Part 2A of Form ADV: ***Firm Brochure for:***

Online Digital Advisory Services – Discretionary

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This brochure provides information about the online digital advisory qualifications and business practices of 1st Discount Brokerage, Inc. If you have any questions about the contents of this brochure, please contact us at 561-515-3200 or robo@1db.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about 1st Discount Brokerage, Inc. (1DB) also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 39164.

Investment Adviser registration does not imply a certain level of skill or training.

Item 2 Material Changes

1st Discount Brokerage's last annual update to Part 2A of Form ADV was filed in March 2023.

This Firm Brochure, dated 3/22/2024, is our current disclosure document for online digital advisory service prepared according to the SEC's requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the current rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 Advisory Services

1st Discount Brokerage, Inc. is a registered investment adviser with its principal place of business located in FL. 1st Discount Brokerage, Inc. began conducting business in 2002.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- 1DB Financial (majority owner of 1DB Financial is William H. Corley, President/CEO of 1st Discount Brokerage, Inc.)

1st Discount Brokerage, Inc. (1DB) offers the following advisory services to our clients:

ONLINE INVESTMENT ADVISORY SERVICES

The online advisory platform is supported by **IQVESTMENT, LLC**, an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC"). Apex Clearing Corporation provides clearing and custody services to 1st Discount Brokerage's clients.

Our firm offers online investment advice and portfolio management services on a continuing basis through our digital proprietary technology platform provided by 1DB to retail clients, including but not limited to high net worth individuals. The platform is located at www.1db.com.

The Program offers Model Portfolios depending on the individual client's risk appetite. There are 6 risk categories defined as conservative, moderately conservative, moderate, moderately aggressive, aggressive, and highly aggressive. 1DB's Model portfolios are constructed with ETFs and cash, selected by 1DB's investment advisor (s). 1DB acts as an advisor and IQVESTMENT acts as subadvisor in offering its Model Portfolios. Clients are required to execute an "Investment Management Agreement" provided by both the advisor and the sub-advisor. 1DB, the advisor, will charge 50 basis points per year in arrears on each account (the "Program Fee"), of which 7 basis points are shared with Apex Clearing Corporation as clearing cost, and 8 basis points are shared with IQVESTMENT as sub-advisor. The fee charged by the advisor (1DB) is detailed in the advisor's ADV and/or Investment Management agreement. The Program fee will cover advisory services, trading commission, custodial, clearing and execution and account reporting.

Model Portfolios utilized in 1DB's Program may include securities (such as ETFs) that are subject to fees and expenses that are passed along to the Client. Model Portfolios that exclusively utilize ETFs will have higher fund-related fees and expenses. The fund-related fees and expenses associated with Client accounts utilizing these Model ETF Portfolios may be significant and will generally range from 0.05 to .08% of assets under management.

Any fees charged to an account will lower the performance returns. If a client opens and/or funds an account with the Adviser on a date other than the first day of the month, then a prorated fee will be charged for that month with respect to such contribution based on the number of days remaining in that month. If a client terminates their account or otherwise withdraws funds from such account on any date other than the last day of the month, then a prorated fee will be charged based on the number of days in the month that the funds remained in the account prior to the withdrawal.

1DB will automatically debit fees from the assets in a client's account on a quarterly basis, beginning on the first day of the month following the month clients first invest with 1DB, and may sell account assets if necessary to cover accrued but unpaid fees. Clients may terminate the Advisory Agreement at any time by providing written notice to 1DB. Online Investment advice is provided exclusively through 1DB's online digital platform.

During our data-gathering process and through a risk tolerance questionnaire answered by the clients, the platform collects the client's individual objectives, time horizons, risk tolerance, and liquidity needs, and a score is assigned based on the client's answers. The client's investment funds are placed into the appropriate portfolio & strategy via the platform based on the score. As appropriate, we review the platform and make adjustments accordingly.

We manage these advisory accounts on a discretionary trading basis. Account supervision is guided by the client's stated objectives and risk tolerance, time horizon, as well as liquidity needs.

Clients elect to participate on a wrap fee basis via 1DB's digital advisory platform. Clients may impose reasonable restrictions on the account's management, including the prohibition of particular securities or types of securities from being purchased for the account.

Our model portfolios are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include Exchange-Traded Funds.
The clients are encouraged to review the Form ADV for disclosures and contract materials.

1DB's model portfolios include sweep program where cash is swept to Apex' FDIC insured funds. Neither 1DB nor Apex are a bank.

<u>Service Provider</u>

1DB contracts **IQVESTMENT, LLC**, and the platform service provider, to provide some or all of the following:

1) Trading: Buying, selling, exchanging, converting, and effecting spread, hold, and transactions for and with respect to securities.

2) Strategic Asset Allocation: Using long-term return and risk expectations in an optimization to determine the long-term asset allocation consistent with the client's stated investment objective(s).

3) Tactical Asset Allocation: Using short-term return and risk views to determine short-term tactical tilts to a client's investment portfolio.

4) Portfolio Construction: The process of investing across a range of diversified assets that work together based on individual risk and return characteristics of the assets.

5) Implementation: Using securities such as exchange traded funds ("ETFs"), mutual funds and other instruments to gain exposure to desired asset classes or factors, which can include margin (leverage) or options.

6) Strategy Selection: Selecting one or more investment strategies comprising the rules, behaviors and procedures, designed to guide the construction of a portfolio.

7) Client Risk Tolerance: Assessing and balancing of a client's portfolio based on individual needs such as growth and tolerance for risk.

8) Intelligent Rebalancing: Considering potential trading costs, rebalancing costs, and market conditions when rebalancing a portfolio.

Client Obligations

In performing its services, 1DB is not required to, and does not, verify information received from the client and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify 1DB if there is any change in his/her/its financial situation, risk tolerance or investment objective(s).

Amount of Managed Assets

As of 12/31/2024, we were actively managing $11,431,298 of clients' assets on a discretionary basis in online digital advisory program.

