Mesirow

MESIROW FINANCIAL, INC.

# Conflicts of interest brochure

This Conflicts of Interest Brochure addresses conflicts of interests of Mesirow Financial, Inc. (“MFI”), a broker-dealer registered with the SEC. Conflicts of interest exist in our business based of our relationships with other financial services firms, vendors, affiliates, and clients. Some of these conflicts create incentive for financial professionals to recommend certain products or services over others. MFI has established and maintains policies and procedures for suitability and supervision of the products and services we offer you to address conflicts of interest.

## 12b-1 Fees

As a broker-dealer, MFI receive 12b-1 fees from mutual funds as an additional source of compensation. Some fund shares do not pay 12b-1 fees. This creates a conflict as it encourages MFI to recommend clients buy shares with 12b-1 fees. Clients should carefully review a fund’s prospectus and statement of additional information to understand the fees a fund charges, various types of other compensation paid to intermediaries like MFI and other conflicts and risks created by investment in the fund shares. Financial professionals do receive compensation on mutual fund trail fees for brokerage services.

MFI also receives other payments and revenue share from National Financial Services (NFS) and Pershing based on client holdings in some fund shares. Financial professionals do not receive compensation from these other revenue sharing arrangements.

## Alternative Investments

Alternative investments are typically designed for a more sophisticated client, are less liquid and come with a greater level of risk. When providing advisory services through our registered investment adviser, Mesirow Financial Investment Management, Inc. (“MFIM”), our financial professionals are compensated in part, based on the amount of investor assets they service and receive a portion of the advisory fees you pay us. This is a conflict of interest as our financial professionals have an incentive to take risk in trading a client portfolio and to recommend illiquid investments since an increase in assets in the account will increase fees and illiquid investments are difficult to transfer and can lock a financial professional into certain long-term fees.

## Commissions

We charge transaction-based fees, known as commissions, for brokerage services at the time any security is purchased or sold in your account. We make more when there are more trades in your account. That means we have an incentive to encourage you to trade often.

## Compensation

Our investment personnel can invest in the same securities as clients. This creates a risk that employees may receive better pricing for personal benefit.

Our financial professionals are licensed to provide brokerage services and receive different types of compensation when providing different types of services to you.

When providing brokerage services, financial professionals are paid by commissions based on the amount of securities they buy and sell. This means your financial professional has an incentive to recommend certain products based on the compensation he or she will receive. This also means that your registered representative is incentivized to encourage you to move accounts and assets to MFI.

When providing advisory services through MFIM, our financial professionals are compensated in part, based on the amount of investor assets they service and receive a portion of the advisory fees you pay us. This is a conflict of interest as our financial professionals have an incentive to encourage an investor to engage in their advisory services.

## Credit Balance Interest

As a broker-dealer, we earn a portion of interest earned on free credit balances as a shared fee with clearing firms with whom we have a relationship (NFS and Pershing). Although we encourage all clients to elect a money market sweep fund, if a client does not make that election, we will earn interest.

## Cross Transactions

An "agency cross transaction" occurs when an investment adviser, acting as broker for a person other than the advisory client, knowingly makes a sale or purchase of any security for the account of that client. MFI does not intend on conducting cross transaction between its client accounts or any client accounts and its affiliates. However, since MFI and its affiliates have a diverse number of clients with different strategies, risk tolerances and needs, clients will, at times be both the buyers and sellers of the same securities. In this event, MFI will not purposefully cross securities between accounts, but it is possible it may unknowingly cross securities.

