roles with respect to a client or transaction (e.g., advisor, lender, broker, riskless principal counterparty). These roles mean we might be biased regarding the services we recommend as they relate to these roles.

**Outside Business Activities** When approved, registered representatives may engage in certain outside business activities. This may include, but is not limited to: real estate, accounting, insurance, legal, and other professions. As a result, financial professional s may be incentivized to recommend certain products or services outside the scope of their relationship with the firm and they may benefit financial from these recommendations. In addition, employees may engage in personal trading or outside business activities (including board memberships/directorships) could conflict with a client or with the firm.

**Political and Charitable Contributions** The Firm and/or its employees charitable and/or political donations could create the perception that the company or employee is seeking a quid pro quo.

**Confidentiality** The Firm and its employees are periodically exposed to confidential information which may benefit us or a client.

**Supervision Conflicts** When a manager is also producing, he/she may be incentivized to spend more time on revenue generating activities than supervision activities.

**Affiliated Entities** As indicated above, the Firm is affiliated with a state-registered investment adviser, Dawson James Asset Management, Inc. and a licensed Insurance Agency, Dawson James Financial Services, Inc. The Firm and your investment professional are incentivized to refer you to all of these affiliates as it generates additional compensation for the firm and investment professional, directly, or through the enterprise.

## Understanding Risk

Our Firm does not provide tax, legal or accounting advice. Accordingly, we encourage each customer to consult their own personal tax, legal and/or accounting advisers in order to understand the potential consequences associated with a particular investment strategy.

Investing in securities involves risk of loss that customers should be prepared to bear. Different types of investments involve varying degrees of risk and there can be no assurance that any specific investment or investment strategy will be profitable for a customer's investment portfolio. Past performance is not indicative of future results. A customer should not assume that the future performance of any specific investment, investment strategy, or product will be profitable or equal to past or current performance levels. We cannot assure that the investment objectives of any client will be realized. The following is a non-exhaustive list of risks associated with investing. For additional product-specific risks, customers should review their prospectus, offering document, or similar materials and consider them carefully prior to making an investment decision.

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial/Credit Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value of securities.
- **Third Party Manager Risk:** Third Party portfolio managers typically have full discretion as to how manage the model portfolio based on the objective of the model. Such discretion increases the risk that the TPM may mismanage the portfolio and client's assets which may result in client's loss.