Item 5 Fees and Compensation

The annualized fees for online digital advisory services are charged as a percentage of assets under management, according to the following schedules:

1DB Digital Advisory	
Annual fee: 1.00% (100 basis points) of the end-of-month total account balance, calculated monthly and charged quarterly	
Account Opening Minimums: Non-retirement accounts: $150.00 Retirement accounts: $150.00	Subsequent Deposit Minimums: Non-retirement accounts: $50.00 Retirement accounts: $50.00

The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client, pursuant to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (hereinafter "IA Act") or similar state provisions.

Fees are calculated using the end-of-month total account balance, calculated monthly and charged each calendar quarter in arrears. Fees payable for investment advisory services will be a percentage of the total assets under management in the client's account. The applicable client agreement and the applicable custodial/clearing agreement authorizes the custodian to debit the account for the amount of 1DB's advisory fee and to directly remit that fee to 1DB in compliance with regulatory procedures.

Any minimum fees may be waived in 1DB's sole discretion.

a. Other Service Fees and Charges

The client will be solely responsible for service & administrative fees and charges relating to the brokerage and custody of securities in the Account. Service & administrative fees can include, but are not limited to, account closing charges, returned checks, wire transfers. Updated fee schedules are posted 30 days before any changes become effective. A current list of 1st Discount Brokerage fees can be found on the website, www.1db.com, or by calling 561-515-3200.

1DB generally selects investor class shares of mutual funds or exchanged-traded funds in its models. An expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for fund expenses, including management fees, administrative fees, operating costs, and all other fees and expenses incurred by the fund. Clients bear a proportionate share of each fund's expenses, including investment management fees, distribution, administration, transfer agency, shareholder services and other fees as applicable. 1DB is responsible for share class selection in the models and generally choose funds that have the lowest expense ratios for the funds. 1DB encourages clients to refer to the prospectus for those securities for expense information.

Item 6 Performance-Based Fees and Side-By-Side Management

1st Discount Brokerage, Inc. does not charge performance-based fees.

Item 7 Types of Clients

1st Discount Brokerage, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

METHODS OF ANALYSIS

1DB's online digital advisory platform was designed to aid in the investment process to help match a client's risk profile and objectives. A client's final portfolio incorporates the return and risk assumptions from quantitative models and qualitative considerations (including information provided by the client). Below are actions taken to implement a client's target portfolio on the platform:

- Strategic Asset Allocation: Long-Term Return & Risk Assumptions
- Tactical Asset Allocation: Short-Term Return & Risk Assumptions
- Portfolio Construction: Diversification, Qualitative Considerations and Optimization
- Portfolio Implementation: Securities, Strategies, Factor and/or Fund Views
- Client Risk Tolerance: Risk Tolerance and Liquidity Profile

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis. In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Cyclical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Quantitative Analysis. We may use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis. We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

1DB's Online Digital Platform was designed to aid in the investment process to help match a Client's risk profile and objectives. A Client's final portfolio incorporates the return and risk assumptions from quantitative models and qualitative considerations. Below are actions taken to implement a Client's target portfolio on the proprietary platform:

• Strategic Asset Allocation: Long-Term Return & Risk Assumptions

• Tactical Asset Allocation: Short-Term Return & Risk Assumptions

• Portfolio Construction: Optimization and Qualitative Considerations

• Portfolio Implementation: Securities, Strategies, Factor and/or Fund Views

• Client Risk Tolerance: Risk Tolerance and Liquidity Profile

1DB can utilize any the following methods of security analysis separately or in combination:

• Fundamental - analysis performed on historical and present data, with the goal of making financial forecasts;

• Technical – analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices; and

• Cyclical – analysis performed on historical relationships between price and market trends, to forecast the direction of prices.

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Trading. We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of brief price swings.

A short-term purchase strategy poses risks should the anticipated price swing not materialize or goes in the opposite direction. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction- related costs, as well as less favorable tax treatment of short-term capital gains.

Asset Allocation. The platform is designed to use models along with customized settings to accommodate strategic asset allocation, tactical asset allocation, and 12 active and/or passive implementation. The composition of each asset allocation model will vary based upon the specific retirement target date for the respective model, which generally ends every 5 years between 2020 and 2060.

When creating an asset allocation model, 1DB uses other models and qualitative inputs that can be based on valuation, long-term economic growth forecasts, long-term earnings forecasts and other factors to develop long-term investment views. The long-term investment views are used to create a strategic or long-term asset allocation target. The strategic asset allocation is designed to attempt to meet the asset allocation model's investment objective over the long-term. The strategic asset allocation is used in the creation of the target date models at each target date point and considers risk and reward. Strategic asset allocation views are applied to asset classes such as U.S. equities, global equities, currencies, fixed income, commodities and other asset classes or factors.

In addition to long-term views, 1DB has shorter-term tactical asset allocation views. The tactical asset allocation views can be based on inputs from short-term events, market sentiment indicators such as implied volatility, short-term risk signals, earnings momentum and other factors. These short-term investment views can be used to dynamically tilt the investment strategy's strategic asset allocation towards asset classes or factors that may have a more favorable risk and reward. Tactical asset allocation views are applied to asset classes such as U.S. equities, global equities, currencies, fixed income, commodities and other asset classes or factors. 1DB can implement a portfolio using a combination of passive (index) strategies or active strategies. An investment strategy's desired exposure, from strategic and tactical asset allocation views, will be implemented with vehicles or instruments such as mutual funds, ETFs, exchange traded notes, individual stocks, individual bonds and other vehicles or instruments. When deciding on implementation, 1DB may consider a strategy's opportunity to generate returns in excess of a benchmark in a given economic or market cycle, fees, liquidity, asset class exposure and other factors.

1DB provides Clients with discretionary asset allocation based on Modern Portfolio Theory ("MPT"). One of the underlying principles of MPT is that investors are risk averse (i.e., active customers do not always take a high equity ratio in their portfolio). MPT attempts to maximize a portfolio's expected return for a given amount of portfolio risk, or equivalently minimize potential risk for a given level of expected return, by selecting the proportions of various asset classes rather than selecting individual securities. 1DB seeks to construct its model portfolios based on MTP.

Other model providers that have model portfolios available for use in the program construct their model portfolios utilizing a combination of third party and proprietary funds and ETFs for targeted allocation exposures. They seek to achieve diversification and risk adjusted returns by constructing models that have potential exposure to various investment strategies across major sub-asset classes.