## Custody

Clients have a choice on where to custody their assets, and therefore such fees and expenses vary between clients. You will incur additional fees and costs related to the investments in your account, such as custodian fees, account maintenance fees, wire and electronic fund transfer fees, surrender charges, fees related to mutual funds and variable annuities, such as management fees and other product related fees, such as redemption fees. While MFI does not recommend a specific custodian, it has a relationship with NFS and Pershing, which allows us to share in custodial fees revenue, fund revenue sharing and easily onboard clients to the NFS or Pershing platforms. Additionally, some fees listed on the fee sheet are marked up from the cost to us, or are additional fees not specifically tied to any or our cost, and the additional revenue is retained by us and used to offset costs of business operations. MFI also receives revenue based on client's free credit balances, debit balances, margin balances, money market sweep funds and will receive revenue based on other clearing or custody related fees. You should review the fees of your custodian before choosing that custodian.

## Educational Events

Our employees benefit from educational events sponsored by service providers, such as law firms, audit firms and other professional services firms. This could create an incentive to use specific service providers for other services.

## Margin Interest

As a broker-dealer, we earn a portion of margin interest as a shared fee with clearing firms with whom we have a relationship (NFS and Pershing) – this means that we have an incentive to recommend that you maintain a margin account on these platforms.

## Non-cash Compensation

Financial professionals' receipt of non-cash compensation such as meals, entertainment, occasional gifts, and educational training from vendors who sponsor such events can lead a financial professional to recommend the products and services of that vendor over others that do not offer the such things. MFIM accounts in the Microcap strategies, and other institutional strategies, earn soft dollars. Soft dollar arrangements are agreements under which products or services other than execution of securities transactions are obtained by MFIM from or through a broker-dealer in exchange for the direction by MFIM of client brokerage transactions to the broker-dealer. MFIM uses soft dollars primarily for research services but may use soft dollars for other appropriate services or products. The value of soft dollars to MFIM is approximately $30,000 annually. MFIM is incentivized to use broker-dealers that provide soft dollars over brokers-dealers who do not. For MFIM accounts in the Microcap strategy that uses soft dollars, clients typically pay commissions higher than those obtainable from other brokers-dealers due to the fact that MFIM receives other benefits from those brokers-dealers such as research, products and services MFIM reviews the services paid for with soft dollars to ensure that those services fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

## Principal Transactions

When we buy or sell a security from our inventory, commonly referred to as a principal trade, we will add a mark-up or mark-down on most transactions. Principal trades can be in the secondary market or in the primary market when the firm acts as underwriter or as a member of the syndicate. This is an additional source of compensation for us. If effected by the investment advisor, it requires your advance written consent.

## Propriety Products

We buy and sell products offered by our own firm and its affiliates, which means we have an incentive to offer these investments over non-Mesirow investments because our firm and its affiliates make more money on our proprietary products. Specifically, MFI and its affiliate, make money in a number of different ways when you purchase a proprietary product, including charging a transaction fee, investment management fee and other related fees.

## Referrals

We receive client referrals from third parties to whom we pay fees. We have an incentive pay referral fees so that third parties will refer clients to us. We also pay employees for referring retail investors to us. We have an incentive to pay referral fees so that employees will refer clients to us.

## Rollovers

When our financial professionals recommend that you roll over assets of an employee-sponsored retirement plan or other account defined under ERISA to us, a conflict exists since there is a financial benefit for both the firm and the financial professional. As the investor you should carefully consider rollover options and recommendations.

## Sweep Fees

As a broker-dealer, we receive 12b-1 fees from money market mutual funds, and fees from cash sweep programs. This means we have a financial incentive to offer certain investments or programs to you.

## Third Party Payment

As a broker-dealer, we receive 12b-1 fees from mutual funds, and fees from cash sweep programs. This means we have a financial incentive to offer certain investments or programs to you. In addition, we receive a portion of the revenue that certain product sponsors and third-party money managers earn for investing client assets in their products/programs. This means we have an incentive to recommend certain investments and money managers to you.

## Other Conflicts

We are a registered municipal advisor, have an affiliated commodity trading advisor, and have two affiliated investment advisers. This would present a conflict of interest because we would receive additional compensation for providing these services to you. We have an incentive to recommend and provide these other services to you.