

# Securities America Advisors, Inc.

## Firm Brochure

(Part 2A of Form ADV)

This Brochure provides information about the investment advisory services of Securities America Advisors, Inc. If you have any questions about the contents of this brochure, contact us at 800-747-6111. This Brochure has not been reviewed or approved by the U.S. Securities & Exchange Commission, any state regulatory agency or self-regulatory organization.

Additional information about Securities America Advisors, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as a registered investment advisor does not imply a certain level of skill or training.

August 14, 2020



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800-747-6111

Securities America Advisors, Inc. Form ADV Part 2A

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August 14, 2020

## **ITEM 2. SUMMARY OF MATERIAL CHANGES**

Securities America Advisors, Inc. filed its last annual amendment to its Form ADV Part 2A Brochure on March 30, 2020. Since then, the following changes have occurred:

- There have been changes to the indirect owners of Securities America Advisors, Inc. (SAA) that are disclosed in Item 4 and Item 10. SAA's direct owner, Securities America Financial Corporation, is now owned by Advisor Group Holdings, Inc.
- In July 2020, Investacorp, Inc. and Investacorp Advisory Services, Inc. (IAS), were acquired and merged into SAI and SAA respectively. SAI replaced Investacorp, Inc. as the broker/dealer, and SAA replaced IAS as the registered investment adviser on all Architect and Structure Program accounts transferred due to the acquisition. A wrap fee program brochure was created under SAA to describe the programs, which are no longer open to new business.

Please carefully review this and all subsequent summaries of material changes as they will contain important information about any significant change to our advisory services, fee structure business practices, conflicts of interest and disciplinary history. Additional information about Securities America Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

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## **ITEM 4. ADVISORY BUSINESS**

### Ownership

Securities America Advisors, Inc. (SAA) is registered as an investment advisor with the Securities and Exchange Commission (SEC), SEC File No. 801-45628, in order to offer investment advisory products and services to its advisory clients. Securities America, Inc. (SAI), an affiliated broker/dealer, is registered with the Financial Industry Regulatory Authority (FINRA) as a broker/dealer engaged in the offer and sale of securities products. SAA and SAI are wholly owned subsidiaries of Securities America Financial Corporation (SAFC). SAFC is also a majority owner of Arbor Point Advisors, LLC (APA). APA is an investment advisor firm registered with the SEC.

SAFC is a wholly owned subsidiary of Advisor Group Holdings, Inc., which is owned by primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P. and The Berlinski Family 2016 Trust.

### Firm Description

SAA is an investment advisor firm registered with the SEC since January 1994 and provides a variety of programs for use by it, its investment advisor representatives (SAA representatives) and independent registered investment advisor firms to provide investment advice to you. SAA representatives and investment advisor representatives affiliated with independent investment advisors (independent IA representatives) are often also registered representatives of Securities America, Inc. (SAI), a full-service broker/dealer firm affiliated with SAA. The brochure supplement delivered to you by your investment advisor representative will explain your representative's affiliation details. References to "your representative" or "representative" refer to the SAA representative or independent IA representative providing services to you. References to "we," "our," "us" or "our firm" refer exclusively to SAA. Independent investment advisor firms that use our programs are generally registered as investment advisors with the SEC or with the state jurisdictions where they maintain a place of business in accordance with the regulations for each individual state jurisdiction. We are not affiliated as an investment advisor with the independent investment advisor firms. An independent investment advisor has the obligation to also deliver a separate version of Form ADV Part 2A (or equivalent brochure).

### Amount of Assets Managed by Our Firm

As of the fiscal year ending December 31, 2019, the amount of client assets we managed totaled \$29,024,824,068. Of that total, \$24,136,239,609 was managed on a discretionary basis and \$4,888,584,459 was managed on a non-discretionary basis.

### Types of Services Offered

We offer a diverse range of advisory programs and services including financial planning, asset management, retirement services and referrals to third party money managers.

Once you've decided to establish an advisory account, you will complete certain account opening documents that provide information regarding the custodian's name, address and the way the funds or securities are maintained. If you wish to use our investment advisory services, you generally will sign a client services agreement describing the services provided to you. When possible, assets in our programs are invested primarily in low cost mutual funds and/or exchange traded funds, usually through clearing firms or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Clearing firms can charge a transaction fee when you buy funds. Stocks and bonds can be bought or sold through a brokerage account when appropriate. SAI, our broker/dealer affiliate, charges a fee for stock and bond trades which might be higher or lower than commissions you would pay if transactions were implemented through another broker/dealer. Refer to Item 5 *Fees and Compensation* for more information.

We offer advice on investments such as those listed below, although we reserve the right to offer advice on any investment product suitable for each client's specific circumstances, needs, goals and objectives.

- Equity securities (exchange-listed securities, securities traded over the counter and foreign issues)
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Investment company securities (mutual funds)
- Variable products (variable annuities, variable life insurance)
- U.S. government securities
- Options contracts on securities
- Exchange traded funds (ETFs)
- Real estate investment trusts (REITS)
- Real estate investments
- Limited partnerships and private placement partnerships in tax credit programs, cable and other miscellaneous direct participation programs

SAA and SAI conduct or hire third-party vendors to conduct due diligence analysis of the products listed above prior to making them available to the public. On our behalf, SAI has policies and procedures in place to review the issuers of financial products such as real estate investment trusts, structured notes and annuity and life insurance products. This review includes publicly available information and reports issued by third-party rating agencies and can, in some cases, include certain non-public information provided by the issuer. On our behalf, SAI periodically reassesses, but does not continuously monitor, the creditworthiness or financial solvency of third-party issuers. See the Marketing and Expense Reimbursement section, under Item 10 *Other Financial Industry Activities and Affiliations*, for additional discussion on due diligence analyses. These policies and procedures are reasonably designed to limit your exposure to credit and default risks resulting from an inability of the issuers to repay the principal on a note or fulfill an insurance obligation. However, you should know that credit markets can be volatile and the creditworthiness of an issuer can change rapidly. SAA and SAI are prohibited by regulation from guaranteeing or providing any assurance that an issuer of financial products will be available to fulfill the issuer's obligation to any purchase of a product through SAI or SAA.

#### Wrap Fee Programs

For those advisory programs in which we offer wrap account pricing, advisory services as well as transaction and other services are provided for one fee that is calculated based on the value of assets under management. Advisory services include, for example, portfolio management or advice regarding selecting other investment advisors for portfolio management as well as brokerage, custody and performance review services. As a result, we can charge you a higher account fee for a wrap account than a non-wrap account (which has separate advisory fees and transaction charges). Please consider that, depending upon the level of the wrap fee charges, the amount of portfolio activity in the account, the value of services provided under the investment program and other factors, the wrap fee may or may not exceed the aggregate cost of services if they were to be provided separately. Generally, wrap programs are relatively less expensive for actively traded accounts. However, they can result in higher overall costs to the client in accounts that experience little trading activity. Our firm and the representatives do not manage wrap fee accounts differently from other programs. We receive a portion of the wrap fee for the investment management services we provide. Refer to the section titled "Fees and Compensation" for additional information regarding fees assessed in our wrap programs. Additionally, refer to each program's wrap fee program brochure for additional information.

For certain accounts, SAA assesses the transaction charges to our representatives. In those circumstances, your representative has an incentive to trade your account less often or to invest your account in securities where transaction charges can be waived by the clearing firm or product sponsor.

## **Advisory Programs**

### **Financial Advisors Program**

The Financial Advisors Program (FAP) is a program where the representative is the portfolio manager utilizing mutual funds, stocks, bonds, exchange traded funds, unit investment trusts and options in client accounts. Your representative assists you with establishing your FAP account.

Generally, brokerage transactions are processed by SAI, our affiliated broker/dealer, and cleared by National Financial Services, LLC (NFS) or Pershing, LLC (Pershing). SAI compensates SAA to offset SAA's administrative costs. SAA, SAI and your representative do not act as custodians for any FAP accounts. Generally, NFS, Pershing or another custodian maintains custody of funds and securities. You authorize us to deduct fees directly from your account to pay for our investment management services. In these cases, we are considered to have limited custody of your assets. SAA and SAI are also deemed to have limited custody based on certain transmittal policies. Refer to Item 15 *Custody* for more information. Each custodian or investment provider we use for our investment management services is a qualified custodian and provides statements to you at least quarterly.

We have also entered into agreements with insurance companies that allow for managing and valuing your variable annuity accounts in conjunction with your FAP account. The insurance companies' custodians maintain custody of all variable annuity accounts. In addition, fixed and fixed index annuities can be linked to your FAP account to assist in consolidating and uniformly reporting on your holdings. Any fixed annuity positions linked to your account are excluded from fee billing calculations as well as management and/or valuation services.

For information about the investment strategies employed in the FAP, refer to Item 8 *Methods of Analysis, Investment Strategies and Risk of Loss*.

The FAP client agreement can be terminated by any of the parties by providing notice to the other parties, and termination is effective upon receiving the notice. In addition, closing the account causes the client agreement to be terminated. However, if you elect to administratively reopen an account within 30 days of closing, the client agreement remains in full force and effect.

If the client agreement is terminated, you are entitled to a prorated refund of any management fee or deposit not already earned by SAA or your representative. At your direction, SAA, SAI or your representative will advise the account custodian to deliver the funds and securities in accordance with your instructions. In the alternative, you can call Securities America at 1-800-747-6111 and request that the securities and funds in your account be liquidated. If the account is liquidated, once all transactions are settled then all proceeds are payable to you according to your distribution instructions. Subsequent transactions in a liquidated or closed account are subject to SAI's normal brokerage rates. SAA and the custodian reserve the right to charge an account closing fee, except for clients in any state prohibiting an account closing fee. Refer to the New Account Application for details.

Terminating the client agreement does not affect the liabilities or obligations of the parties arising out of transactions initiated prior to termination.

### **Managed Opportunities Program**

The Managed Opportunities Program (Managed Opportunities) allows you to establish an account using Fund Strategist Portfolios (FSP), Separately Managed Account Portfolios (SMA), Unified Managed Account Portfolios (UMA), and Advisor Managed Portfolios (AMP).



The FSP and SMA Portfolios are developed by third-party money managers that are registered investment advisors (collectively referred to as sub-advisors). Sub-advisors provide investment models which your representative may select for use in your account, but such sub-advisor does not provide individualized advisory services to you.

UMA Portfolios are developed by your representative and provide you with the opportunity to invest your assets across multiple investment strategies and asset classes by implementing an asset allocation strategy. Your representative has the option of acting as the portfolio manager or to use sub-advisors.

One or more sub-advisors available for use in the FSP, SMA and UMA Portfolios are affiliated entities of SAA. Selecting, recommending or promoting the use of its affiliated entity is a conflict of interest for SAA due to the additional compensation received by such affiliate.

Your representative can also use the AMP option to design investment management and asset allocation portfolio(s) for you. When doing so, he or she is acting as the portfolio manager and not using sub-advisors.

### Description of Managed Opportunities Program Investment Strategy Options

#### *Fund Strategist Account Portfolios*

Sub-advisors provide us with mutual fund and exchange traded fund asset allocation model portfolios based on the information, research, asset allocation methodology and investment strategies of the sub-advisors. We can terminate existing sub-advisor service agreements and enter into new sub-advisor agreements at our discretion. Your initial FSPs are described in your Investment Strategy Summary.

#### *Separately Managed Account Portfolios*

Sub-advisors provide us with access to a number of institutional separate account investment manager model portfolios of equity and/or fixed income securities. We can terminate existing sub-advisor agreements and enter into new sub-advisor agreements at our discretion. If a portion of the asset allocation does not meet a particular sub-advisor manager's account minimum, a mutual fund can be used in place of an individual portfolio manager. Your initial SMA Portfolios are described in your Investment Strategy Summary.

#### *Unified Managed Account Portfolios*

UMA portfolios are developed by your representative and provides you with the opportunity to invest assets across multiple investment strategies and asset classes by implementing an asset allocation strategy. The representative has the option of acting as the portfolio manager or to use sub-advisors. Your initial UMA portfolios are described on your Investment Strategy Summary.

#### *Advisor Managed Portfolios*

AMP portfolios are managed by your representative based on the financial information and investment objectives you provide. Your representative designs one or more investment management and asset allocation portfolios for you. Your initial AMP portfolios are described on your Investment Strategy Summary.

We have also entered into agreements with insurance companies that allow for managing and valuing your variable annuity accounts within AMP portfolios. The insurance company custodians maintain custody of all variable annuity accounts, but your representative has access to manage the variable annuity sub-accounts. In addition, fixed and fixed index annuities can be linked to your Managed Opportunities Program account to assist in consolidating and uniformly reporting on your holdings. Any fixed annuity positions linked to your account are excluded from fee billing calculations as well as management and/or valuation services.

Generally, brokerage transactions are processed by SAI, our affiliated broker/dealer, and cleared by National Financial Services, LLC (NFS) or Pershing, LLC (Pershing). SAI provides compensation to SAA to offset SAA's administrative costs. SAA, SAI and your representative do not act as custodians for any Managed Opportunities accounts. Generally, NFS, Pershing or other custodians maintain custody of funds and securities. Each custodian or investment provider

we use for our investment management services is a qualified custodian and provides statements to you at least quarterly. You authorize us to deduct fees directly from your account to pay for our investment management services. In these cases, we are deemed to have limited custody of your assets. SAA and SAI are also deemed to have limited custody based on certain transmittal policies. Refer to the section titled "Custody" for more information

Administrative, website, performance reporting, transaction order entry and other services are provided to us by outside service providers and sub-advisors. You grant SAA and our representatives discretionary authority to select one or more sub-advisors to provide those services to you and our firm. Envestnet Asset Management, Inc. (Envestnet) provides these services in Managed Opportunities. SAA and Envestnet are separate, non-affiliated entities. Please also refer to the section titled "Step Out Trades" for additional information on Envestnet's wrap fee programs.

Your representative assists you in establishing the Managed Opportunities account through a web-based platform. For accounts held at NFS, a master brokerage account (master account) can be established at your request for the administrative purpose of holding and transferring assets. When it is necessary to liquidate positions to invest the proceeds into a Managed Opportunities portfolio, the liquidating transactions can occur in the master account.