1DB provides its advisory services through a digital technology solution that relies heavily on a proprietary algorithm. Accordingly, clients should be aware that:

- the algorithm relies on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur;
- the algorithm is based on a number of assumptions, including, but not limited to: the trading price is the daily close price for any open-end mutual fund;
  - ✓ 1DB's model portfolios utilize daily closing prices of ETFs, mutual funds and ETNs for illustrative purposes. ETFs, mutual funds and ETNs traded in the client's accounts will generally be executed as limit orders set by 1DB;
  - ✓ expected asset return can be derived by statistical inference;
  - ✓ correlations exist between different assets;
  - ✓ no tax is included; and
  - ✓ slippage costs for rebalancing are not reflected in the algorithm; however, slippage may occur during actual trading for clients' accounts
- limitations of the algorithm include, the following without limitation:
  - ✓ imperfect estimation of the market turning point; and
  - ✓ expected return and expected correlation among different assets may significantly deviate from real market conditions due to unexpected events or investor panic;
- without rebalancing, the portfolio generated by the algorithm will not stay optimized over time;
- the algorithm used to manage accounts might rebalance accounts without regard to market conditions or on a more frequent basis than a client, client might expect and the algorithm may not address prolonged changes in market conditions;
- 1DB, in its sole discretion, might halt trading or take other temporary defensive measures which can include liquidating securities in stressed market conditions and this may cause tax implications;
- absent technical issues, there is no human involvement in the oversight and management of individual accounts; however, upon request by clients, 1DB can override certain trades provided it has advance notice of such requests;
- a risk tolerance questionnaire is available on the Platform that can be used by clients as the basis for 1DB's advice; and
- if and when a client has a material change to its financial standing or risk tolerance the client should promptly update information he or she has provided to the 1DB.

1DB's online digital platform continuously monitors our Clients' portfolios and periodically rebalances them back to the Clients' target mix in an effort to optimize returns for the intended level of risk, however no assurance can be made by 1DB that Clients will not incur capital gains, and in certain instances significant capital gains, when Client portfolios are rebalanced periodically. 1DB assumes no responsibility to its Clients for any tax consequences of any transaction, including any capital gains that may result from the rebalancing of Client accounts.

Risk of Loss.

Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. We ask that you work with us to help us understand your tolerance for risk.

1DB does not guarantee the future performance of any client's account. Clients must understand that investments made via the 1DB online digital advisory program involve substantial risk and are subject to various market, currency, liquidity, economic, political and business risks, and that those investment decisions and actions will not always be profitable. Clients may not get back the amount invested. Subject to the Investment Advisers Act of 1940 ("Advisers Act"), 1DB has no liability for any losses in a client's account. The price of any security or the value of an entire asset class can decline for a variety of reasons outside of 1DB's control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. There is no guarantee that 1DB's judgment or investment decisions about particular securities or asset classes will necessarily produce the intended results. 1DB's judgment may prove to be incorrect, and a client might not achieve his or her investment objectives. High volatility and/or the lack of deep and active liquid markets for a security can prevent a client from selling his or her securities at all, or at an advantageous time or price because 1DB and the client's broker may have difficulty finding a buyer and can be forced to sell at a significant discount to market value. 1DB cannot guarantee any level of performance or that any client will avoid a loss of account assets. Any investment in securities involves the possibility of financial loss that clients should be prepared to bear.

When evaluating risk, financial loss may be viewed differently by each Client and may depend on many different risk items, each of which can affect the probability of adverse consequences and the magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before entering the program or othe1DBise engaging 1DB. These risks should be considered as possibilities, with additional regard to their actual probability of occurring and the effect on a client if there is in fact an occurrence.

Senior Management from 1DB remain available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

Algorithmic Trading – Clients are advised that 1DB relies on computer models, data inputs and assumptions in generating trade orders or recommendations (as applicable). Statistical investing models, such as those used by 1DB, rely on back-tested information, and, thus, may not operate as expected or intended when events having few or no historical antecedents occur, and, accordingly, may generate losses another manager could have been able to avoid. Likewise use of algorithms may result in a recommendation of a portfolio that may be more aggressive or more conservative than necessary or incorrectly trigger or fail to initiate rebalancing. Changes to algorithmic code may materially affect a client's portfolio and may not have the desired effect over time with respect to the clients accounts.

Cybersecurity Risks – 1DB and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from cyber-attacks and hacking by other computer users, and to avoid the resulting damage and disruption of hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks may cause losses to 1DB's clients by interfering with the processing of transactions, affecting 1DB's ability to calculate net asset value or impeding or sabotaging trading. Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, and the dissemination of confidential and proprietary information. Any such breach could expose 1DB to civil liability as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of unauthorized use of their personal information. While we have established business continuity plans, incident response plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which we invest, which could result in material adverse consequences for such issuers and may cause a client's investment in such securities to lose value.

Technology Risk – 1DB depends heavily on information technology, telecommunication and other operational systems. These systems may fail to operate properly or become disabled because of events for circumstances beyond 1DB's control. In this event it may be possible that access to the system will be limited.

Market Risk - The price of any or all securities or the value of an entire asset class or portfolio can decline for a variety of reasons outside of 1DB's control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. If a client has a high allocation in a particular asset class it may negatively affect overall performance to the extent that the asset class underperforms relative to other market assets. Conversely, a low allocation to a particular asset class that outperforms other asset classes in a particular period will cause that client account to underperform relative to the overall market.

Asset Allocation Risk - Asset allocation decisions can result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform expectations. The more aggressive the investment strategy used for a client's accounts, the more likely the accounts will contain larger weights in riskier asset classes. Asset classes can perform differently from each other at any given time (as well as over the long term), so the investment strategy will be affected by its allocation among the asset classes. Depending on market conditions, there may be times when diversified portfolios perform worse than less diversified portfolios. Diversification does not eliminate investment risk.

Investment Risk - There is no guarantee that 1DB's judgment, models or investment decisions about particular securities or asset classes will necessarily produce the intended results. 1DB's judgment may prove to be incorrect, and a client might not achieve his or her investment objectives. 1DB can also make future changes to the investing algorithms and services that it provides. In addition, it is possible that clients or 1DB itself may experience computer equipment failure, loss of internet access, viruses, or other events that can impair access to 1DB's software based financial service.

