

## Item 1. Introduction

1<sup>st</sup> Discount Brokerage, Inc., (“1DB”) is registered with the Securities and Exchange Commission as a broker-dealer, member of [FINRA](#) and [Securities Investor Protection Corporation](#), and a state registered investment adviser registered in the following states: AR, CA, FL, NJ, PA & TX.

Brokerage and investment advisory services and fees differ and it is important for you to understand these differences. Free and simple tools are available to research firms and financial professionals at [www.investor.gov/CRS](http://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

## Item 2. Relationships and Services: What investment services and advice can you provide me?

Our firm offers brokerage and investment advisory services to retail investors including buying and selling securities.

### **Broker-Dealer Service - Brokerage Accounts**

Our firm offers brokerage services to retail investors including buying and selling securities. We offer mutual funds, exchange traded funds (ETFs), domestic and international equities, options, fixed income securities, certificates of deposit (CDs), variable annuities, non-traded business development companies (BDCs), and private placements.

Our firm provides limited discretionary authority for the following services – buying and selling securities. Our firm does not monitor your accounts. A discretionary commission based account is available with an approved registered representative only. If you invest on a discretionary basis, our firm will buy and sell investments in your accounts without requiring your pre-approval on an ongoing basis until you notify us in writing to switch.

Our firm offers non-discretionary services for retirement planning, estate planning, investment recommendations, personal investment strategies, and other consulting services ([MyCFO](#)). You make the ultimate decision regarding the purchase or sale of investments. Our firm does not monitor your accounts.

### **Investment Adviser Services - Advisory Accounts**

Our investment advisor firm provides the following investment advisory services. Our advisory services are offered through “wrap fee programs”.

- **Traditional Investment Advisory Services – Discretionary or Non-Discretionary (Freedom Program):**  
Our firm primarily offers the following investment advisory services to retail clients: portfolio management via a wrap fee program (we review your portfolio, investment strategy, and investments); financial planning (we assess your financial situation and provide advice to meet your goals); solicitor/selection of other advisers (we select a third party adviser for you to use). As part of our standard services, we typically monitor client accounts on an annual basis. Our firm offers both discretionary advisory services (where our firm makes the decision regarding the purchase or sale of investments) as well as nondiscretionary services (where the retail investor makes the ultimate decision). We limit the types of investments that are recommended since not every type of investment vehicle is needed to create an appropriate portfolio. Please also see our Form ADV Part 2A (“[Brochure](#)”), specifically Items 4, 8 & 13.
- **ROBO Digital Advisory Services - Discretionary:**  
Our advisor monitors market activity to ensure your portfolio is rebalanced appropriately by an algorithm. There are no dedicated personnel monitoring individual client accounts. We have discretionary investment authority that allows us to buy and sell investments in your account without asking you in advance by using an automated algorithm. Our minimum account size is \$1.

**1<sup>st</sup> Discount Brokerage, Inc.**  
*Form Customer Relationship Summary*  
Date: 06/30/2020

Our ROBO advisory services will cover a limited selection of investments, including our asset allocation services using exchange traded funds (ETFs) and managed portfolios from our investment advisor. An algorithm is used to manage client accounts. More information about the limitations of the algorithm can be found on our Form ADV Part 2A (“[Robo Advisory Brochure](#)”) Item 8.

**For additional information including minimum investment amounts, please see <https://www.1db.com> or [adviserinfo.sec.gov](http://adviserinfo.sec.gov) for our Form ADV, 2A brochure (Items 4 and 7 of Part 2A, or Items 4A and 5 of Part 2A Appendix 1); our Regulation Best Interest Disclosure at [www.1db.com/CRS](http://www.1db.com/CRS).**

**CONVERSATION STARTER: Ask your financial professional –**

1. Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not? 2. How will you choose investments to recommend to me? 3. What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

### Item 3. Fees, Costs, Conflicts, and Standard of Conduct.

#### a. What Fees will I pay?

- **Broker-Dealer Service - Brokerage Accounts**

If you open a brokerage account, you will pay us a *transaction-based fee*, generally referred to as a commission, every time you buy or sell an investment. Some investments (such as mutual funds and variable annuities) impose additional fees that will reduce the value of your investment over time. Products such as mutual funds and variable annuities charge up-front commissions, as well as fees that are charged on an on-going basis for as long as you hold the investment (“trails”). Also, with certain investments such as variable annuities, you may have to pay fees such as “*surrender charges*” to sell the investment. We pass along regulatory trading activities fees. If we buy a security from you, or sell a security to you for our own account (as “principal”), we may “*mark-up*” or “*mark down*”, which is a benefit to us. With mutual funds, this fee (typically called a “*load*”) reduces the value of your investment.

Our fees vary and are negotiable. The amount you pay will depend, for example, on how much you buy or sell, what type of investment you buy or sell, and what kind of account you have with us. The more transactions in your account, the more fees we charge you. We therefore have an incentive to encourage you to engage in transactions more frequently and in greater amounts.

In addition to the foregoing investment fees, you will typically pay, and we will receive a portion of, certain fees associated with your brokerage account, including fees paid to the clearing firm or account custodian, as well as fees for certain services that you select, such as wire transfers or margin interest, account maintenance fees, paper documents fees, account inactivity fees, and a termination or transfer fee when your brokerage account is terminated or transferred to another broker-dealer.