To establish Managed Opportunities accounts, you must provide relevant information requested by us in the New Account Application, although we can reasonably request other supporting documents and financial information. We provide services through the Managed Opportunities Program based solely upon information supplied by you. This information assists your representative in determining suitability of the accounts and in establishing appropriate investment objectives. An Investment Strategy Summary is generated from the Application, profile and suitability information provided by you. It summarizes recommended investment strategies and sets out the objectives and restrictions in managing your account.

For information about the investment strategies employed in a Managed Opportunities Program portfolio, refer to Item 8 *Methods of Analysis, Investment Strategies and Risk of Loss*.

Trading by third-party money managers can trigger wash sale rule implications. A wash sale occurs when a security is sold at a loss and then the same or substantially identical security is repurchased within a short time period. We do not necessarily manage accounts in the Managed Opportunities Programs in a manner to avoid wash sale implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in these and all advisory programs.

The Managed Opportunities Program client agreement can be terminated by any of the parties by providing notice to the other parties, and termination is effective upon receiving the notice. In addition, closing the account causes the client agreement to be terminated. However, if you elect to administratively reopen an account within 30 days of closing then the client agreement remains in full force and effect.

If the client agreement is terminated, you are entitled to a prorated refund of any management fee or deposit not already earned by SAA or your representative. At your direction, SAA, SAI or your representative will advise the account custodian to deliver the funds and securities in accordance with your instructions. In the alternative, you can call Securities America at 1-800-747-6111 and request that the securities and funds in your account be liquidated. If the account is liquidated, then once all transactions are settled all proceeds are payable to you according to your distribution instructions. Subsequent transactions in a liquidated or closed account are subject to SAI's normal brokerage rates. SAA and the custodian reserve the right to charge an account closing fee, except for clients in any state prohibiting an account closing fee. Refer to the New Account Application for details.

Terminating the client agreement does not affect the liabilities or obligations of the parties arising out of transactions initiated prior to termination.

### **Participant Retirement Program**

Through the Participant Retirement Program, SAA and its representatives (collectively, advisor" or "us") offer investment advisory services relative to participants' in tax-exempt retirement account assets in employer sponsored retirement plans (Plan).

Under the Participant Retirement Program, you elect to have SAA manage your contributions to the Plan, any contributions by your employer or Plan sponsor on your behalf and any other additions to the Plan on behalf of or attributable to you (collectively, Plan Assets). Through its representatives, SAA provides advice with respect to Plan Assets in your account only, including additions, substitutions and proceeds. SAA is not responsible for the actions or non-actions of predecessor investment advisors, managing any assets other than the Plan Assets allocated to your account or the administration of the Plan. In managing your account, SAA will, but is not required to, consider any other securities, cash or other investments owned by you.

You maintain the ability to impose reasonable restrictions on the management of your account, including the ability to instruct us to not purchase certain investments or securities. Your representative will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance, investment objectives, investment time horizon or restrictions you may wish to impose on the account.

At no time will SAA act as custodian of the Plan or have direct access to the Plan's funds and/or securities. Fidelity Institutional Wealth Services maintains custody of all Plan Assets in your account and will process the orders for securities transactions in your account in its broker/dealer capacity as your representative enters such orders.

The client agreement can be terminated at any time for any reason; however, services will continue until either party gives written notice of termination to the other party. Closing the account causes the agreement to be terminated. Termination is effective upon receiving notice, although transactions in progress will be completed in the normal course of business. Terminating the agreement will not affect either party's liabilities or obligations arising out of transactions initiated prior to termination or the provisions regarding arbitration, all of which will survive any expiration or termination of the agreement.

Upon termination, you will have the exclusive responsibility to monitor the securities in your account, and we will have no further obligation to act or provide investment services with respect to those assets. If you terminate the agreement within 5 business days of signing it, you will receive a full refund of all fees and expenses. If the agreement is terminated more than 5 days after its execution, any prepaid, unearned management fees will be calculated and promptly refunded based upon the number of days remaining in the billing period after the termination date.

### **Lockwood Programs**

Lockwood Advisors Incorporated sponsors various wrap fee programs available to your representative for use with clients. These programs offer investors a variety of sub-advisors to select from and the sub-advisors then select investments for the programs.

The Private Investment Management Program (PIM) is a discretionary program where the advisor is the portfolio manager utilizing mutual funds, stocks, bonds, ETF, UITs and options in client accounts. The minimum amount required to establish and maintain an account is \$50,000.

The Asset Advisor Program is a non-discretionary investment advisory program where the client ultimately makes the investment choice from among mutual funds, stocks, bonds, ETF, UITs and/or options. The minimum amount required to establish and maintain an account is \$25,000.

Brokerage transactions in the Lockwood programs are processed by SAI, our affiliated broker/dealer, and cleared by Pershing. SAI provides compensation to SAA to offset our administrative costs. SAA, SAI and your representative do not act as custodians for Lockwood program accounts; Pershing maintains custody of funds and securities. You authorize us to deduct fees directly from your account to pay for investment management services. In these cases, we are considered to have limited custody of your assets. SAA and SAI will also be deemed to have limited custody based on certain transmittal policies. Please refer to Item 15 Custody for more information. Please also refer to the section Step Out Trades in Item 12 *Brokerage Practices* for additional information on Lockwood's wrap fee programs.

## **Architect/Structure Programs**

In July 2020, Investacorp, Inc. (Investacorp) and Investacorp Advisory Services, Inc. (IAS), were acquired and merged into SAI and SAA respectively. SAI replaced Investacorp as the broker-dealer and SAA replaced IAS as the registered investment adviser on all Architect and Structure Platform program accounts transferred due to the acquisition. The Architect and Structure Platform program accounts ("Transferred Accounts") are only available to clients who are already invested in them and are not being offered to new clients or accounts.

If you have assets in one of the Transferred Accounts, the Architect and Structure Platform programs provide you with investment advisory and brokerage execution services for an all-inclusive fee through an arrangement with Envestnet Asset Management, Inc. ("Envestnet"), an unaffiliated SEC-registered investment advisor that provides investment management and investment advisory services. Envestnet's technology assesses and assists your representative in determining your risk tolerance. Based upon your risk tolerance, the Architect/Structure Program utilizes a system that assists your representative in selecting investment products, program account types and/or asset allocation that align(s) with your risk tolerance.

Each of our representatives negotiates his or her own account fee schedule. The account fees paid by you include portions paid to your representative, as well as to SAA and the custodian. Mutual funds and ETFs invested in the account also have their own internal fees ("internal fund expenses") which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus).

For complete fee details, including account fee schedule guidelines and a list of transaction charges, please see the Architect/Structure Program brochure.

## **Independent Managed Assets Program**

Through the Independent Managed Assets Program (IMAP), SAA offers clients access to professional third-party money managers that create and implement model portfolios with a variety of investment strategies (e.g., asset allocation, market timing, portfolio management, etc.), securities (e.g., stocks, bonds, ETFs, mutual funds, derivatives, etc.) and risk levels.

One or more of these third-party money managers is affiliated with SAA, which creates a conflict because of the compensation SAA's affiliates can receive from the placements. We deal with this conflict through our processes designed to determine the suitability of the IMAP programs offered to clients. We also conduct reviews to assess the adequacy and appropriateness of the investment recommendations made by our representatives. Refer to Item 10, *Other Financial Industry Activities and Affiliations*, for additional information.

IMAP money managers have differing minimum account requirements and a variety of fee ranges. Each manager's advisory services, fees and expenses, program termination and other information is set forth in their disclosure brochures, client agreements, account opening documents and applicable fund prospectuses. Your representative will assist you in opening an account and, when doing so, you will execute an agreement directly with the selected money manager.

Most third-party money managers assume limited discretionary authority over your account, meaning that the selected manager has the authority to purchase and sell securities in your account without contacting you first. Some third-party managers may allow you to impose restrictions on investing in specified securities or types of securities.

SAA, SAI and your representative do not act as custodian for any account held by a third-party money manager. Generally, an outside custodian maintains custody of all funds and securities. Each third-party manager maintains its own separate execution, clearing and custodial arrangements.

Your representative obtains financial data from you, such as annual income, net worth, risk tolerance, long-term goals and objectives, etc. When referring you to third-party money managers, your representative will act as either a solicitor or advisor/sub-advisor.

- When acting as a solicitor, your representative assists you in selecting one or more third party money managers believed suitable for you based on the gathered data and your financial situation. Neither SAA nor your representative provide advisory services relative to the selected third-party money manager's programs. The third-party manager is responsible for assessing the suitability of their products for your investment objectives and risk profile.
- When acting as an advisor/sub-advisor, your representative provides you with portfolio management supervisory services jointly with the selected third-party money manager. When opening a new account, you will receive both our disclosure brochure and the third-party manager's disclosure brochure. Your representative will assist you in determining which model or portfolio strategy is appropriate for you. He or she will monitor the selected program's performance, investment selection and continued suitability for your portfolio and advise you accordingly regarding continued use of the selected model as well as the selected manager.

SAA and your representative receive compensation when they refer you to the money manager, which is usually a percentage of the advisory fee you pay to the selected manager. The amount of compensation received by our firm and your representative from a particular money manager could be higher than the compensation received from another money manager. This is because compensation structures vary by product type as well as manager programs provided. This results in a conflict of interest because your representative has a financial incentive to recommend one money manager over another in order to receive greater compensation. There may be other suitable money managers that may be more or less costly. The agreement you execute with the selected money manager will typically authorize the manager to deduct fees from your account to pay for services and expenses.

No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered.

Trading by third-party money managers sometimes trigger wash sale rule implications. A wash sale occurs when a security is sold at a loss and then the same or substantially identical security is repurchased within a short time period. The third-party money manager cannot necessarily manage accounts in IMAP in a manner to avoid wash sale implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in these and in all advisory programs.

*Envestnet Asset Management, Inc.*

SAA has an agreement with Envestnet Asset Management, Inc. ("Envestnet") that allows its representatives to offer the Envestnet Direct Program as a TPMM to clients. SAI serves as broker/dealer for certain Envestnet accounts that were transitioned from IAS on the NFS platform. In these instances, SAA receives a platform fee of up to 25 basis points for providing administrative services. This relationship with Envestnet Direct on NFS is only available to clients who are already invested in them and they are not being offered to new clients or accounts.

### **Retirement Opportunities Program**

This program is no longer eligible for new client accounts; however, there are a limited number of legacy accounts grandfathered which continue to be serviced by some investment advisor representatives. Through the Retirement Opportunities Program, SAA and representatives provide investment advisory services to retirement plans.

### **Advisory Services**

SAA offers a range of services that do not involve providing continuous advice to you, such as financial planning services and retirement plan advisory services. These services are described in greater detail below.

## **Financial Planning and Financial Planning Consultation Services**

SAA and your representative offer advice through the presentation of financial plans. Clients using these services receive a plan providing them with a financial blueprint designed to achieve their stated financial goals and objectives. Financial plans focus on specific areas of concern to you including, but not limited to:

- Cash management
- Insurance coverage
- Death and disability planning
- Tax considerations
- Divorce planning
- College Planning
- Investment portfolio review
- Estate and retirement planning

SAA and your representative also provide financial planning consultation services on specific areas of concern to you including, if requested, retirement plan consulting services to a plan sponsor or to individuals wanting advice on plan investments allocations. Additionally, SAA and your representative provide financial planning services to business entities and groups requesting educational services and financial planning seminars or individual consulting and planning services for employees or members. If individual planning or consulting services are provided, each participating employee or member will be required to execute a separate agreement with us. These services will be advice-only services; SAA and your representative will not implement transactions on your behalf as part of these services.

If you want SAA or your representative to implement transactions on your behalf, you need to enter into an agreement with SAA and your representative for one or more of the management services described in this document. In the alternative, your representative can also be a SAI registered representative and, if so, you can engage him or her in this separate capacity to establish a brokerage account and implement transactions. A conflict exists if your representative is a SAI registered representative and you choose to buy product(s) through him or her in this separate capacity. This is because, as a SAI registered representative, he or she can receive a commission on the product(s) sold in addition to the fees charged for financial planning and/or financial planning consultations provided in his or her capacity as an advisor representative. Your representative can recommend investments to you requiring you to pay management fees and/or broker/dealer commissions if SAI processes the transaction.

You are under no obligation to act upon SAA's or your representative's recommendations, and you have sole discretion whether to implement any recommendations. If you elect to act on any of the recommendations, you are under no obligation to effect transactions through SAA or SAI.

When providing financial planning and consultation services, your representative gathers information through interviews concerning your current financial status, goals and objectives, risk tolerance and time horizon. If you implement a recommendation, we urge you to work closely with your attorney, accountant and/or insurance agent. Your investment advisor representative can also provide advice on non-securities matters. Generally, this is in connection with rendering estate planning, college planning and insurance and/or annuity advice.

Some states preclude your representative and SAA from receiving a financial planning fee for services customarily associated with soliciting insurance sales or servicing an insurance contract. Other states permit your representative and SAA to receive an insurance financial planning fee and an insurance commission provided certain conditions are met, such as written disclosure about the services and compensation. Please consult with your representative if you have questions regarding which regulations govern you and your account.

Financial planning services can be terminated at any time upon written notice of either SAA's representative or the client. Upon termination, clients are entitled to a refund of all deposits not already earned. Clients can terminate services within 5 business days from the date of executing the agreement for services and receive a refund of no less than one-

half of the retainer or any unearned portion of the retainer, whichever is greater. If clients do not receive SAA's written disclosure brochure at least 48 hours prior to executing the agreement for services, they have 5 days from the engagement date to cancel with a full refund of any fee or retainer.

### **Retirement Plan Advisory Services**

SAA provides qualified retirement plans with investment advisory services that are fiduciary and/or non-fiduciary in nature. Fiduciary services include plan review (e.g., design, operations, documentation and benchmarking plan expenses) and recommendations (regarding the investment policy statement, investment options and/or investment managers). Non-fiduciary services include participant education and communication. Services can be provided on a discretionary or non-discretionary basis.