Model Risk – Model portfolios are available for use on the Platform and are generally designed to help clients address a number of risks associated with saving for goals or retirement, including shortfall, longevity, capital and inflation risks. Shortfall risk is the risk of an individual not having enough savings to last throughout retirement. Longevity risk is the risk of an individual outliving their savings, either because they live longer than planned or have a savings shortfall. Capital risk is the risk that an individual will abandon their investment choice because of a negative investment experience. Inflation risk is the risk that an individual will not have sufficient savings in retirement or sufficient savings to purchase as much in the future because of the increase in cost of goods and services over time. Customers should understand that because these risks are taken into account during portfolio construction, there often will be a variance between the risk level of a Customer's portfolio and their risk score. Specifically, model portfolios available in the Program will be weighted—in some cases significantly—to comparatively riskier investments (e.g., equity funds over fixed income funds), despite a client's conservative risk score to account for these risks and the operation of the glide path. This is particularly the case when there is a larger difference between a Customer's current age and their goal age.

Liquidity and Valuation Risk - High volatility and/or the lack of deep and active liquid markets for a security may prevent a client from selling her securities at all, or at an advantageous time or price because 1DB and the client's broker may have difficulty finding a buyer and may be forced to sell at a significant discount to market value. Some securities (including ETFs) that hold or trade financial instruments may be adversely affected by liquidity issues as they manage their portfolios. While 1DB values the securities held in client accounts based on reasonably available exchange-traded security data, 1DB may from time to time receive or use inaccurate data, which could adversely affect security valuations, transaction size for purchases or sales, and/or the resulting fees paid to 1DB.

Investment Strategy Risks – Clients should be aware that there are risks associated with long-term investing based on a particular investment strategy. An investment strategy is an investment plan and there are inherent risks associated with them. In general, the more aggressive the investment strategy, the greater the risk. For example, it is more likely that an aggressive portfolio will contain larger weights in riskier asset classes, such as equities. Likewise a more conservative investment strategy will generally have less risk and will contain higher weights of less risky asset classes such as fixed income.

Volatility and Correlation Risk - Clients should be aware that 1DB's asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes may exhibit similar price changes in similar directions which may adversely affect a client, and may become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns, or probability projections may not reflect actual future performance.

Credit Risk - 1DB cannot control and clients are exposed to the risk that financial intermediaries or security issuers may experience adverse economic consequences that may include impaired credit ratings, default, bankruptcy or insolvency, any of which may affect portfolio values or management. This risk applies to assets on deposit with any broker utilized by a client, notwithstanding asset segregation and insurance requirements that are beneficial to clients generally. In addition, exchange trading venues or trade settlement and clearing intermediaries could experience adverse events that may temporarily or permanently limit trading or adversely affect the value of securities held by clients. Finally, any issuer of securities may experience a credit event that could impair or erase the value of the issuer's securities held by a client. 1DB seeks to limit credit risk through ETFs and mutual funds, which are subject to regulatory limits on asset segregation and leverage such that fund shareholders are given liquidation priority versus the fund issuer; however, certain funds and products may involve higher issuer credit risk because they are not structured as a registered fund.

Legislative and Tax Risk - Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment adviser or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities and changes in the tax code that could affect interest income, income characterization, and/or tax reporting obligations (particularly for ETFs or mutual funds dealing in natural resources). In certain circumstances a client may incur taxable income on his or her investments without a cash distribution to pay the tax due. Frequent changes made to asset allocation models or frequent algorithmic trading may result in significant portfolio turnover, which could negatively impact the net after-tax gain experienced by an individual client in a taxable account.

Foreign Investing and Emerging Markets Risk - Foreign investing involves risks not typically associated with U.S. investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social and economic developments affecting one or more foreign countries. In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulation may be inadequate or irregular.

Frontier Markets Risks – The risks associated with investing in foreign or emerging markets generally are magnified in frontier markets, also known as “next emerging” markets. Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/disruption-of-markets risks.

ETF Risks, including Net Asset Valuations and Tracking Error - ETF performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depositary Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate.

Clients should be aware that to the extent they invest in ETF securities they will pay multiple levels of compensation - fees charged by 1DB plus any management fees charged by the issuer of the ETF. This scenario can cause a higher cost (and potentially lower investment returns) than if a client purchased the ETF directly.

An ETF typically includes embedded expenses and related fee that reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a client’s portfolio performance or an index benchmark comparison. Expenses of the fund generally include investment adviser management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses can change from time to time at the sole discretion of the ETF issuer. ETF tracking error and expenses can vary.

What Are Exchange-Traded Funds?

ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. (Some ETFs that invest in commodities, currencies, or commodity- or currency-based instruments are not registered as investment companies.) Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market.

Things to Consider before Investing in ETFs

ETFs are not mutual funds. Generally, ETFs combine features of a mutual fund, which can be purchased or redeemed at the end of each trading day at its NAV per share, with the intraday trading feature of a closed-end fund, whose shares trade throughout the trading day at market prices. Intraday trading is described in greater detail below in the section on NAV and Intraday Value

Unlike with mutual fund shares, retail investors can only purchase and sell ETF shares in market transactions. That is, unlike mutual funds, ETFs do not sell individual shares directly to, or redeem their individual shares directly from, retail investors. Instead, ETF sponsors enter into contractual relationships with one or more financial institutions known as "Authorized Participants." Authorized Participants typically are large broker-dealers. Only Authorized Participants are permitted to purchase and redeem shares directly from the ETF, and they can do so only in large aggregations or blocks (e.g., 50,000 ETF shares) commonly called "Creation Units."

To purchase shares from an ETF, an Authorized Participant assembles and deposits a designated basket of securities and cash with the fund in exchange for which it receives ETF shares. Once the Authorized Participant receives the ETF shares, the Authorized Participant is free to sell the ETF shares in the secondary market to individual investors, institutions, or market makers in the ETF.

The redemption process is the reverse of the creation process. An Authorized Participant buys a large block of ETF shares on the open market and delivers those shares to the fund. In return, the Authorized Participant receives a pre-defined basket of individual securities, or the cash equivalent.