**Additional Information: You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. For more detailed information about our fees and costs please review our Regulation Best Interest Disclosure and Fee Schedule found at [www.1db.com/CRS](http://www.1db.com/CRS).**

- **Investment Adviser Services - Advisory Accounts**

Our fees vary depending on the services you receive. You will pay an on-going *asset-based fee* in advance, while ROBO digital advisory fees are charged monthly in arrears. The amount of assets in your account affects our advisory fee; the more assets you have in your advisory account, including cash, the more you will pay us and thus we have an incentive to increase those assets in order to increase our fee. The amount paid to our firm and your financial

professional generally does not vary based on the type of investments we select on your behalf. The asset-based fee reduces the value of your account and will be deducted from your account. If your advisory program is a “wrap” program, you will typically pay a wrap fee, which includes the advisory fee and the costs for the execution of securities transactions and other services. The wrap fee is usually higher than the advisory fees for non-wrap programs because it includes these transaction costs, which are “wrapped” together with the advisory fee (i.e., you will not pay a separate advisory fee). A wrap fee presents a conflict because it creates an incentive for us to encourage you to increase the assets in your account in order for you to pay us more in wrap fees. We also have the ability to charge commissions. Additionally, we have the following compensation structure: Other: Ticket Charges and Annual Freedom Account Maintenance Fee. Please also see Items 4, 5, 6, 7 & 8 of our [Brochure](#), available on our website [www.1db.com/CRS](http://www.1db.com/CRS).

Some investments (e.g., mutual funds, UITs, etc) impose additional fees (e.g., transactional fees and product-level fees) that reduce the value of your investment over time. The same goes for any additional fees you pay to a custodian. Paying for a wrap fee program could cost more than separately paying for advice and for transactions if there are infrequent trades in your account. You will pay our fee quarterly or monthly even if you do not buy or sell. An asset-based fee may cost more than a transaction-based fee, but you may prefer an asset-based fee if you want continuing advice or want someone to make investment decisions for you. You may prefer a wrap fee program if you prefer the certainty of a monthly or quarterly fee regardless of the number of transactions you have.

**Additional Information: You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. Please also see our [Brochure](#) for additional details.**

**CONVERSATION STARTER: Ask your financial professional –**  
*Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

**b. What are your legal obligations to me when providing a recommendation as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide to you. We must eliminate these conflicts or tell you about them and in some cases reduce them. We have policies and procedures in place to mitigate the influence of these conflicts. Here are some examples to help you understand what this means.

- We receive payments from third party product sponsors and managers (or their affiliates), such as mutual fund or insurance companies, when we recommend or sell certain products, and we may also receive ongoing payments, such as 12B-1 fees or trails, from them in your brokerage account. As such, we have an incentive to recommend (or to invest your assets in) products that pay us more compensation or products of third-parties that pay us over products of third parties that do not pay us, or pay us less.

When you transfer assets such as mutual funds from our financial institution into your advisory account at our firm, we may receive 12b-1 fees or servicing fees from some of the funds (in our capacity as a broker-dealer). We keep these fees, and they create an incentive for us.

- We have an incentive to advise you to invest in certain investments, such as the Apex sweep program, because Apex Clearing, the manager or sponsor of the investment, shares with us revenue it earns on those investments.
- Our firm engages in principal trading (buying or selling investments from your account for our own accounts) which can lead to price manipulation or the sale of unwanted securities to you. We may buy or sell securities to you for its own account (with your consent in advisory accounts). Because we earn compensation (such as

commission equivalents, mark-ups, mark-downs, and spreads) and can receive other benefits in principal transactions, we have an incentive to trade with you on a principal basis and to recommend securities that we hold in inventory.

**CONVERSATION STARTER: Ask your financial professional –**  
*How might your conflicts of interest affect me, and how will you address them?*

**c. How do your financial professionals make money?**

We pay our financial professionals and their supervisors a portion of the commissions or investment advisory fees that we receive. As noted above, the commissions we receive generally vary based on the investments purchased and sold and the volume of trading, and the advisory fees we receive generally vary based on the investment advisory program selected. The portion of the commissions or fees we pay to the financial professional also varies among financial professionals depending on the financial professionals' agreement with the firm. This creates an incentive for our financial professionals to sell more investments as a registered representative of our broker-dealer and to increase advisory account assets as an associated person of our investment adviser to qualify for a higher portion of commissions and investment advisory fees.

In the case of certain investment funds and products, the issuer or the sponsor provides our financial professionals other forms of compensation, such as expense reimbursement for travel associated with educational or similar business meetings, financial assistance in covering the cost of marketing and sales events, and small gifts. The receipt of these payments presents a conflict because it creates an incentive for the financial professional to recommend those investments or funds whose issuers or sponsors offer these forms of compensation.

**Item 4. Disciplinary History: Do you or your financial professionals have legal or disciplinary history?**

Yes. Our firm has disciplinary history addressed in our Form ADV or Form BD, and some of our financial professionals may also have a legal or disciplinary history. Please visit [Investor.gov/CRS](http://Investor.gov/CRS) for a free and simple search tool to research our firm and our financial professionals.

**CONVERSATION STARTER: Ask your financial professional –**  
*As a financial professional, do you have any disciplinary history? For what type of conduct?*

**Item 5. Additional Information.**

For additional information about our broker-dealer and investment advisory services, please visit [www.ldb.com](http://www.ldb.com). You can request a copy of this Form CRS Customer Relationship Summary by contacting us in writing at 8927 Hypoluxo Rd, Ste A-5, Lake Worth, FL 33467. You can also call us at 1-561-515-3200 or email [support@ldb.com](mailto:support@ldb.com) to request up-to-date information and request a copy of this Form CRS Customer Relationship Summary.

**CONVERSATION STARTER: Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?**