For all services provided, the plan's named fiduciary retains decision-making authority and responsibility for the plan's investment policy statement, selecting and maintaining investment alternatives available under the plan and implementing any plan, advice or strategy provided by SAA and/or its representative.

Under the Retirement Plan Advisory Agreement, the plan sponsor authorizes and engages SAA and its representative to provide services to the plan. When providing these services, SAA and its representative can rely on information provided by independent third parties who are believed to be reliable. However, SAA and its representative have no obligation to independently verify the information provided by them. The named fiduciary acknowledges that SAA and its representative rely on such third-party information while providing any requested services and will have no liability for the accuracy or consistency of such information or for any loss caused by such information. SAA and its representative also rely on material and pertinent information provided by the named fiduciary about the plan, its participants and beneficiaries. The advisor has no obligation to verify the information provided by the named fiduciary and will have no liability for any loss caused by errors in such information.

Your representative can provide any of the following services as selected by the plan sponsor and named fiduciary:

#### **Fiduciary Services**

##### *I. Non-Discretionary Advisory Services*

(a) Plan Review (Design, Operations and Documentation). Your representative can:

- Recommends protocols to help the plan's named fiduciary establish a plan committee to prudently manage and administer the plan. The named fiduciary is solely responsible for implementing the committee's protocols and for appointing or removing committee members. If requested, the representative will train committee members regarding fiduciary duties and help coordinate regular meetings.
- Updates the named fiduciary about current and proposed legislative initiatives.
- Provides fiduciary training as needed (upon request).
- Helps with updates to existing procedures and provide recommendations regarding plan operation, documentation and establishing an audit file.
- Helps develop requirements for responding to participant requests and reconciling participant disclosures under Section 404(a)(5) of the Employee Retirement Security Act of 1974 (ERISA).

(b) Benchmark Plan Expenses. Your representative meets with the named fiduciary and conducts a periodic review of fees and costs charged to the plan by other service providers.

(c) Plan Investment Policy Statement. Along with the named fiduciary, your representative reviews the investment objectives, risk tolerance and goals of the plan. If the plan does not have an investment policy statement (IPS), the representative recommends investment policies to assist the named fiduciary in establishing an appropriate IPS. If the plan has an existing IPS, the representative reviews

it for consistency with the plan's objectives; if it does not represent the objectives, the representative recommends revisions to establish investment policies consistent with plan objectives.

- (d) Recommendations Regarding Investment Options and/or Investment Managers. The representative provides the following services:
- Based on the plan's IPS or other established investment guidelines, the representative reviews investment options available and makes recommendations to the named fiduciary.
  - Once the named fiduciary approves any model portfolios, default investment alternative(s) (DIAs) or qualified default investment alternative(s) (QDIAs), the representative provides periodic reports, information and recommendations designed to assist in monitoring plan investments. If an investment must be removed due to IPS criteria, the representative provides information and analyses to evaluate replacement investment alternatives for model portfolios. Upon reasonable request, the representative also makes recommendations to rebalance the model portfolios in order to maintain their desired allocations.
  - Based on the IPS or other established guidelines, the representative reviews potential investment managers and makes recommendations for selecting one or more managers for the plan. Once the named fiduciary approves the investment manager, the representative periodically provides reports, information and recommendations to assist in monitoring the managers. If a manager must be removed due to IPS criteria, the representative provides information and analyses to evaluate replacement investment managers.
- (e) Participant Investment Advice. In some legacy accounts, the representative meets with participants at least annually and provides investment advice based on each individual's financial situation, investment situation and tax status. The representative prepares recommendations regarding the appropriate amount of contributions and choice of investments, and the participant has sole discretion whether or not to implement those recommendations.

## *II. Discretionary Advisory Services*

Discretionary Investment Manager. The plan trustee appoints SAA and its representative as an "investment manager." To the extent SAA and its representative provide discretionary advisory services under the Retirement Plan Advisory Agreement, they acknowledge their status as "investment manager" for purposes of ERISA Section 3(38). SAA and its representative may maintain investment portfolio(s) on a discretionary basis, including investing, rebalancing assets, changing asset allocations or changing underlying model portfolios. The advisor and its representative exercise this authority in accordance with the objectives set forth by the named fiduciary (as may be amended from time to time) and in accordance with any additional written guidelines and/or investment policies provided by the named fiduciary. SAA and its representative communicate their decisions to the named fiduciary on a reasonable basis.

### Non-Fiduciary Services

Participant Education and Communication. Your representative provides educational and investment related information, materials and software as allowed by rule or regulation as long as the information does not constitute giving fiduciary investment advice. This includes but is not limited to:

- Conducting periodic group enrollment and education meetings with employees and educational meetings with plan participants and beneficiaries.
- Providing information and materials informing plan participants, employees or beneficiaries about the benefits of plan participation, the benefits of increasing contributions, the impact of pre-retirement withdrawals, the terms of the plan or operations of DIAs. The information provided includes interactive



investment materials to assist with future retirement income needs and the impact of different asset allocations on retirement income.

- Providing retirement readiness consulting, which can include third party software to assess a "gap" analysis to determine sufficient retirement income.

If requested, participant education extends to analyzing plan expenses and fees. The representative will not render individualized investment advice to participants and will not be held to a fiduciary standard for the non-fiduciary services rendered.

### **Covered Service Provider Disclosures for ERISA Plans**

As a covered service provider to ERISA plans, SAA and SAI will comply with the U.S. Department of Labor regulations on fee disclosures. SAI, SAA and your representative will disclose (i) direct compensation received from ERISA clients, (ii) indirect compensation received from third parties and (iii) transaction-based compensation (e.g., commissions) or other similar compensation shared with related parties servicing the ERISA plan. These fee disclosures will be made reasonably in advance of entering into, renewing or extending the advisory service agreement with the ERISA client.

In some instances, SAA and your representative will be providing certain services to the plan in a fiduciary capacity while providing other services that are not fiduciary in nature. The Retirement Plan Advisory Agreement executed between SAA and the plan will specifically state whether or not the representative is acting in a fiduciary capacity when providing the services. Schedule A of the Retirement Plan Advisory Agreement discloses the scope of services that are being provided to the plan. Such services are disclosed as "fiduciary" or "non-fiduciary." "Fiduciary" services are further disclosed as either discretionary or non-discretionary.

Fees for retirement plan advisory services are charged on either an asset based or flat fee basis, although some legacy accounts can have advisory fees or level commissions charged instead. The Retirement Plan Advisory Agreement will disclose the fees to be charged, as well as other compensation received by SAA, your representative or their affiliates in connection with providing services to your plan or any other charges (e.g., transaction fee charges) applying to plan accounts.

Services can be terminated by the plan's named fiduciary without penalty within 5 days of executing the Retirement Plan Advisory Agreement. After that, the Agreement can be terminated by SAA or the named fiduciary at any time with 60 days' prior written notice. The Agreement will not terminate if it is assigned to a different representative.

### **Educational Seminars and Workshops**

Our representatives provide educational seminars and workshops covering various financial and investment topics. These seminars are provided to the general public or to larger groups, such as corporations. No individualized advice is provided to participants. Seminars are provided at either no cost or for a fee charged to participants (i.e., to help cover expenses incurred in presenting the seminar). If fees are charged, all fees and payment provisions are fully disclosed prior to the seminar being presented.

## **ITEM 5. FEES AND COMPENSATION**

General Fee Information

### **Managed Accounts and Brokerage Accounts**

In a managed account, your representative provides ongoing advice relative to personalized investments owned by you and charges a fee for that advice. Advisory fees charged in our management programs are separate and distinct from fees and expenses (including, for example, service fees, interest charges and investment expenses) charged by the investment products recommended to you and held by you in your investment account (e.g., mutual funds,

exchange traded funds and variable annuities). Descriptions of these fees and expenses are available in each investment prospectus.

The ongoing fee for investment management services can cost you more than if the assets were held in a traditional brokerage account. Types of investments, possible minimum investments, services provided, and account activity all impact the overall cost of managed accounts. For example, if you hold mostly mutual funds in your portfolio and utilize a buy and hold strategy, you will not incur extensive transaction costs and management services would likely be minimal. This could mean that having a brokerage account rather than a managed account is more cost effective.

In a brokerage account, you are charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold strategy for the account or do not wish to receive ongoing investment advice or management services, you should consider opening a brokerage account rather than an advisory account. The fees charged by us vary among our programs and our representatives. As noted above, fees charged in our managed programs can be more than the cost of purchasing the same services separately. Because other advisors offer their own programs and services, fees and expenses from recommended investment products may be less than you incur with an SAA account.

Representatives can charge advisory fees and/or receive solicitor's fees for advisory class products that do not pay upfront commissions or ongoing trails, such as institutional mutual fund share classes and advisory share class variable annuities (see discussions below).

While SAA (or an entity on its behalf) has designed reasonable controls to monitor for the accuracy of advisory fees, we encourage you to check the accuracy of your advisory fee billings.

### **Commissions, Transaction Costs and Other Charges**

In addition to an asset-based advisory fee, you can incur brokerage commissions, transaction charges and other fees, including "ticket charges," related to the purchase and sale of stocks, bonds and other securities. More specifically, stocks, bonds and other securities traded in advisory accounts can be subject to commissions, mark-ups and mark-downs. With respect to mark-ups and mark-downs, they are paid to market makers, and neither SAA nor SAI receive any portion of the mark-ups or mark-downs.

Representatives will receive either an advisory fee or a commission but not both. Either the SAA representative will pay the commissions, transaction charges or other fees or you will pay those costs in addition to the management fee. However, commissions, transaction fees and other fees charged to you prior to the holdings being in an advisory account will not be waived or credited toward the investment management fee. Please contact your representative for more information about commissions and transaction charges.

### **Investment Assets**

#### **Annuities and Alternative Investments**

Your representative can invest a portion of your assets in variable annuities or other investments and charge a management fee on these assets. Assets can also be invested in equity-indexed and fixed annuities, but these products are excluded from fee billing calculations. You will pay two levels of fees: an advisory fee paid directly to SAA and your representative and a management fee paid indirectly to the managers of the variable annuities or other investments. Your representative is able to manage variable annuity account(s) held by insurance company custodians even though those annuity accounts are not linked to an SAA advisory account. If annuity management service is provided, it is provided on a discretionary basis only and you can be subject to additional advisory fees. The underlying assets can be bought directly through the variable annuity company. You could generally avoid the second layer of advisory fees by making your own decisions regarding the variable annuity investment. However, in that case, you would not receive the investment management services provided by your representative.

SAA will not impose an asset-based advisory fee on variable annuities and unit investment trusts that were subject to an up-front load or sales charge and sold by a SAI representative at the time of purchase. Any variable annuity that had an asset-based advisory fee prior to June 9, 2017, can continue to be charged. Variable annuities that were purchased with an advisory share class (e.g., I shares) can be linked for the purpose of collecting a management fee and/or exercising discretion. Please consult with your representative if you have any questions regarding this policy.

In addition, SAA will exclude the value of any investment it designates as an “alternative investment product” from an asset-based advisory fee if you purchased it in a commission-based account through a SAI registered representative and then transferred it to an advisory account. (See discussion below regarding converting a commission account to an advisory account.) Alternative investments include, but are not limited to, venture capital, private equity, hedge fund, managed futures and real estate investment trust products. However, if an alternative investment product was purchased at net asset value (NAV) (in other words, purchased with no commission), then that alternative investment product can be subject to an asset-based advisory fee.

## **Funds**

Your representative can also invest a portion of your assets in mutual funds or exchange-traded funds and charge a management fee on assets invested in these securities. Therefore, you will pay two levels of management fees: an advisory fee paid directly to SAA and your representative and a management fee paid indirectly to the managers of the mutual funds or exchange-traded funds held in your portfolios. Representatives using third-party money managers for funds held directly with the product sponsor cannot receive an additional solicitor's fee if they received an upfront commission, ongoing trails or 12b-1 fees (see 12b-1 Fees section below for additional information).

You can choose to buy the underlying assets in your portfolio directly through the mutual fund company or a brokerage account. In this case, you generally avoid the second layer of advisory fees by making your own decisions regarding the mutual fund or exchange-traded fund. However, in that case, you do not receive the investment management services provided by your representative.

## **Share Classes**

Mutual funds typically offer multiple share classes based upon certain eligibility and/or purchase requirements. The more commonly offered retail mutual funds share classes (e.g., Class A, B and C) have varying initial investment amounts, sales loads, 12b-1 fees and breakpoints to consider and can have a high expense ratio. However, mutual funds can also offer institutional or advisor share classes (“lower cost share classes”) or other share classes that are designed for purchase in an investment advisory program account (e.g., Class I, “institutional,” “investor,” etc.). These lower cost share classes usually have a lower expense ratio than other share classes.

The decision whether to use higher or lower cost share classes is typically based on the anticipated level of trading activity in the selected mutual funds. Generally, holding higher cost classes for longer periods results in higher underlying expenses to the client than if a lower cost share class with a transaction fee were chosen. When determining appropriate share classes for a client, our representatives typically discuss the investment amount in the particular fund, the number of transactions anticipated in the fund, the client's preference for paying a transaction fee and the likely turnover of account assets based on the client's strategy. Please contact your representative for more information about share class eligibility.

SAA and its investment advisor representatives have a financial incentive to recommend or select share classes that have higher expense ratios because such classes generally result in higher compensation. This creates a conflict of interest. SAA has implemented policies and procedures to manage this conflict of interest, including those described in more detail below.

## **Conversion from Commission to Fee-Based Advisory Account**

Representatives can recommend that products on which they previously received a commission be converted to a fee-based advisory account. Any such recommendation is a conflict of interest, which we manage through written disclosure to you and by imposing reasonable controls designed to monitor for this activity. Mutual funds moved from a commission account to a fee-based advisory account will be converted to an available lower-cost share class included on the Approved Product List or maintained in the current share class but additional purchases will be prohibited (see discussion below). Recently purchased A share mutual funds, however, cannot be transferred to fee-based accounts. Other commissionable products can be transferred in-kind to an advisory account (i.e., equities and exchange-traded-funds) but will have a look-back period, and recently received commissions will be reimbursed to the client. We do not allow the systematic conversion of recently purchased commission-based products to fee-based advisory accounts. "Recently purchased" is defined as a minimum of 90 days.