Other investors purchase and sell ETF shares in market transactions at market prices. An ETF's market price typically will be more or less than the fund's NAV per share. This is because the ETF's market price fluctuates during the trading day as a result of a variety of factors, including the underlying prices of the ETF's assets and the demand for the ETF, while the ETF's NAV is the value of the ETF's assets minus its liabilities, as calculated by the ETF at the end of each business day. An ETF's market price is generally kept close to the ETF's end-of-day NAV because of the arbitrage function inherent to the structure of the ETF. This is described in greater detail below in the section on Arbitrage.

NAV and Intraday Value

An ETF (like a mutual fund) must calculate its NAV (the value of all its assets minus all its liabilities) every business day, which is done typically at the close of the New York Stock Exchange. Approximately every 15 seconds throughout the business day, an ETF's estimated NAV is calculated and distributed through quote services. This estimated NAV (called the IIV
– for intraday indicative value – or IOPV – for intraday operative value – depending on the exchange on which the ETF lists) is unique to ETFs and is based on the estimated value of the ETF's holdings (minus its liabilities) throughout the trading day. You can find an ETF's intraday value on various financial services websites, many of which are familiar to the general public. Often an ETF's intraday value

ETF Risks

- *Authorized Participants, Market Makers, and Liquidity Providers Limitation Risk. ETF* has a limited number of financial institutions that may act as Authorized Participants ("APs"). In addition, there may be a limited number of market makers and/or liquidity providers in the marketplace. To the extent either of the following events occur, Shares may trade at a material discount to NAV and possibly face delisting: (i) APs exit the business or otherwise become unable to process creation and/or redemption orders and no other APs step forward to perform these services, or (ii) market makers and/or liquidity providers exit the business or significantly reduce their business activities and no other entities step forward to perform their functions.

- *Cash Redemption Risk*. ETF's investment strategy may require it to effect redemptions, in whole or in part, for cash. As a result, the Fund may be required to sell portfolio securities to obtain the cash needed to distribute redemption proceeds. This may cause the Fund to recognize investment income and/or capital gains or losses that it might not have recognized if it had completely satisfied the redemption in-kind. As a result, the Fund may be less tax efficient if it includes such a cash payment than if the in-kind redemption process was used exclusively. In addition, cash redemptions may incur higher brokerage costs than in-kind redemptions and these added costs may be borne by the Fund and negatively impact Fund performance.
- *Costs of Buying or Selling Shares*. Due to the costs of buying or selling Shares, including brokerage commissions imposed by brokers and bid/ask spreads, frequent trading of Shares may significantly reduce investment results and an investment in Shares may not be advisable for investors who anticipate regularly making small investments
- *Shares May Trade at Prices Other Than NAV*. As with all ETFs, Shares may be bought and sold in the secondary market at market prices. Although it is expected that the market price of Shares will approximate the Fund's NAV, there may be times when the market price of Shares is more than the NAV intra-day (premium) or less than the NAV intra-day (discount) due to supply and demand of Shares or during periods of market volatility. This risk is heightened in times of market volatility, periods of steep market declines, and periods when there is limited trading activity for Shares in the secondary market, in which case such premiums or discounts may be significant.
- *Trading*. Although Shares are listed for trading on a national securities exchange, such as the NYSE Arca, Inc. (the "Exchange"), and may be traded on U.S. exchanges other than the Exchange, there can be no assurance that Shares will trade with any volume, or at all, on any stock exchange. In stressed market conditions, the liquidity of Shares may begin to mirror the liquidity of the Fund's underlying portfolio holdings, which can be significantly less liquid than Shares

Mutual Fund Risks – A risk exists that the investment strategies employed by the mutual funds will not meet the stated investment objectives the fund is seeking to obtain. Mutual funds may invest in equities, fixed income, derivatives, and other asset classes; the risks associated with such investments are described in the fund's prospectus. The performance of a mutual fund may not exactly match the performance of the index or market benchmark that the fund is designed to track due to the mutual fund incurring expenses and transaction costs not incurred by any applicable index or market benchmark.

Clients should be aware that to the extent they invest in mutual funds they will pay multiple levels of compensation - fees charged by 1DB plus any management fees charged by the issuer of the mutual fund.

Mutual funds embedded expenses and related fees that reduce the fund's net asset value, and therefore directly affect the fund's performance and indirectly affect a client's portfolio performance. Expenses of the mutual fund generally include investment adviser management fees, custodian fees, brokerage commissions, and legal and accounting fees. Expenses can change from time to time at the sole discretion of the issuer and expenses can vary.

Use of Mutual Funds - While 1DB can recommend allocating investment assets to mutual funds that are not available directly to the public, 1DB can also recommend that clients allocate investment assets to publicly-available mutual funds that he/she/it could obtain without engaging 1DB as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds without engaging 1DB as an investment adviser, he/she/it would not receive the benefit of 1DB's initial and ongoing investment advisory services.

Inflation, Currency, and Interest Rate Risks - Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. In addition, the relative value of the U.S. dollar- denominated assets primarily managed by 1DB may be affected by the risk that currency devaluations affect client purchasing power.

Derivatives - 1DB does not presently but may in the future recommend the use of options within client portfolios. Options can serve to mitigate risk, but they can also enhance risk by amplifying losses.

Equity-Related Risks – The prices of equity securities will rise and fall. These price movements may result from factors affecting individual companies, industries, or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

Large-Cap and Mid-Cap Risks – Large-cap and/or mid-cap segments of the stock market bear the risk that these types of stocks tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies.
During a period when large- and mid-cap U.S. stocks fall behind other types of investments— bonds or small-cap stocks, for instance—the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

Small-Cap and International Risks – Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks. During a period when small-cap and/or international stocks fall behind other types of investments—U.S. large- and mid-cap stocks, for instance—the performance of investment strategies focused on small-cap or international stocks may lag the performance of these other investments.

Fixed Income – Bond markets rise and fall daily, and fixed income investments, which generally also include instruments with variable or floating rates, are subject to various risks. When interest rates rise, bond prices usually fall. The longer the duration of a bond, the more sensitive to interest rate movements its value is likely to be. A decline in the credit quality of a fixed income investment could cause the value of a fixed income product to fall. High-yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks. High-yield securities may be considered speculative.