## **Mutual Fund Approved Product List**

To help mitigate conflicts of interest and meet current regulatory expectations, SAA has created an Approved Products List which it keeps updated on a regular basis. Mutual funds placed on the Approved Products List are chosen based on several factors, including expense ratio, availability and supervision practicality. SAA requires that all mutual fund purchases in advisory accounts be made in the share class specified for each fund on the Approved Products List. However, to the extent an advisory account includes mutual fund holdings not approved as to both fund and share class, those funds can continue to be held in that account, but no new purchases are permitted. If any funds currently held in advisory accounts are on the Approved Products List but not held in an approved class, SAA will convert those holdings to an approved share class at no cost and without tax consequence (in most cases).

SAA uses its best efforts to include only the lowest-cost share class available to SAA's investors for each mutual fund on the Approved Products List. In some instances, a fund share class will not be included on the Approved Products List because it has a high or prohibitive minimum purchase requirement. In that case, a lower-cost fund share class can be offered by a fund family but is not included on the Approved Product List. Clients seeking to make such an investment should speak to their representative about the ability to purchase funds in share classes not on the Approved Products List through SAA granting an exception to its policy.

Even if a share class is included on the Approved Products List, clients should understand that, in many cases, the share class offered for a particular fund will not be the least expensive share class available from that fund. Also, other financial services firms can potentially offer the same mutual fund at a lower overall cost to the investor than is available through SAA.

## **12b-1 Fees**

A 12b-1 fee is an annual marketing, distribution and servicing fee charged by a mutual fund and paid to a representative selling the fund's shares. If a representative received an upfront commission or is receiving ongoing trail commissions or 12b-1 fees, the representative cannot charge an additional advisory fee except as described above for variable annuities. SAA and your representative do not retain 12b-1 fees paid by funds for either qualified or non-qualified accounts.

As discussed above, SAA has implemented a policy requiring that IARs complete new purchases of mutual funds in advisor managed accounts at the lowest cost share class available to SAA's investors for each mutual

fund on the Approved Products List. Further, SAA has implemented a policy requiring that 12b-1 trails be credited back to all existing advisory accounts (qualified and non-qualified) that hold positions in higher-fee share classes.

## Program Fees

### Fees for the Financial Advisor Program

You pay an annual management fee in conjunction with your FAP account. Management fees are negotiated based on the complexity of your financial situation, the investment services to be provided, the experience and standard fees charged by your representative and the nature and total dollar value of plan assets maintained in your account. The management fee is based on a percentage of assets under management and the maximum annualized management fee that can be charged to you is 3%. The exact fee or fee schedule used will be disclosed prior to services being provided. Your representative can choose to “bundle” related FAP accounts to achieve a break on management fees. When accounts are bundled, the total average daily balance or period ending balance for all bundled accounts is used to determine the fee percentage from the fee schedule. This percentage is then applied to each account and a fee is charged to each respectively.

Typically, management fees are automatically deducted from the FAP account according to an authorization provided in the client agreement. On an exception basis, you can have your management fees paid from other accounts or have us bill you directly by invoice.

You can make cash additions to your account at any time and can withdraw account assets upon notice to SAA and, if applicable, your representative. Assets in excess of \$10,000 deposited into or withdrawn from the account by you can be charged or refunded a prorated portion of the management fee based on the number of days during the billing period that assets were held in the account.

For FAP accounts, SAA retains up to 17 basis points (.17%) of the representative’s management fee for management, administrative and support services SAA provides. We pay the balance of the management fee to the representative; we also charge the representative an administrative fee. Your representative will qualify for a reduced administrative and support services fee based on accounts your representative places within an SAA advisory program therefore creating a conflict of interest to put more assets into FAP accounts. The total fees paid by you are disclosed in the FAP Fee Schedule.

Total Account Value	Administrative Fee	Maximum Advisory Fee	Maximum Total Account Fee Paid by Client
\$50,000 to \$250,000	0.170%	2.330%	2.500%
\$250,000 to \$500,000	0.145%	2.105%	2.25%
\$500,000 to \$750,000	0.145%	1.855%	2.00%
\$750,000 to \$1,000,000	0.120%	1.630%	1.750%
\$1,000,000 to \$1,250,000	0.095%	1.655%	1.750%
\$1,250,000 to \$2,000,000	0.095%	1.405%	1.500%
\$2,000,000 to \$5,000,000	0.070%	1.180%	1.250%
\$5,000,000 to \$25,000,000	0.045%	1.205%	1.250%
Over \$25,000,000	0.035%	0.965%	1.000%

You can also be assessed ticket charges and other miscellaneous charges by SAI, NFS or Pershing on account transactions. Miscellaneous charges can include custodial fees levied by the custodian. Account assets can also be subject to additional fees and expenses as explained in the prospectus for mutual funds, exchange traded funds or other investments. Your Fee Schedule will disclose whether SAA will assess the ticket charges to your representative. When your representative is paying the ticket charges, your representative has an incentive to trade your account less often or to trade your account with certain securities where transaction charges may be waived by the clearing firm or product sponsor.

Management fees are calculated monthly or quarterly at the beginning of each period based on either the average daily balance (ADB) or the period ending balance (PEB) of your account assets under management for the previous period. The exact fee schedule used is disclosed to you prior to services being provided. Management fees are billed in advance with the exception of the initial fee. If the account is billed monthly, the initial fee is billed in arrears and prorated based on the number of days that services are provided during the first billing period. This initial fee is billed at the same time the first full period fee is billed in advance. If fees are billed quarterly, the account is charged its first fee in the first full month that the account contains assets. If the first month that the account contains assets is the first or second month of the calendar quarter, the fee is prorated for the partial quarter. If the first month that the account contains assets is the third month of the calendar quarter, the initial fee is billed in arrears and prorated based on the number of days that services were provided during the partial billing period. This initial fee is billed at the same time the first full period fee is billed in advance. The assets are valued by an independent pricing service, where available, or by NFS and Pershing in good faith, based on the clearing firm's books and records. The average daily balance does not take into account unpriced securities or any days when accounts have a zero balance.

The fee may be a flat fee, a linear fee (where the percentage fee is fixed based on the total assets in your account) or a tiered fee schedule (where the percentage-based fee is lowered as assets in your accounts increase). The exact fee charged or fee schedule used is disclosed to you prior to services being provided.

Cash will be maintained in your account's core account investment vehicle in order to pay for management fees and other charges and fees. Fees and charges are noted on your account statements.

Variable annuity policies can be linked to FAP accounts. The variable annuity policy prospectus contains information about limitations and restrictions on making cash additions and withdrawals from any linked policy, and you should review that information. The market value of variable annuity accounts included in the management portfolio can be included in the calculation of management fees as long as it was not sold by a SAI representative who earned an up-front load or sales charge. SAA might not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In some circumstances, management fees on certain variable annuity accounts can be based on the weekly or monthly average balance. You can pay more or less in management fees when the pricing is based on a weekly or monthly average balance compared to management fees charged when the pricing is based on the average daily balance.

Fixed and fixed index annuities can also be linked to your FAP account to assist in consolidating and uniformly reporting on your holdings. Any fixed and fixed index annuity positions, however, are excluded from fee billing calculations as well as from management and/or valuation services.

### **Fees for the Managed Opportunities Program**

You pay an annual management fee in conjunction with your Managed Opportunities accounts. Management fees are negotiated based on the complexity of your financial situation, the investment services to be provided, the experience and standard fees charged by your representative and the nature and total dollar value of the plan assets maintained in your account. The management fee is based on a percentage of assets under management and generally the maximum annualized management fee that can be charged to you is 3%. However, if a sub-advisor is utilized, a sub-advisor fee is included, in which case the management fee may exceed 3%. This rate will be disclosed on a fee schedule. Your representative can choose to bundle related Managed Opportunities accounts to achieve a

break on management fees. When accounts are bundled, the total average daily balance or period ending balance for all bundled accounts is used to determine the fee percentage from the fee schedule. This percentage is then applied to each account and a fee is charged to each respectively.

Typically, management fees are automatically deducted from the Managed Opportunities account according to an authorization provided in the client agreement. On an exception basis, you can have your management fees paid from other accounts or have us bill you directly by invoice.

You can make cash additions to your account at any time and can withdraw account assets upon notice to SAA and, if applicable, your representative. Assets in excess of \$10,000 deposited into or withdrawn from the account by you can be charged or refunded a prorated portion of the management fee based on the number of days during the billing period that assets were held in the account.

For Managed Opportunities accounts, SAA retains a portion of the representative's management fee for management, administrative and support services SAA provides. Sub-advisors are also compensated from a portion of the management fees. We pay the balance of the management fee to the representative; we also charge the representative an administrative fee. Your representative will qualify for a reduced administrative and support services fee based on accounts your representative places within an SAA advisory program therefore creating a conflict of interest to put more assets into Managed Opportunities accounts. The total fees paid by you are disclosed in the Managed Opportunities Program Investment Strategy Summary.

You can also be assessed ticket charges and other miscellaneous charges by SAI, NFS or Pershing on account transactions. Miscellaneous charges can include custodial fees levied by the custodian. Account assets can also be subject to additional fees and expenses as explained in the prospectus for mutual funds, exchange traded funds or other investments. The Investment Strategy Summary will disclose to client whether transaction charges are included in the management fee ("wrap") or charged separately to the Account ("non-wrap").

Management fees are calculated monthly or quarterly at the beginning of each period based on either the average daily balance (ADB) or the period ending balance (PEB) of your account assets under management for the previous period. The exact fee schedule used is disclosed to you prior to services being provided. Management fees are billed in advance with the exception of the initial fee. The initial fee is billed in arrears, prorated based on the number of days that services were provided during the first billing period. This initial fee is billed at the same time the first full month's fee is billed in advance. If fees are billed quarterly, the account is charged its first fee in the first full month that the account contains assets. If the first month that the account contains assets is the first or second month of the calendar quarter, the fee is prorated for the partial quarter. If the first month that the account contains assets is the third month of the calendar quarter, the initial fee is billed in arrears and prorated based on the number of days that services were provided during the partial billing period. This initial fee is billed at the same time the first full period fee is billed in advance. The assets are valued by an independent pricing service, where available, or by NFS and Pershing in good faith, based on the clearing firm's books and records. The average daily balance does not take into account unpriced securities or any days when accounts have a zero balance.

Cash will be maintained in the core account investment vehicle in order to pay for management fees and other charges and fees. Fees and charges are noted on your statements.

Variable annuity policies can be linked to Managed Opportunities Advisor Managed accounts. The variable annuity policy prospectus contains information about limitations and restrictions on making cash additions and withdrawals from any linked policy, and you should review that information. With respect to the AMP Portfolios, the market value of variable annuity accounts included in the management portfolio can be included in the calculation of the management fees as long as it was not sold by a SAI representative who earned a commission. SAA might not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In some circumstances, management fees on certain variable annuity accounts can be based on the weekly or monthly average balance. You can pay more or less in management fees when the pricing is based on a weekly or monthly average balance compared to management fees when the pricing is based on the average daily balance.

Fixed and fixed index annuities can also be linked to your Managed Opportunities Program account to assist in consolidating and uniformly reporting on your holdings. Any fixed and fixed index annuity positions linked to your account are excluded from fee billing calculations as well as from management and/or valuation services.

If an account is terminated and securities are liquidated, you can incur separate charges for each transaction. In addition, you can incur contingent deferred sales charges imposed by mutual fund companies on mutual fund position liquidations if you direct us to liquidate the account or switch managers. All other brokerage commissions are waived in Managed Opportunities accounts. You are subject to a \$200 transfer charge if, within 12 months of establishing a Managed Opportunities portfolio, you direct us to transfer the assets of that portfolio to another Managed Opportunities portfolio.

The management fee may be a flat fee, a linear fee (where the percentage fee is fixed based on the total assets in your account) or a tiered fee schedule (where the percentage-based fee is lowered as assets in your accounts increase). The exact fee charged or fee schedule used is disclosed to you prior to services being provided.

### **Fees for the Participant Retirement Program**

You pay management fees to SAA and your representative pursuant to the provisions of a client fee schedule, with a maximum 3% annual fee charged. Fees are paid as either a fixed percentage fee on the total assets in your account or a tiered fee schedule where the percentage-based fee is lowered as assets in your accounts increase. The exact fee charged or fee schedule used is disclosed prior to services being provided.

Fees are negotiated based on the complexity of your financial situation, the investment services to be provided, the experience and standard fees charged by your representative and the nature and total dollar value of the Plan Assets maintained in your account. The management fee covers only the investment management services provided by us and does not include brokerage commissions or other costs associated with the purchase and sale of securities, custodial fees, interest, taxes or other account expenses.

SAA retains up to 25 basis points (.25%) of the annual fee charged to your account for the administrative and support services we provide. At our discretion, we bundle related accounts to achieve a break on management fees. Account bundling does not reduce our administrative fee; each account is priced separately for purposes of the administrative fee. Account bundling is only available for accounts with the same fee schedule and with clients in the same immediate family or under the same qualified plan. When accounts are bundled, the total average daily balance or total period ending balance for all bundled accounts is used to determine the applicable fee percentage from the client fee schedule. This percentage is then applied to each account and a fee charged to each respectively.

Fees are calculated at the beginning of each period (monthly or quarterly) based on either the average daily balance or the period ending balance of the account assets under management for the previous period. Frequency (monthly or quarterly) and basis (ADB or PEB) will be disclosed in the fee schedule. Management fees will be billed either in advance or arrears, as disclosed in the fee schedule, except for the initial fee. The initial fee is billed in arrears based on the number of days that services are provided during the first billing period. SAA retains the right to change the basis (ADB or PEB) upon which the management fee is calculated and/or the timing of billing (advance or arrears). At our discretion, SAA and/or our representative can exclude certain assets from the calculation of management fees.

If your account has not maintained adequate cash in the account to pay management or other fees, SAA reserves the right to direct Fidelity Institutional Wealth Services to liquidate a portion of the other Plan Assets to cover the charges; a liquidation can occur at any time. You should review the documents establishing the Fidelity account for details on the tax reporting treatment of deducting management fees.

Depending upon the investment services provided, assets in excess of a threshold amount (as such amount is determined from time to time by SAA) deposited into or withdrawn from the account by you will be charged or refunded



a pro-rated portion of the management fee based on the number of days during the billing period the assets were held in the account.

### **Fees for the Lockwood Programs**

The maximum annualized management fee charged to you for these programs by the advisor or representative is 3%, payable to SAA quarterly in advance. Unless otherwise agreed to in writing, the fee is calculated as a percentage of the market value of all assets in the account(s) as of the close of the last trading day of each calendar quarter prior to the billing date, except:

- (a) The initial deposit of cash or securities into the account(s) is charged a prorated fee based on the number of days during the billing period that the account is open, and
- (b) Additional deposits of cash or securities into the account(s) are charged a prorated fee based on the number of days remaining in each billing period following the date of the deposits.

Client understands that account assets can be invested in shares of investment companies, such as mutual funds or exchange traded funds, and those assets will be included in calculating the value of the account(s) for purposes of computing fees. Shares of investment companies such as mutual funds and exchange traded funds will also be subject to additional management fees and other expenses and are 12b-1 fees to offset distribution expenses as described in the prospectuses of those funds. These amounts can be paid by the investment companies, but the fees are ultimately borne by the client. If and to the extent that assets in an account are invested in investment companies such as mutual funds or exchange traded funds, the client can indirectly pay duplicate advisory and other fees in connection with such investments. The client expressly acknowledges that transactions in investment companies such as mutual fund shares and exchange traded funds purchased or sold for the account(s) could be subject to ongoing compensation in the form of 12b-1 fees or other compensation from the fund. The client is advised that shares of investment companies such as mutual fund units purchased directly from the fund company typically would not incur a transaction fee, and client ordinarily would not incur front-end or deferred sales charges under the agreement in such case. In the event mutual funds are held in a client's account and a 12b-1 fee is received by SAA or SAI with respect to the account, the 12b-1 fee will be credited to the account.

The fee charged is either a fixed percentage fee on the total assets in your account or a tiered fee schedule whereby the percentage-based fee is lowered as assets in your accounts increase. The exact fee charged or fee schedule used is disclosed to you in the fee schedule prior to services being provided.

### **Fees for the Architect / Structure Programs**

As noted in Item 4, the Architect/Structure Platform programs are not being offered to new accounts and consist solely of the Transferred Accounts. The Architect/Structure Programs have accounts where there are separate transaction charges and accounts where no separate transaction charges apply and a single fee is paid for all advisory services and transactions ("wrap account"). For those advisory programs in which we offer wrap account pricing, advisory services as well as transaction and other services are provided for one fee that is calculated based on the value of assets under management. For certain accounts, SAA assesses the transaction charges to our representatives. In those circumstances, your representative has an incentive to trade your account less often or to invest your account in securities where transaction charges can be waived by the clearing firm or product sponsor.

If you have assets in the Architect/Structure Platform programs as one of the Transferred Accounts, you pay a quarterly account fee based upon the market value of the assets held in your account. Your account fees are debited from your account by our custodian. If you terminate your participation in this program, you are entitled to a pro rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after the date the notice of termination is received.

The account fees paid by you include portions paid to your representative (“advisor fees”), as well as to SAA and the custodian (“program fees”). Mutual funds and ETFs invested in the account also have their own internal fees (“internal fund expenses”) which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus).

For complete fee details, including account fee schedule guidelines please refer to the Architect/Structure Program Wrap Fee Program Brochure.

### **Fees for the Independent Managed Assets Program**

SAA and the representatives are compensated by IMAF money managers through solicitor or consulting fees. You should be aware the solicitor or consulting fees paid to SAA and the representatives differ among recommended managers. We can receive marketing override fees or premier sponsor fees from third-party money managers or turn-key wrap program sponsors. If we do not receive marketing override fees or premier sponsor fees, then we can retain up to 10% of the representative’s solicitation fees or consulting fees from those programs. Although fees are determined by each money manager, we have an incentive to recommend programs paying higher solicitor or consulting fees. We conduct reviews of advisory relationships to assess the adequacy and appropriateness of the fiduciary services provided to ensure that our representatives are making appropriate recommendations and maintaining sufficient documentation for services provided.

Fees are negotiable but generally range from .10% to 3% annually, depending upon the program selected, the size of the account and the services covered. Under some programs, an inclusive fee covers account management, brokerage, clearance, custody and administrative services. In other programs, the account is charged separately for such services. The amount of the fees, services provided, payment structure, termination provisions and other aspects of each program are detailed and disclosed in each manager’s disclosure brochures, client agreements and accounting opening documents. SAA and your representative share in a portion of the fee charged by the third-party money manager and that fee varies from program to program. We will provide information on the shared amount upon request.

In mutual fund/variable annuity programs, your representative assists you in (1) selecting various strategies consisting of model portfolios of mutual funds and/or variable annuity sub-accounts and/or (2) designating certain of your existing investment in mutual funds and/or variable annuities to be managed by a third-party investment advisor firm. SAA and the representatives do not manage or obtain discretionary authority over the assets in accounts participating in these programs. The third-party advisor either rebalances the mutual funds, variable annuity sub-accounts or model portfolios selected by you on a predetermined schedule or actively manages a portfolio of mutual funds and/or variable annuity sub-accounts in accordance with your stated general strategy or objectives.

Annual fees charged as a percentage of assets under management are charged monthly or quarterly in advance or arrears as agreed upon between you and your representative. Your representative quotes an exact percentage to you based on the nature and total asset value of that account.

### **Fees for Financial Planning Services**

Fees are charged as either an hourly fee, a fixed fee or a percentage fee based on the assets on which the representative is providing financial planning and/or consultation services. Hourly fees for financial planning and/or financial planning consultation services are generally charged at a rate of up to \$750 per hour. As an alternative, a flat fee is charged which typically does not exceed \$15,000. Clients contracting for ongoing financial planning and/or consultation services are charged on an annual, semi-annual, quarterly or monthly retainer fee. The retainer fee is charged as a flat fee or a percentage fee. If charged as a percentage, the maximum fee will be 3% of the value of assets on which the financial planning and/or consulting services are provided.

Additionally, SAA and its representatives provide educational seminars and workshops and can charge a flat fee to individual attendees or sponsors. Generally, financial planning seminar fees range from zero to \$15,000. SAA or the representatives can also receive reimbursements from product sponsors for seminar expenses if disclosed and agreed to in advance by seminar attendees or sponsors.

Fees higher than the typical fees referenced above can be charged if the scope of the contracted project warrants a higher fee. All fees are negotiable and are agreed upon prior to entering into a contract. Representatives can waive agreed upon financial planning, consultation and seminar fees and expenses if you buy products or enter into agreements for other services with the representative. You and the representative determine the exact fee and how the fee is to be paid. Fees are negotiable based on the complexity of your financial situation, the services to be provided, the experience and standard fees charged by your representative and the nature and total dollar asset value of the assets on which services will be provided. In addition, fees are negotiable based on whether you have assets under management with the representative. Financial plans are generally presented to you within 90 days of entering the contract, provided that all information needed to prepare the financial plan has been promptly provided by you. We have established policies and procedures designed to prevent collecting fees greater than \$1,200 six or more months in advance of services being provided.

### **Fees for Retirement Plan Advisory Services**

Fees for retirement plan advisory services are charged as an asset-based fee (or level commissions in lieu thereof) or flat fee paid on a set schedule provided to your advisory account; some legacy accounts can instead be charged advisory fees or level commissions. Management fees are calculated by the plan sponsor on our behalf. Details of the compensation calculation and payment methods are disclosed in the Retirement Plan Advisory Agreement, investment product prospectus and/or other document executed when the account is established. Your representative will provide copies of these documents and additional specific details if required or requested.

In addition to the fees for retirement plan advisory services provided, plan assets invested in products (i.e., mutual funds, group variable annuities and/or other retirement plan investment vehicles) bear the operating expenses and cost of investing in those products, which can include sales charges or redemption fees. Those expenses are detailed in the product's prospectus, contract or other related disclosure document. If the plan incurs such fees or costs because of the services provided, the named fiduciary acknowledges (on behalf of the plan, its participants and beneficiaries) that the fees or costs will be assessed on the purchase or deducted from redemption proceeds pursuant to the terms set forth in the prospectus, contract or other related disclosure documents. The plan can incur fees and other expenses including, but not limited to, investment-related expenses imposed by other service providers not affiliated with SAA or its representative and other fees and expenses charged by the plan's custodian, third-party administrator and/or record keeper. SAA and its representative make no representations about any costs or expenses associated with the services provided by third parties.

At no time will SAA act as custodian of the plan or have direct access to the plan's funds and/or securities. A qualified independent custodian maintains custody of all assets, funds and securities. All fees and charges are noted on the plan's custodial account statements. The plan sponsor is responsible for verifying the accuracy of the fee calculation.

On an exception basis, if you have an account established through our firm, the plan management fees are payable from other accounts or billed by us directly to the plan by invoice. In such cases, the management fee is noted as zero on the plan's custodial account statements.

For retirement advisory services provided through SAA's Managed Opportunities Program or Financial Advisors Program (described elsewhere in this disclosure brochure), by plan request, management fees are payable from other accounts or billed by us to the plan directly by invoice. These billing methods are provided only on an exception basis.

### **Compensation for the Sale of Securities or Other Investment Products**

Your representative receives compensation as a result of your participation in our programs or for providing advisory services to you. Fees for investment supervisory services vary and can be more than the cost of purchasing the same services separately. You may be able to obtain similar services for a lesser fee from other advisors not affiliated with our firm or SAI. The amount of compensation received by SAA or your representative in a particular program can be more than would be received if you participated in other SAA programs or paid separately for investment advice, brokerage and other services. For example, recommending one Managed Opportunities Program portfolio over another Managed Opportunities Program portfolio creates a financial incentive for your representative. Your representative is not under any obligation to promote or use one money manager over another. We suggest you consider the following factors when determining the reasonableness of the fees charged:

- The cost of developing investment strategies and managing the assets.
- The cost of producing performance reports covering the managed assets.
- The cost of administrative, marketing and website services.
- Transaction and custody costs or other miscellaneous fees, taxes or charges, as well as commissions or mark-ups and mark-downs on the purchase and sale of securities. Neither SAA nor SAI receive any portion of mark-ups or mark-downs but market makers can receive this type of compensation.
- The value of the services provided in assisting you in designing, establishing and monitoring the managed assets.
- The cost of any additional administrative, marketing, asset management and other support services provided in managing a program account.

Your representative may also be a registered representative of SAI and able to effect securities transactions and receive commissions in that separate capacity. Your representative may also be licensed as an insurance agent and sell insurance products for commissions in that separate capacity. Clients are not obligated to engage SAA representatives to implement advisory recommendations. If clients elect to implement recommendations, they are not obligated to engage SAA representatives who may be separately licensed as SAI registered representatives and/or insurance agents. Implementing any or all recommendations is solely at clients' discretion.

SAI registered representatives have the discretion to determine the amount of commission charged to clients on products other than mutual funds or insurance products. Representatives generally waive any securities commissions from recommended transactions effected in one of our previously described wrap fee programs (Financial Advisors Program, Managed Opportunities Program and/or Participant Retirement Program). In addition, your representative can reduce advisory fees charged as an advisor representative to offset commissions received when transactions are affected as a registered representative or insurance agent. Load mutual funds and bonds can be bought in some managed accounts on an exception basis at your direction.

In determining the amount of any commissions charged, SAI registered representatives will consider the Financial Industry Regulatory Authority's ("FINRA's") 5% guideline policy, the type of security involved, the availability of the security in the market, the price of the security and the amount of money involved in the transaction.

Commissions charged for securities and/or insurance products can be higher or lower than commissions you might obtain if transactions were implemented through another broker/dealer or insurance broker. You can buy the same investment product from a non-affiliated broker or implement transactions without the services offered by the representative. In that case, you would not receive the services provided by your representative.

Receiving compensation from a variety of sources is a conflict of interest. In addition to the fees disclosed in your advisory agreement or commissions you pay for the purchase of securities and insurance products, your representative can receive additional compensation (including bonuses and non-cash compensation) for selling certain securities or other investment products. Examples of non-cash compensation include receiving due diligence and/or marketing allowance payments from certain sponsors. While the arrangements with each sponsor varies, each product sponsor

can pay a due diligence or marketing allowance fee based upon the amount of assets held at the sponsor or on the gross amount of each sale, depending upon the product. In certain cases, additional payments are paid or directed to SAA/SAI for selling these products. This creates a conflict of interest based on the amount of compensation SAA/SAI receives when recommending one investment product over another. As a result, certain incentives and conflicts of interest exist for your representative if you buy certain products or services recommended by him or her. We encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

With respect to advisory services provided under the Retirement Plan Advisory Agreement, affiliates of SAA provide securities brokerage, recordkeeping or other retirement services to plans and receive variable compensation for these services. A conflict of interest arises where SAA recommends the retirement services of those affiliates.

SAI, our employees and your representative benefit from the compensation paid to us and can directly or indirectly receive a portion of those fees, commissions or other compensation paid by retirement services clients. Those clients can also use other products or retirement services available from or through us and in such case pay additional compensation. This practice creates a conflict of interest that gives us and your representative an incentive to recommend advisory retirement services based on the compensation received. Additionally, fees and commissions can also be higher for some brokerage products, services or retirement services. The remuneration and profitability to us, our representatives and affiliates resulting from transactions involving some accounts can be greater than the remuneration and profitability resulting from other advisory accounts, products or retirement services. We manage this conflict through written disclosure to you and by imposing reasonable controls designed to address the suitability of advisor products offered to you. We can also offset or refund additional compensation when required by law.