Government Securities Risks – Many U.S. government securities are not backed by the full faith and credit of the United States government, which means they are neither issued nor guaranteed by the U.S. Treasury. Certain issuers of securities, such as the Federal Home Loan Banks, maintain limited lines of credit with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law.

Commodities Risks – Commodities involve unique risks that can be distinct from those that affect stocks and bonds, including worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing. Unlike mutual funds that usually invest in bonds and/ or listed shares, commodities funds usually invest in futures contracts that are derivative securities. There may be additional trading risks associated with commodities funds during periods of market stress.

Real Estate Risks – Real estate–related investments may be adversely affected by factors affecting the real estate industry, which may include changes in interest rates and social and economic trends. Real estate investment trusts (REITs) may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs' managers, prepayments and defaults by borrowers, adverse changes in tax laws, and, for U.S. REITs, their failure to qualify for the special tax treatment granted to REITs.

Reliance on Management and Other Third Parties – ETF and mutual fund investments will rely on third party management and advisers. 1DB does not have an active role in the day-to- day management of fund investments. Carried interest and other incentive distributions to fund management may create an incentive towards more speculative investments than would othewise have been made.

Infrastructure Risks – Infrastructure-related investments are subject to a number of unique risks. These investments may be concentrated into a small number of projects, resulting in a high degree of risk with respect to each project. Further, these investments are often subject to foreign and emerging market risks.

Market Volatility – General fluctuations in the economy may affect the value of one or more investments. In the event of economic volatility, the ability to achieve a favorable return on investments may be severely impeded.

ESG Investing – ESG investments generally focus on those investments seek to change, support or sustain environmental, social and governance issues. Investments that seek to change, support or improve the environment may include investments in securities that favor low carbon emissions in an effort to impact climate change. Other investments may focus on changing, supporting or improving social issues such as fair labor standards, public health and safety or gender diversity. ESG investing may also focus on corporate governance issues such as board and executive compensation, lobbying and business ethics. This investment category represents a relatively new area of investment with a relatively limited performance track record. Due to the consideration of non-monetary factors in investment decisions, these investments may experience a lower rate of return. There may be a relatively limited number of investments to consider in this investment category, and available investments may be subject to increased competition.

Large Investment Risks – Clients may collectively account for a large portion of the assets in certain investments. A decision by many investors to buy or sell some or all of a particular investment where clients hold a significant portion of that investment may negatively impact the value of that the investment.

Limitations of Disclosure – The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in investments. As investment strategies develop and change over time, clients may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

At this time, our management does not have disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

For the purposes of full disclosure to our customers, the following information is found on the Broker-Dealer disclosure record for 1st Discount Brokerage, Inc., SEC and FINRA registered broker-dealer:

On January 23, 2012, 1st Discount Brokerage, Inc. entered into a settlement agreement with the SEC as a result of SEC-initiated proceedings as follows:

IN ANTICIPATION OF THE INSTITUTION OF THE PROCEEDINGS, RESPONDENT SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER RESPONDENT AND THE SUBJECT MATTER OF THE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTED TO THE ENTRY OF THE ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTIONS 203(E) AND 203(F) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, IMPOSING REMEDIAL SANCTIONS AND A CENSURE ORDER AS TO 1ST DISCOUNT BROKERAGE, INC. THE COMMISSION DEEMED IT APPROPRIATE AND IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. ACCORDINGLY, PURSUANT TO SECTION 15(B) OF THE EXCHANGE ACT AND SECTIONS 203(E) AND 203(F) OF THE ADVISERS ACT, IT IS HEREBY ORDERED THAT RESPONDENT 1DB SHALL PAY CIVIL PENALTIES OF $40,000 TO THE UNITED STATES TREASURY. RESPONDENT 1DB IS CENSURED.

On April 23, 2015, 1st Discount Brokerage, Inc. entered into a settlement agreement with FINRA as a result of the regulatory action as follows:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT EXECUTED SALES WITHOUT CONDUCTING A REASONABLE SEARCHING INQUIRY TO DETERMINE WHETHER THE SECURITIES WERE REGISTERED OR THE TRANSACTIONS WERE SUBJECT TO AN EXEMPTION FROM REGISTRATION UNDER SECTION OF THE SECURITIES ACT OF 1933 (SECURITIES ACT). THE FINDINGS STATED THAT THE FIRM'S CUSTOMERS ENGAGED IN A PATTERN OF DEPOSITING LARGE BLOCKS OF LOWPRICED SECURITIES IN THEIR ACCOUNTS, OF LIQUIDATING THE LOWPRICED SECURITIES AND WIRING THE SALES PROCEEDS TO AN ACCOUNT OUTSIDE THE FIRM
WITHOUT REINVESTMENT. THEI FIRM FACILITATED CUSTOMER LIQUIDATIONS OF APPROXIMATELY 7,764,600 SHARES OF NINE DIFFERENT ISSUERS TRADED ON EITHER THE OTC PINK SHEETS OR THE OTC BULLETIN BOARD, OF WHICH EIGHT WERE SHARES OF LOWPRICED SECURITIES. THE FINDINGS ALSO INCLUDED THAT THE FIRM HAD INADEQUATE WRITTEN SUPERVISORY PROCEDURES (WSPS) TO ENSURE COMPLIANCE WITH SECTION 5 OF THE SECURITIES ACT. THE FIRM'S WSPS DID NOT REQUIRE A REASONABLE SEARCHIGN INQUIRY TO CONFIRM WHETHER A LOWPRICED SECURITY WAS REGISTERED OR THE PROPOSED TRANSACTION WAS SUBJECT TO AN EXEMPTION FROM REGISTRATION. THE FIRM ESSENTIALLY RELIED UPON ITS CLEARING FIRM, AND VARIOUS STOCK TRANSFER AGENTS, TO DETERMINE WHETHER SHARES OF STOCK WERE FREELY TRADABLE. THE FIRM FAILED TO ADEQUATELY UPDATE ITS
WSPS TO INCLUDE SPECIFIC PROCEDURES RELATING TO THE DEPOSIT AND LIQUIDATION OF LOWPRICED SECURITIES. FINRA FOUND THAT THE FIRM'S ANTIMONEY LAUNDERING COMPLIANCE PROGRAM WAS ALSO DEFICIENT IN MONITORING FOR POTENTIALLY SUSPICIOUS ACTIVITY RELATED TO THE DEPOSIT AND LIQUIDATION OF LOWPRICED SECURITIES. THE FIRM FAILED TO ESTABLISH AND IMPLEMENT ANTI MONEY LAUNDERING POLICIES AND PROCEDURES THAT COULD REASONABLY BE EXPECTED TO DETECT AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS TRANSACTIONS RELATED TO THE RISKS POSED BY THE DEPOSIT AND LIQUIDATION OF LOWPRICED SECURITIES. THE FIRM FAILED TO PROVIDE ADEQUATE TRAINING RELATED TO THE RISKS POSED BY THE DEPOSIT AND LIQUIDATION OF LOWPRICED ECURITIES, TO RELEVANT PERSONNEL IN OPERATIONS, SALES AND COMPLIANCE TO ALLOW FOR THE DETECTION, NVESTIGATION AND REPORTING, WHERE APPROPRIATE, OF SUSPICIOUS ACTIVITY. 1ST DISCOUNT CONSENTS TO THE IMPOSITION OF THE FOLLOWING SANCTIONS: A CENSURE; AND A FINE IN THE AMOUNT OF $60,000.00