#### Other Fees

Securities America Financial Corporation is the parent of SAI and SAA. When our representatives act in their separate capacities (i.e., investment advisor representatives, registered representatives, insurance agents), they sell various investment and insurance products to clients including products offered by our affiliates. In addition, when appropriate, representatives make referrals for investment banking services and trust services through our affiliates. Therefore, due to the interrelationship of SAFC, SAA, SAI and its affiliates, a conflict of interest exists when representatives recommend these products or services even though that conflict is not readily apparent to you.

#### Marketing and Sponsorships

Through our affiliates, we engage in marketing re-allowance or sponsorship arrangements with third parties, sub-advisors and brokerage firms to promote distribution of investment products, including variable annuity and insurance products, mutual funds, managed accounts and customized portfolios. These additional engagements do not necessarily result in additional assets under management with our firm and representatives are under no obligation to sell these products or to meet any selling quotas related specifically to these products. We encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

#### Securities Transactions

SAI, our broker/dealer affiliate, executes securities transactions for you on our behalf or on behalf of your representative if he or she is licensed as a SAI registered representative. SAI receives various forms of revenue from our clearing firms, NFS and Pershing, based upon your activity as well as the amount of assets we have with these firms. In general, these revenue sources include a percentage or portion of fees and transaction charges collected by the clearing firms and shared with our firm or SAI, such as: (1) margin interest charges, (2) IRA fees, (3) inactivity fees, (4) mutual fund 12b-1 trails and/or other fees. Additional details are provided below:

- Transfer Charges: You can be assessed transfer charges on account transactions and other miscellaneous charges by NFS or Pershing on account transactions.
- Margin Interest Charges: To the extent margin is available in your advisory program, such accounts must meet certain risk tolerance requirements. When margin is used to buy additional securities, the total value of

eligible program assets increases as your asset-based fees increase. In addition, you can be charged margin interest on debit balances in your account. An increase in the asset-based fee you pay provides an incentive for your representative to recommend the use of margin.

- Mutual Fund 12b-1 Trails: SAA and your representative do not retain 12b-1 fees paid by funds for either qualified or non-qualified accounts.
- Principal Transaction Fees: "Mark-ups" and "mark-downs" or "dealer spreads" that broker/dealers, including affiliates of SAA, receive when acting as principal in certain transactions. Neither SAA nor SAI receive any portion of mark-ups or mark-downs but market makers receive this type of compensation.
- Other Fees: Fees charged in our programs are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds, variable annuities and other investments recommended to you. A description of these fees and expenses are available in each investment prospectus.
- Miscellaneous Fees: We also reserve the right to charge additional fees to close an account except when your state of residence prohibits an account closing fee. Refer to your agreement for specific fees and additional information.

Your representative can also be charged additional fees for executing certain transactions (e.g., transaction charges, ticket charges or service fee/charges, etc.). When allowed by our firm or by SAI, your representative can pass these charges on to you at his or her discretion. If you participate in a Financial Advisors Program, Managed Opportunities Program or Lockwood Program and these charges are passed on to you, it will be reflected on your trade confirmation as a Post/Serv Fee for NFS accounts or as a Trans. or Service Charge for Pershing accounts. All fees and charges are noted on your statements and/or confirmations. Stocks, bonds and other securities are traded in managed accounts and subject to normal spreads, mark-ups and mark-downs paid to market makers of those securities. These charges will be considered by your representative when determining the amount of fees to be charged to you. For additional information about brokerage practices, refer to the section titled "Brokerage Practices."

An outside manager recommended by our firm through the Independent Managed Assets Program can use SAI, our broker/dealer affiliate, and SAI representatives to implement recommended transactions for separate compensation, provided the use of SAI is consistent with the manager's obligation of best execution. We recognize your unrestricted right to select and choose any broker or dealer you wish, except in situations where we or a recommended manager is given discretionary authority over your account. However, no manager is under any obligation to use our broker/dealer affiliate for any securities transactions.

### Referrals

Representatives receive fees for referring you to Premier Trust for trust services. Representatives also receive fees for referring you to Ladenburg Thalmann for investment banking services or Ladenburg Thalmann Asset Management's \$ymbil Program. (See Item 10 *Other Financial Industry Affiliations and Activities* for additional disclosure on Premier Trust and the \$ymbil Program.) These fees are paid on an ongoing basis and continue even if your relationship with the representative and/or Securities America is terminated.

If you wish to obtain a non-purpose loan using your securities as collateral, your representative and SAA will refer you to a third-party lending institution. A non-purpose loan is a loan made for any purpose other than purchasing or carrying margin stock. See the section Other Compensation and Revenue under Item 10 *Other Financial Industry Affiliations and Activities* for additional information on these loan referrals and the conflict of interest created when making them. Additionally, similar securities-based loans are available to you for a lower overall cost from other providers. If the assets securing the loan are in an advisory account, the management fee is still being assessed to the entire account, plus any interest charged by the third-party lender.

## Fixed Income Securities

Certain securities, such as over-the-counter stocks and fixed income securities, are traded primarily in "dealer" markets. In such markets, securities are directly purchased from, or sold to, a financial institution acting as a dealer or "principal." Dealers executing principal trades typically include a mark-up, mark-down and/or spread in the net price at which transactions are executed. When appropriate, your representative recommends certain bond trade transactions on a discretionary or non-discretionary basis using the Ladenburg Thalmann Fixed Income desk. See the section Other Compensation and Revenue under Item 10 *Other Financial Industry Affiliations and Activities*, for additional information on the use of the Ladenburg Thalmann & Co.'s Fixed Income Desk.

## Offerings and Special Transactions

Clients purchase initial public offerings, secondary offerings and special purpose acquisition company transactions through broker/dealers. An affiliate of our firm sometimes acts as an underwriter or manager for such offerings. SAA and/or our affiliate broker/dealer, SAI, can also act as a member of the selling syndicate. See the discussion on Ladenburg Thalmann & Co., Inc. acting as a manager or underwriter for initial public offerings and also SAA/SAI's possible participation in the Business Operations with Affiliates section of Item 10 *Other Financial Industry Activities and Affiliations*.

## Interest Charges in Cash Accounts

SAI, our affiliate broker/dealer, does not extend credit to customers in connection with the purchase of securities unless pursuant to a margin agreement with the clearing firm. If you create a debit balance in a cash account by failing to make payment in full for securities purchased by settlement date, by failing to timely deliver securities sold, from proceeds of sales paid prior to settlement date or for other charges incurred in your account, SAI reserves the right to charge you interest on such debits until satisfied by you.

Cash accounts with debit balances are subject to interest charges above the National Financial Base Lending Rate (NFBLR) or Pershing Base Lending Rate (PBLR), depending on whether your account is custodied through NFS or Pershing. For cash accounts carried by NFS and Pershing, the interest on debit balances is computed using the debit ADB of the account and the applicable interest rate in effect to determine the amount of interest charged per day. This amount is then multiplied by the number of days a daily debit balance was maintained during the interest period. Interest charged during the interest period is the total of such daily computations.

The rate of interest charged to your account can be changed without notice in accordance with changes in the NFBLR or PBLR and your ADB. Your monthly or quarterly statement shows this dollar amount of interest and the interest rate charged to your account.

## **Retirement Services**

As previously described, our representatives also provide services to clients' retirement accounts, such as individual retirement accounts (IRAs) and retirement plans. A client leaving an employer typically has four options (and can engage in a combination of these options):

- (i) Leave the money in the former employer's plan, if permitted
- (ii) Roll over the assets to the new employer's plan, if one is available and rollovers are permitted
- (iii) Rollover to an IRA or
- (iv) Cash out the account value (which could, depending upon the client's age, result in adverse tax consequences)

When appropriate, our representatives recommend an investor roll over plan assets to an IRA which our representative would manage and, as a result, earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer, or roll the assets to a plan sponsored by a new employer, generally results in no compensation to us (unless we are engaged to monitor and/or consult on the account while maintained at the existing plan). Therefore, our representatives have an economic incentive to encourage an investor to roll plan assets into an IRA that we manage or encourage an investor to engage us to monitor and/or consult on the account maintained at the existing plan.

There are various factors that we consider before recommending a rollover, including but not limited to:

- (i) The investment options available in the plan versus the investment options available in an IRA
- (ii) Fees and expenses in the plan versus the fees and expenses in an IRA
- (iii) The services and responsiveness of the plan's investment professionals versus ours
- (iv) Strategies for the protection of assets from creditors and legal judgments
- (v) Required minimum distributions and age considerations and
- (vi) Employer stock tax consequences, if any

The following exception to the early withdrawal penalty applies only to distributions from a qualified retirement plan other than an IRA: distributions made to you after you separated from service with your employer if the separation occurred in or after the year you reached age 55.

No client is under any obligation to rollover plan assets to an IRA managed by us or to engage our representative to monitor and/or consult on an account maintained at an existing plan. Please note that a recommendation to roll assets out of an employer-sponsored plan into an IRA typically results in more expenses and charges than if the assets were to remain in the plan.

Clients or prospective clients should speak to their representative about any questions they have regarding a possible engagement and the corresponding conflict of interest presented by such engagement.

#### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

SAA and your representative do not accept performance-based fees for investment management services.

We do not provide side-by-side management of mutual funds and other assets.

#### **ITEM 7. TYPES OF CLIENTS**

We generally provide investment advice to:

- (1) Individuals
- (2) High net worth individuals
- (3) Banks or thrift institutions
- (4) Pension and profit-sharing plans;
- (5) Charitable organizations
- (6) Corporations or business entities
- (7) State and municipal governmental entities

Minimums to establish and maintain an account are listed below. Exceptions can be granted if negotiated between yourself, SAA and/or your representative.

- \$25,000 for Financial Advisors Program



- \$25,000 for Managed Opportunities Fund Strategist Portfolios
- \$100,000 for Managed Opportunities Separately Managed Account Portfolios
- \$150,000 for Managed Opportunities Unified Managed Account Portfolios
- \$100,000 for Managed Opportunities Advisor Managed Account Portfolios (wrap)
- \$50,000 for Managed Opportunities Advisor Managed Account Portfolios (non-wrap)
- \$1,000,000 for Retirement Plan Advisory Programs

There is no minimum requirement for the Participant Retirement Program. Minimum account sizes for the Independent Managed Assets Program are determined by each participating money manager, and minimums for each program are negotiable.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Our investment advisor representatives use various methods of analysis and investment strategies. Some investment advisor representatives use just one method or strategy while others rely on multiple strategies. SAA does not require or mandate that its representatives implement a particular investment strategy or use a particular analysis method. Investment advisor representatives have flexibility (subject to SAA supervision and compliance requirements) when developing their investment strategies.

The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that are used by SAA investment advisor representatives.

### Methods of Analysis

Security analysis methods can include (1) fundamental analysis, (2) technical analysis and (3) cyclical analysis.

- **Fundamental** – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation can be wrong and therefore lead to an unfavorable investment decision.

- **Technical** – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value but instead use charts and other tools to identify patterns that suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis because it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilizing such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, resulting in a premature purchase of a security.

- Cyclical – This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company rises just before an economic upturn begins and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle can actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action can be missed. Similarly, a sell decision meant to occur at the top of a cycle can result in missed opportunity or unrealized losses.

Main sources of information include (1) financial newspapers and magazines, (2) inspections of corporate activities, (3) research materials prepared by others, (4) timing services, (5) annual reports, prospectuses, filings with the SEC and (6) company press releases.

Your representative has access to third party vendors that provide programs or software to analyze individual securities. We also offer your advisor access to third party vendors that provide support services in portfolio design and strategy implementation. One of our affiliates, LTCO, provides research designed to help clients capitalize on inefficiencies in the market. Their institutional quality research provides their partners with value-added insights that enables their decision-making processes, informs their strategies and allows them to address critical market issues. Your representative can use the services of LTCO in addition to other third-party services made available. Refer to Item 10, *Other Financial Industry Activities and Affiliations*, for more information about our affiliates.

#### Investment Strategies

Various investment strategies can be employed in our programs and when providing advisory services, including (1) long-term purchases (securities held at least one year), (2) short-term purchases (securities sold within a year), (3)

trading (securities sold within 30 days), (4) short sales, (5) margin transactions and (6) option writing (including covered options, uncovered options or spreading strategies).

Strategic and tactical asset allocation model portfolios are employed in SAA programs. In addition, model mutual fund and variable annuity asset allocation portfolio programs, provided by a number of institutional investment managers and strategists, can be used when managing client assets. In the Managed Opportunities Program Fund Strategist Account Portfolios, Separately Managed Account Portfolios and Unified Managed Account Portfolios, multiple investment strategies are available for use when managing your account. Your representative is responsible for determining the appropriate management style and assists you in placing your assets in a model portfolio based on your individual financial situation, goals and objectives. Your assets are allocated according to the model selected. Reallocations are implemented in discretionary accounts by the money managers in these portfolios without prior notice to you.

Investment strategies and philosophies used within our managed programs or when providing advisory services vary based on the advice provided by your representative. Models and strategies used by one representative vary from models and strategies used by other representatives. Some representatives limit their advice to mutual funds and others will provide advice on a full range of securities that include mutual funds, equities, options, fixed income and other types of investments. Some representatives develop models or strategies that are generally applied to their clients while other representatives develop individualized portfolios for each client.

For all accounts, a specific investment strategy or investment policy is determined for you focusing on your specific financial situation, goals and stated investment objectives. Your representative is responsible for developing and determining the investment strategies used with your accounts. He or she is also responsible for monitoring your accounts and re-allocating them as appropriate based on changing market conditions, changes in your individual circumstances or other factors. If your accounts are managed on discretionary basis, re-allocations are implemented without prior notice to you. If your accounts are managed on a non-discretionary basis, you will be consulted prior to any securities being reallocated.

In order to help identify the investment strategies to be used, your representative typically:

- Gathers information from you about your financial situation, investment objectives, risk tolerance and investment time horizon and any reasonable restrictions you wish to impose on managing the account;
- Periodically reviews reports provided to you and consults with you;
- Contacts you at least annually to review your financial situation and objectives;
- Communicates information to the third-party investment advisor as warranted; and
- Assists you in understanding and evaluating the services provided by the third-party investment advisor.

If your individual situation changes, you should notify your representative, who will assist you in revising the current portfolio and/or prepare an updated client profile so that he/she can determine if a different portfolio is appropriate to your new situation. You can also directly contact a third-party advisor managing the account at the same time you notify your representative and/or SAA. Any subsequent changes directed by you to the initial portfolio(s) will be reflected in a verification update letter provided to you, and the changes will also appear on your statement.

It is important that you understand the concept and risks inherent in exchanging an investment from one position to another. Some investment decisions result in profit and others in losses. SAA and your representative cannot guarantee that the objectives of any investment program will be achieved. Furthermore, it is important you understand that exchanging shares of one mutual fund for shares of another mutual fund is treated as a sale for federal income tax purposes and you could incur capital gains or losses unless you are eligible for tax deferral under a qualified retirement plan.

In limited circumstances, your representative or a third-party money manager can engage in a strategy involving frequent trading. We suggest you consider the following points before entering into an advisory relationship where such trading occurs:

- Active trading can be extremely risky and is not appropriate for someone of limited resources and limited investment trading or trading experience and low risk tolerance. You should be prepared to lose all of the funds you invest in securities. You should not invest funds necessary to meet your regular, on-going personal needs. In particular, you should not fund this type of trading with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet your living expenses.
- Active trading can result in few or no profits and, worse, can lead to large financial losses very quickly. Active trading requires in-depth active knowledge of the securities market and of sophisticated and disciplined trading techniques and strategies. Also, you must compete with professional, licensed traders employed by securities firms and other knowledgeable, experienced and well-trained traders. You should have appropriate knowledge and experience before engaging in active trading. You should be familiar with a securities firm's business practices, including operation of the firm's order execution systems and procedures. Under certain conditions, you could find it difficult or impossible to liquidate a position quickly at a reasonable price. Your success will be affected by strengths and weaknesses and the methods and practices of the brokerage firm in executing trades. You should develop an intimate knowledge of these matters before you engage in an active trading strategy.
- Active trading can involve aggressive trading, and you should generally expect to pay commissions, ticket and transaction charges on each trade. The total daily commissions you pay on your trades will add to your losses or significantly reduce your earnings. For instance, assuming each trade costs \$16 and an average of 29 transactions are conducted per day, you would need to generate an annual profit of \$111,360 just to cover trading costs.
- Active trading can result in tax consequences due to shorter-term purchases and sells. We suggest you consult your tax professional for advice. Your portfolio can be more volatile with shorter term or more active trading.

#### Risk of Loss

Investment portfolios, programs, models, asset allocations or strategies entail the risk of loss, and values and returns fluctuate over time. While we seek to limit any losses, there have been periods of loss in the past, and there will likely be others in the future. SAA and our representatives emphasize investment returns that depend highly on trends in the various investment markets. Thus, our investment management services are generally suitable only for long-term investment objectives or strategies rather than for short-term trading purposes. Diversification does not guarantee a profit or to protect you against loss, and there is no guarantee that your investment objectives will be achieved. These programs, portfolios, models, asset allocations and strategies are not FDIC insured and the investments in them can lose value. All investment programs have certain risks that are borne by you. While our investment approach constantly keeps the risk of loss in mind, you still face the following investment risks:

- Market Risk: This type of risk is caused by external factors independent of a security's particular underlying circumstances. Markets can, as a whole, go up or down on various news releases for no understandable reason at all. This sometimes means that the price of specific securities go up or down without any real reason and take some time to recover any lost value. Adding securities does not help to minimize this risk since all securities can be impacted by market fluctuations.
- Short-Term Trading Risk: These types of transactions can result in short-term gains or losses for federal and state tax purposes, which can be taxed at a higher rate than long-term strategies. SAA and your representative attempt to invest your assets in a tax efficient manner, but you should consult with your tax professional regarding transactions in your account.

- Investment Term Risk: If you require us to liquidate your portfolio during a period in which the price of the security is low, you will not realize as much value as you would had the investment had the opportunity to increase or regain its value (as investments frequently do) or had we been able to reinvest in another security.
- Short Sales Risk: Short sales are motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit. The maximum gain on a short sale is limited but the maximum loss is theoretically infinite. Short sales also involve significant expenses, dividend responsibilities, possible regulatory prohibitions and critical timing considerations that impact potential profitability.
- Margin Risk: If you engage in margin transactions then you are borrowing funds to purchase securities using loans for which your portfolio serves as collateral for repayment. Use of margin increases a portfolio's risk as price swings are amplified and, if the value of your securities declines, you can lose more funds than you originally deposited. The lender or custodian may be required to cease trading or liquidate securities to meet a margin call or credit line demand. When using margin as a strategy, you can lose more than your original investment.
- Option Risk: An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time, reflecting the nature of the option as a wasting asset becoming worthless when it expires. If you don't sell an option in the secondary market or exercise it prior to expiration, you will lose your entire investment in the option.
- Interest-Rate Risk: Fluctuations in interest rates can cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Reinvestment Risk: This is the risk that future proceeds from investments are reinvested at a lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- Inflation Risk: The risk is that the rate of inflation will exceed the rate of return on an investment. The investment value itself does not decline but its relative value does.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Political Risk: Most investments have a global component, even domestic stocks. Political events anywhere in the world can have unforeseen consequences to markets around the world.
- Regulatory Risk: Changes in law and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it--a lengthy process--before they generate a profit. They generally carry a higher risk of profitability than an electric company, which generates much of its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- Concentrated Investment Risk: Certain investment strategies can be concentrated in a specific sector, industry or individual security. In this case, your portfolio is more likely to sharply increase or decrease in value with changes in the market. This strategy is more volatile because the risk associated with each security represents a large percentage of your overall portfolio.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid while real estate properties are not.

- **Financial or Default Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations and service its debts in good times and bad. During periods of financial stress, the inability to meet loan obligations can result in bankruptcy and/or a declining market value. Ratings provided by several rating services help to identify those companies with more risk.
- **Risks Specific to Sub-Advisors and Other Managers:** If we invest some of your assets with another advisor (including private placement), there are additional risks. For example, the other manager might not be as qualified as we believe them to be, the investments those managers use might not be as liquid as we normally use, or the managers' risk guidelines might be more liberal than we normally employ.

There are risks inherent in all financial decisions and transactions, and there is no guarantee your investment objectives will be achieved. Our firm and our affiliated entities make no promises, representations, warranties or guarantees that any services rendered will result in a profit to you. Our firm and our affiliated entities do not guarantee the future performance or any specific level of performance, the success of any investment decision or strategy our firm and any affiliated entities use or the success of our overall management. SAA, its representatives and our affiliated entities will not be liable for any loss incurred with respect to your account, except where such loss directly results from such party's negligence or malfeasance. Nothing in this section is intended to be a waiver of any right of action you have under applicable securities laws or your rights in the event SAA, the representative or SAA's affiliated subsidiaries breach any fiduciary duty owed to you.

SAA monitors accounts based on standard deviation thresholds. For information about these thresholds, please visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

## **ITEM 9. DISCIPLINARY INFORMATION**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that are material to a client's evaluation of the advisor or the integrity of their management. While SAA neither admitted nor denied the SEC's findings, the SEC found that SAA breached its fiduciary duty, had inadequate disclosures and was deficient in its compliance policies and procedures in connection with SAA's mutual fund share selection practices.

During February 1, 2012, to December 31, 2016 (the relevant period), the SEC found that SAA's IARs invested advisory clients in mutual fund share classes charging 12b-1 fees and that SAI, SAA's affiliated broker/dealer, received 12b-1 fees based on those investments. SAI then paid a portion of the 12b-1 fees to its registered representatives who also acted as SAA IARs. The SEC found that SAA's disclosure documents failed to adequately inform clients that this was a conflict of interest because less expensive share classes were available for the same fund and that this made SAA's practice inconsistent with its duty to seek best execution for its clients' transactions.

Also, during the relevant period, the SEC found that SAA failed to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and its Rules. The SEC found SAA's conduct violated Sections 206(2), 206(4) and 207 of the Advisers Act and Rule 206(4)-7.

On December 14, 2017, without admitting or denying the SEC's findings, SAA submitted an Offer of Settlement. On April 6, 2018, the SEC entered an order against SAA (File Number 3-18424) in which SAA was instructed to cease and desist from committing or causing violations of Sections 206(2), 206(4) and 207 of the Advisers Act and Rule 206(4)-7 thereunder. SAA was also censured and ordered to pay disgorgement of \$4,473,025.50, prejudgment interest of \$580,423.14 and a civil penalty of \$775,000.00. Clients can also refer to Investment Adviser Public Disclosure at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for additional information.

Prior to the entry of the SEC's order, SAA implemented several policies to address the mutual fund share class selection practices described in the SEC's order. SAA now requires that its IARs complete all new purchases of mutual funds

in advisory accounts at the lowest cost share class available to SAA, and SAA has worked with its clearing platforms to ensure compliance with this policy. Additionally, SAA has taken steps to convert mutual fund investments in all Class A shares (or comparable classes) to the lowest cost share classes available for the same funds at no costs or tax consequences to its existing advisory clients. For those shares that cannot be or have not yet been converted, SAA has implemented a policy to credit back any newly incurred 12b-1 fees to existing advisory clients.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### Overview

This section contains information about our financial industry activities and affiliations. We provide information about the material relationships and arrangements we have with any related persons, including broker/dealers and investment advisors. We identify if any of these relationships or arrangements create a material conflict of interest with clients and discuss how we address these conflicts. "Related persons" are defined as entities that we control or control us or are under common control with us.

### **Corporate Structure**

Securities America Advisors, Inc. (SAA) is a wholly owned subsidiary of Securities Financial Corporation (SAFC), as is our affiliated broker/dealer, Securities America, Inc. (SAI). Arbor Point Advisors, LLC (APA), another investment advisor firm, is a majority-owned subsidiary of SAFC. SAFC is a wholly owned subsidiary of Advisor Group Holdings, Inc. (AGHI), which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners, LLC. The consortium of investors includes RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P. and The Berlinski Family 2016 Trust.

### Other Industry Affiliates

SAA has the following affiliates, which are wholly owned subsidiaries of Advisor Group Holdings, Inc.

Securities America Financial Corporation (SAFC) Holding Company	100% owned by AGHI
Securities America, Inc. (SAI) Broker/Dealer	100% owned by SAFC
Arbor Point Advisors, LLC (APA) Registered Investment Advisor	Majority owned SAFC
Ladenburg Thalmann Asset Management (LTAM) Registered Investment Advisor	100% owned by AGHI
Ladenburg Thalmann & Co., Inc. (LTCO) Broker/Dealer	100% owned by AGHI
Ladenburg Capital Agency Inc. Insurance Company	100% owned by AGHI
Triad Advisors, LLC Registered Investment Advisor, Broker/Dealer & Insurance	100% owned by AGHI
Triad Hybrid Solutions, LLC Registered Investment Advisor	100% owned by AGHI
Highland Capital Brokerage Insurance Company	100% owned by AGHI

SSN Advisory, Inc. Registered Investment Advisor	100% owned by Securities Service Network, LLC
Premier Trust, Inc. Trust Company	100% owned by AGHI
KMS Financial Services, Inc. Registered Investment Advisor & Broker/Dealer	100% owned by AGHI
Securities Services Network, LLC Broker/Dealer	100% owned by AGHI
Valor Insurance Agency, Inc. Insurance Company	100% Owned by AGHI

SAA also has related persons who are under common control of AGHI. SAA's affiliates named above and your advisory representative cannot conduct or recommend business through these related persons, so these relationships do not create a material conflict of interest. The following chart details the related persons, which are wholly owned subsidiaries of Advisor Group, Inc. (AGI), which is a wholly owned subsidiary of Advisor Group Holdings, Inc.

Advisor Group, Inc. (AGI) Holding Company	100% owned by AGHI
Royal Alliance Associates, Inc. (RAA) Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Financial Service Corporation (FS Corp) Holding Company	100% owned by AGI
FSC Securities Corporation (FSC) Registered Investment Advisor, Broker/Dealer	100% owned by FS Corp
SagePoint Financial Inc (SPF). Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Woodbury Financial Services, Inc (WFS). Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Vision2020 Wealth Management Corp. Registered Investment Advisor	100% owned by AGI

### Business Operations with Affiliates

When conducting business operations, SAA engages in marketing re-allowance or sponsorship arrangements with third parties, sub-advisors and brokerage firms to promote the distribution of investment products. These investment products can include variable annuity and insurance products, mutual funds, managed accounts and customized portfolios.

There is a conflict of interest since some of our business operations involve directing clients to products or services of our affiliated companies; SAA or the broker/dealer can receive compensation when doing so. We discuss these conflicts further below. Also see Item 5 *Compensation for the Sale of Securities or Other Investment Products* for additional discussion.

Premier Trust. Your representative can recommend Premier Trust, a Nevada chartered trust company, to provide trust, estate planning and administrative services. We receive compensation for recommending clients to Premier Trust, providing us with an incentive to recommend it rather than others providing similar services.



When making any recommendation, representatives first consider whether Premier Trust can adequately service client needs and whether any other efficiencies or benefits will result to the client. Clients are not obligated to follow or recommendations or use Premier Trust's services. When used, Premier Trust provides full disclosure with respect to its trust and administrative services and related costs.

Highland Capital Brokerage (Highland). Highland is an independent insurance brokerage firm that delivers life insurance, fixed and equity indexed annuities, long-term care solutions and variable insurance wholesaling support to investment and insurance providers. Some employees of Highland may also be registered with us and/or our broker/dealer affiliates.

Ladenburg Thalmann & Co. Inc. (LTCO): LTCO is a registered broker/dealer. As such, it can act as a dealer relative to certain securities and execute transactions in its capacity as a principal for SAA clients. Fixed income securities are traded primarily in "dealer" markets, meaning securities are purchased directly from or sold to a financial institution acting as "dealer" or "principal." Dealers executing principal trades typically include a "mark-up," "mark-down," and/or "spread" in the net price at which transactions are executed. This compensation is in addition to other compensation clients pay to SAA and its affiliates. To address this conflict of interest, clients are given disclosures about principal transactions with LTCO and have the opportunity (to the extent required by applicable law) to reject the transaction before its completion. In addition, clients are generally given transaction specific disclosure prior to their decision to invest in such securities.