Item 10 Other Financial Industry Activities and Affiliations

FIRM Registrations:

In addition to 1st Discount Brokerage, Inc. being a registered investment adviser, our firm is also registered as a FINRA member broker-dealer and is affiliated with an insurance company. 1st Discount Brokerage, Inc. management personnel spends approximately 50% of their time on investment advisory business, 45% of their time on broker-dealer business and 5% of time on insurance business.

MANAGEMENT PERSONNEL Registrations:

Management personnel of our firm are separately licensed as registered representatives of 1st Discount Brokerage, Inc., an affiliated FINRA member broker-dealer. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

While 1st Discount Brokerage, Inc. and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Management personnel of our firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Member(s) of management personnel of our firm, in their individual capacity as CPA(s), provide tax preparation services for 1st Discount Brokerage, Inc. clients. These services do not constitute investment advice and do not create a material relationship between advisory clients and 1st Discount Brokerage, Inc. Customers are not obligated to use this tax preparation service; this service does not present a conflict of interest of any kind.

Clients should be aware that the receipt of additional compensation by 1st Discount Brokerage, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. 1st Discount Brokerage, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client’s financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client’s needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

As previously disclosed, we recommend the services of various registered investment advisers to its clients. In exchange for this recommendation, we receive a referral fee from the selected investment adviser. The fee received by us is typically a percentage of the fee charged by that investment adviser to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment adviser by the client. We do not charge the client any fees for these referrals. We will only recommend advisers that pay us a referral fee.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment

Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

Clients should be aware that the receipt of additional compensation by 1st Discount Brokerage, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. 1st Discount Brokerage, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for us or our employees to earn compensation from the referral of clients to other registered investment advisers;
- we disclose to the client in a separate disclosure document the compensation we receive in exchange for the client's referral to the selected investment adviser;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we conduct initial and periodic due diligence on the selected investment advisers to establish that the advisers are suitable to recommend to our clients; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

1st Discount Brokerage, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

1st Discount Brokerage, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to ncheng@1db.com, or by calling us at 561-515-3200.

1st Discount Brokerage, Inc. or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to advisory clients.

1st Discount Brokerage, Inc. may, at times, effect an agency cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met.

An agency cross transaction is a transaction where our firm acts as an investment adviser in relation to a transaction in which 1st Discount Brokerage, Inc., acts as broker for both the advisory client and for another person on the other side of the transaction.

One or more principals of 1st Discount Brokerage, Inc. are also the GP or Managing Member of 22nd Century Capital Management LP, (the Fund). The General Partner has designated 1st Discount Brokerage, Inc. as having primary responsibility for investment management and administrative matters pertaining to the Fund. 1st Discount Brokerage, Inc. and our members, officers and employees will devote to the Fund as much time as we deem necessary and appropriate to manage the Fund's business. 1st Discount Brokerage, Inc. and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Fund and/or may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Fund, but could be allocated between the business of the Fund and other of our business activities and those of our affiliates.

Investments in the Fund may be recommended to advisory clients for whom a partnership investment may be more suitable than would a separate advisory account managed by our firm. Clients who invest in the Fund are not charged any additional advisory fees other than the advisory fee allocated to the limited partners of the Fund.

The Fund is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. 1st Discount Brokerage, Inc. manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund's offering and organizational documents.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12 Brokerage Practices

1st Discount Brokerage, Inc. does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

1st Discount Brokerage, Inc. executes and clears its client's trades through Apex Clearing Corporation, its clearing firm. Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

As a matter of policy and practice, 1st Discount Brokerage, Inc. does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

Fractional Share Trading

Fractional share trading for ETFs and stock is available to clients that utilize Apex as their broker-dealer/custodian. The ETF or stock shares purchased or sold on behalf of clients and/or held in an Apex account may be either whole shares or fractional shares, depending upon the amounts a client invests in any particular ETF or stock. 1DB enables clients to invest in dollar-based quantities, whereby a client can buy a fixed dollar amount rather than whole shares. 1DB aggregates all dollar-based purchases and places whole share orders for executions in its block trading account at Apex. 1DB executes a trade order for a de minimis number of shares for corresponding securities in advance of submitting its daily block trade order for client accounts. Thereafter, 1DB allocates the fractional shares from the block trading account to the individual accounts. To the extent that 1DB trades fractional shares of any ETF or stock on behalf of clients, it does so by allocating any excess fractional shares to 1DB's fractional facilitation account held by Apex. Therefore, 1DB can accumulate fractional shares and manages its fractional facilitation account through trades in whole share quantities in accordance with Apex's policies and procedures as they pertain to management of such accounts and positions.

1DB and Apex each reserve the right, at any time and each in its sole discretion, without prior notice to clients, to change the details of the policies and procedures governing the mechanics of trading fractional shares, including, without limitation, allocation calculation and rounding procedures. Fractional shares are typically unrecognized and illiquid outside of a client's Apex account and, as a result, fractional shares may not be marketable or transferrable to another brokerage account. Therefore, clients cannot transfer fractional shares when closing their Apex account. Fractional share interests must first be converted to U.S. dollar amounts through Apex, whereupon clients can then transfer account assets out as a combination of whole shares and cash. Note that fractional share conversions will be subject to some minimal capital gain/loss reporting in taxable investment accounts. In the event of a liquidation or transfer of the assets from the client's Apex account to another account, 1DB will not trade or transfer shares from its fractional share account to a client account.

Trade Errors

1DB maintains a system of checks and balances designed to limit the errors it makes in placing trades for client accounts. Nonetheless, 1DB will, from time to time, make such errors. It is 1DB's policy to absorb all losses on trades it places in error. In rectifying erroneous trades, 1DB distinguishes between errors it identifies prior to the time a client's custodian settles the erroneous trade and posts it to the client's custodial statement ("Time of Settlement") and those it identifies after the Time of Settlement. Broker/dealers maintain a trade error account for 1DB and settle into it all erroneous trades identified prior to the Time of Settlement. Any profits from erroneous trades identified before settlement are retained in the error account and can only be used to offset losses caused by subsequent errors. 1DB accords clients any profitable erroneous trades it identifies after the Time of Settlement. 1DB covers the correction of trading errors generally only to the extent that 1DB has control of resolving errors for accounts. Broker/dealers may have control over the resolution of errors of participating investment managers, including 1DB. Because of the actions or omissions by a broker/dealer or a client, a trade executed in the market may materially differ from the instructions or order given by 1DB's trading desk personnel for that trade. Errors attributable to broker/dealers or clients are not considered trade errors but 1DB will oversee the resolution of those errors.

IRA Rollover Considerations

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan. 2. Moving the funds to a new employer's retirement plan. 3. Cashing out and taking a taxable distribution from the plan. 4. Rolling the funds into an IRA rollover account.

Item 13 Review of Accounts

Online Digital Advisory Platform

1DB generally provides all clients with continuous access to the website regarding information about account status, portfolio allocations, securities, and balances. The client may access their account via www.1db.com. Technology embedded in the platform monitors and reviews the portfolios continuously to ensure that they are in line with investment goals and risk tolerance. Additional reviews may be triggered by material changes in variables such as a client's individual circumstances, or the market, political or economic environment.

Clients have access to current account balances and positions through the Website via www.1db.com. The custodian prepares account statements showing all transactions and account balances during the prior quarter. All information relating to client accounts are provided on the Website and/or sent via email, as agreed to with each client at the time of their account opening. On a yearly basis, 1DB may review each client account and remind them to review and update the profile information previously provided. 1DB requests that clients reconfirm their current profile information as needed and on an annual basis. 1DB conducts reviews when material changes may have occurred to a client's portfolio or investment objectives. When performed by 1DB, 1DB will retain the client account review documentation in its database. 1DB considers implications and the volatility associated with each of its chosen asset classes when deciding when and how to rebalance. It remains the client's responsibility to promptly notify 1DB if there is ever any change in his/her/its financial situation or investment objective(s) for the purpose of reviewing/evaluating/revising 1DB' previous recommendations.

Item 14 Client Referrals and Other Compensation

It is 1st Discount Brokerage, Inc.'s policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is 1st Discount Brokerage, Inc.'s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients other than a portion of management fee charged to the client by the adviser whom 1DB referred clients to (see item 10, page 20 above for more detail on the fee-sharing arrangement).

Item 15 Custody

Apex Clearing Corporation serves as the custodian for Client's investment management assets. We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. 1DB is deem to have custody of client assets because per State of Florida Office of Financial Regulation, the firm has custody of the advisory clients when (i) the firm deduct the advisory fees directly from the client's accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Our firm does not have actual or constructive custody of client accounts.

Per State of Florida and State of Massachusetts Regulation, the firm has custody of the advisory clients because (i) the firm deduct the advisory fees directly from the client's accounts.

Item 16 Investment Discretion

Each client authorizes and appoints 1DB to provide the online digital program on a discretionary basis, and 1DB accepts such appointment. Through the Program each Client grants 1DB discretionary authority to invest and to reallocate and/or reinvest the applicable account assets. The client will be responsible for any tax liabilities which result from any sale transactions initially and during management of the account. The client should consult with their tax professional to review their particular tax situation.

Item 17 Voting Client Securities

As a matter of Firm policy and practice, 1DB does not have any authority to and does not vote proxies on behalf of Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolio. Clients will receive proxies and other solicitations directly from the designated custodian. Clients which are fiduciaries of plans subject to ERISA retain all responsibility for voting proxies pursuant to their investment management agreements entered into with 1DB. For Clients that do not participate in the Program, 1DB votes proxies and other solicitations on their behalf unless these Clients notify 1DB or their custodian in writing of their desire to vote proxies and other solicitations. 1DB will neither advise nor act on behalf of the Client in legal proceedings involving companies whose securities are held or previously were held in the Client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. As a general matter, holders of fractional shares do not have voting rights for the fraction of a share owned, even if more than 0.50 shares are long in the account. However, for those accounts that are held in custody at Apex, fractional holders will receive a proxy ballot showing the number of factional votes. Votes cast for fractional shares will be aggregated with other votes cast for shares custodied at Apex, and they will be voted to the extent that they total a full share. The remaining fractions will not be voted.

Item 18 Financial Information

As an advisory firm that maintains discretionary authority for client accounts we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. 1DB has no additional financial circumstances to report. Under no circumstances do we require or solicit payment of fees in excess of $500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

1st Discount Brokerage, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 Requirements for State-Registered Advisers

The following individuals are the principal executive officers and management persons of 1st Discount Brokerage, Inc.:

William H. Corley, President & CEO
1DB Financial, Parent Company
Aileen Gallagher, CFO
George Rohloff, CCO

Please refer to Item 10, "Other Financial Industry Activities and Affiliations", for information regarding other business activities of the firm and its management personnel.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

Our management personnel have no reportable disciplinary events to disclose.

As previously disclosed in "Other Financial Industry Activities and Affiliations" (Item 10), neither 1st Discount Brokerage, Inc. nor our management personnel have a relationship or arrangement with any issuer of securities.