If your representative uses LTCO Fixed Income Solutions ("FIS"), your representative has incentives to recommend certain structured products in the initial offering. Structured products are fixed-income investments where you (the investor) purchase a secured debt (or other assets) and become the lender, after which you receive payments (principal and interest) over a specific period (usually a shorter time period than a bond) from the borrower. Clients are given transaction specific disclosure prior to their decision to invest in such securities. Structured products traded through LTCO are only available to clients through representatives who have completed our required education and training.

LTCO FIS may earn compensation on your riskless principal trades. The amount of compensation, in addition to any price mark-up or mark-down, is disclosed on your corporate and municipal securities bond trade confirmations. The relationship between your representative and LTCO FIS will be disclosed prior to the execution of your trade. Your representative is required to disclose this conflict and receive your consent prior to entering your trade.

Your representative can also recommend clients invest in securities issued in an initial public ("new issue") and secondary offering for which LTCO acts as a manager, an underwriter and/or a member of the selling syndicate. SAA and/or our affiliated broker/dealer, SAI, can also act as a member of the selling syndicate. We have a conflict of interest when recommending these securities because:

- LTCO receives all or a portion of the gross spread (the difference between the price paid by the client for the security and the price for which LTCO purchases the security) in connection with such sales. This gross spread will vary between different offerings. If SAA or SAI also act as a member of the selling syndicate, they receive a portion of the gross spread. If your representative is also a registered representative, he or she generally receives a portion of this compensation in that separate capacity.
- LTCO has a substantial financial and reputational interest in assuring the offerings are successful by having a large number of the securities purchased. In connection with certain offerings, LTCO has an obligation to purchase and resell a certain number of securities.

Because of our affiliation with LTCO, we have incentives to recommend investments in these initial and secondary offerings for the above reasons rather than based on client needs. To address these conflicts, we have policies and procedures in place to make sure securities in initial public offerings are recommended only to clients for whom they are suitable based on client investment objectives and assets. In addition, clients are generally given transaction specific disclosure prior to the client's decision to invest in such securities. IPO allocations through LTCO are only available to clients through representatives who have completed SAA's required IPO training. Consequently, advisory clients serviced by a representative who has not received the required training will not be allocated any shares in IPO securities. If securities acquired in initial public and secondary offerings become oversubscribed, we have policies and procedures in place addressing the allocation process under these circumstances.

In addition, your representative can refer you to LTCO for investment banking services and receive a finder's fee if he or she is also a registered representative. Clients are not obligated to use any LTCO services recommended.

Ladenburg Thalmann Asset Management, Inc. (LTAM). LTAM is an SEC registered investment advisor specializing in investment management, market analysis, due diligence, fund selection, asset allocation and diversification strategies. LTAM sponsored programs and their characteristics are more fully described in its disclosure brochures, which are available to any client or prospective client upon request.

LTAM offers the Total Portfolio Series funds (Collective Investment Trusts) established for retirement plans as well as the Ladenburg Funds (i.e., Ladenburg Income Fund, Ladenburg Income & Growth Fund, Ladenburg Growth & Income Fund, Ladenburg Growth and Ladenburg Aggressive Growth), each of which is an open-end fund of funds. Our representatives can recommend clients invest in these funds and portfolios as well as other Ladenburg funds. Transactions for these funds and portfolios are generally executed through LTCO, which receives commissions when executing trades on behalf of the Funds. Therefore, there is a conflict of interest if clients elect to invest in these products since LTAM, LTCO and SAA generally receive more compensation than if clients purchase other investments.

- LTAM operates \$ymbil®, an online, interactive tool designed to assist clients in selecting among the five Ladenburg Funds by using a questionnaire to gauge a client's time horizon, risk tolerance and investment objectives. A client investment profile is created from the responses to this online questionnaire. LTAM has no discretion over a client's investments. Our representatives can recommend clients use \$ymbil®, and if clients implement transactions using \$ymbil®, both SAA and our representatives receive solicitor fees. This creates a conflict of interest; however, clients have no obligation to accept any suggestions provided by \$ymbil® or to invest in any of the Ladenburg Funds.

We offer clients access to professional third-party money managers that create and implement portfolios with a variety of investment strategies (see Item 4 *Advisory Business* for additional information on the Independent Managed Assets Program.) We participate in revenue sharing arrangements with specific money managers having their own mutual funds and using those funds in their managed programs. LTAM is among the third-party money managers that can be recommended to clients. SAA has a conflict of interest in recommending third-party managers to clients, including LTAM. Representatives receive compensation that varies depending on the third-party managers recommended. SAA earns more total compensation when a client selects an affiliate (i.e., LTAM) as a third-party manager than we would earn if the client selects an unaffiliated third-party manager. Thus, our representatives have a conflict of interest because of an incentive to recommend certain managers over others. We address these conflicts of interest through policies and procedures that, among other things, require representatives to make suitable recommendations, to act as a fiduciary to clients, and to act solely in clients' best interests.

## Other Affiliations and Activities

### Registered Representative

Our principal executive officers, other employees and representatives can be separately licensed as registered representatives and registered principals of SAI. In this separate capacity, when these individuals effect securities transactions they receive separate compensation for those transactions. Representatives who are also licensed as registered representatives have an interest in earning commissions that may be averse to client interests. This conflict is monitored through our broker/dealer's supervisory and compliance review system. In addition, clients are not obligated to use our representatives to implement any securities transactions.

### Consultation and Marketing Affiliation

We have established an agreement with Hanson McClain Retirement Network, LLC (HMRN), a registered broker/dealer and investment advisor in which the associated persons of HMRN provide consultation and marketing support services to representatives to assist them in obtaining more clients. As a result of this relationship, we pay HMRN a portion of the fees from any clients obtained as a result of the services provided by HMRN.

### Independent Contractors

Most SAA representatives are independent contractors and not employees of SAA or SAI. However, some representatives are employees of SAA or our affiliated broker/dealer.

### Other Business Entities and Marketing Names

SAA conducts its business through a network of independent investment advisor representatives who operate offices located throughout the United States. The representatives can own and operate other legal business entities and offer/provide other services through those businesses. (See your representative's Form ADV Part 2B Supplemental Brochure for specific information about his or her other businesses and services.) These other entities are not owned or affiliated with SAA, SAFC, AGHI or its subsidiaries or with the custodians used. Many of these representatives market their services under a different marketing name and/or as an outside business activity.

When operating these other businesses, the representatives may use their own business name(s), marketing names(s) and/or logos that can appear on their sales and marketing materials and/or client statements. The representatives must disclose on all materials and correspondence that advisory services are offered through SAA. All sales and marketing materials used by the representatives are reviewed and approved by SAA home office personnel. The business names, marketing names and logos used by the representatives are separate from and are not owned or controlled by SAA. Information about the representatives' other businesses can be found in their respective Form ADV Part 2B Supplemental Brochure, which also contains more detailed information about their educational backgrounds, business experience and disciplinary history (if any).

### Independent Advisor Firms

Certain representatives of SAI, our broker/dealer affiliate, have their own registered investment advisory businesses. These independent investment advisor firms are separate business entities and are not under common control or ownership with SAA or any of our affiliates. Advisory services and recommendations provided under agreement with an independent investment advisor is solely the responsibility of that advisor, not SAA or SAI. The independent investment advisor firms market these services under a different marketing name and/or as an outside business activity. However, independent advisor firms can use some of SAA's programs and services (e.g., the Financial Advisors Program, the Managed Opportunities Program) if proper disclosure is included in the independent advisor firm's Form ADV.

### Accounting Firm

Representatives can be separately licensed as accountants and may offer accounting services to advisory clients for separate compensation. You are not obligated to use any of these individuals to provide accounting services.

### Law Firm

Representatives can be separately licensed as attorneys and, as such, may offer to provide legal advice for separate compensation. You are not obligated to use any of these individuals to provide legal services.

### Insurance Company or Agency

Some of our executive officers, investment advisor representatives and other employees of our firm are agents and/or brokers of various insurance companies. If clients elect to have insurance recommendations implemented, these individuals can affect insurance and/or annuity transactions and receive separate compensation when doing so. Even though the compensation is received in their separate capacity as a licensed insurance agent, the transaction is still a conflict of interest. Clients are not obligated to use any of these individuals for insurance product purchases but are free to use any insurance agent or insurance broker they choose.

SAI, our broker/dealer affiliate, also holds a business entity license in all 50 states as well as Puerto Rico. It can receive commissions in connection with the sale of fixed insurance products by registered representatives who are licensed to sell these products. SAI receives payments from certain insurance sponsors for marketing, training and distribution support. None of these additional payments are paid or directed to any registered representative/insurance agent who sells these products. The registered representative/insurance agent does not receive a greater or lesser commission for sales of these insurance products from which our broker/dealer affiliate receives revenue sharing payments. However, the marketing, educational and distribution activities paid with revenue sharing could potentially lead a registered representative/insurance agent to focus more on products offered by insurance sponsors that make revenue sharing payments to SAI than those of sponsors that do not make such payments when recommending insurance products to their clients. Clients are not obligated to implement any insurance recommendations or use SAI if electing to do so.

### Banking or Thrift Institution

SAI also markets its services through banks and thrifts. In some circumstances, investment management services are also marketed through these banks and thrifts, provided that such marketing is done in compliance with applicable SEC and state regulations.

### Pension Consultant

Representatives can be separately engaged to provide pension-consulting services. If clients need these services, they can engage these individuals for separate and typical compensation. Clients are not obligated to use any of these individuals to provide this service. In addition, representatives can establish relationships with outside parties that provide pension-consulting services. In these instances, representatives can refer you to pension consultants and receive a solicitor referral fee. These arrangements are fully disclosed to you at the time of any referral.

### Real Estate Broker or Dealer

Representatives can be separately licensed as real estate agents. In this separate capacity, representatives can provide real estate brokerage and/or appraisal services for clients requiring these services and receive a separate commission or fee when doing so. Clients are not obligated to use these individuals for real estate services.

## Board of Directors

Members of the Securities America Board of Directors also serve as board members for several of our affiliated companies. There can be a perceived conflict of interest. You should be aware that the Board of Directors does not make decisions for our firm without following the process set forth in our firm's by-laws.

## **Core Account Investment "Sweep" Vehicle**

Each eligible brokerage account has an associated account to hold cash waiting to be reinvested. This account is called a "sweep" account because cash balances are automatically "swept" into the core account investment vehicle.

By opening an account with Securities America, you authorize us to establish a core account investment vehicle in the appropriate program. For eligible accounts, those programs are the Insured Cash Account Program and the Bank Deposit Sweep Program. For eligible advisory Individual Retirement Accounts (IRAs), the applicable core account investment vehicle is the Insured Cash Account Program. For all other eligible accounts, the core account investment vehicle is the Bank Deposit Sweep Program. Your representative can help determine if your account is eligible for one of these programs.

If your account is not eligible for either program, we provide access to other core account investment vehicles, including money market funds, to hold cash balances waiting to be reinvested. Money market funds can lose value and have done so in the past. In addition, different core account investment vehicles can have different rates of return and different terms and conditions, such as FDIC insurance or SIPC (Securities Investor Protection Corporation) protection. For more information on FDIC insurance, please consult [www.FDIC.gov](http://www.FDIC.gov).

If you do not wish to use the applicable core account investment vehicle, we generally will not be able to maintain your account. You are not obligated to use any of our managed accounts and can select a managed account at another broker-dealer where similar programs may not exist. However, you would lose the benefit of having your account managed by your representative and Securities America Advisors. We describe the Bank Deposit Sweep Program and the Insured Cash Account in more detail below.

## FDIC Programs

The Insured Cash Account Program and Bank Deposit Sweep Program offer FDIC insurance (FDIC Programs). The maximum amount of FDIC insurance coverage for your deposits in the FDIC Programs is \$1.5 million (for an individual account) or \$3 million (for a joint account). Funds deposited through the FDIC Programs are not eligible for SIPC coverage. Any deposits you maintain in the same insurable capacity, outside of the FDIC Programs but with a Program Bank, are aggregated with your deposits for purposes of determining the maximum applicable FDIC deposit insurance. You are responsible for monitoring the total amount of your deposits with each Program Bank to determine the extent of FDIC deposit insurance coverage available to you. If you are eligible to participate in the FDIC Programs, you can expect to receive the appropriate disclosure document when you establish or fund your account and we encourage you to review it carefully.

Available cash in your account is deposited through the FDIC Programs into interest-bearing deposit accounts at one or more FDIC-insured depository institutions (i.e., the Program Banks). The list of Program Banks and current interest rates for each FDIC Program is available from your representative and on the Investors section of the Securities America website.

The FDIC Programs can also create financial benefits for our firm, our affiliates, and our clearing firms: National Financial Services, LLC, Member NYSE/SIPC (National Financial Services) and Pershing, LLC, Member FINRA, NYSE, SIPC, and a subsidiary of The Bank of New York Mellon Corporation (Pershing). The revenue generated by us can be greater than revenues generated by sweep options at other brokerage firms. It can also be greater than other core account investment vehicles currently available to you or possible core account investment vehicles we have used in the past or may consider using in the future.

### Bank Deposit Sweep Program

Except for advisory IRAs, the Bank Deposit Sweep Program is the core account investment vehicle for eligible accounts custodied at National Financial Services and/or Pershing. The cash balance in an eligible brokerage account is automatically deposited or “swept” into the Bank Deposit Sweep Program, which uses an insured bank deposit account. Our firm may, when allowable, receive a fee from each Program Bank in connection with the respective programs. We will also pay a fee to National Financial Services, Pershing and necessary third-party vendors for the services they provide in conjunction with the program.

### Insured Cash Account Program

The Insured Cash Account Program is the core account investment vehicle offered for eligible advisory IRA accounts custodied at National Financial Services and/or Pershing. Each month for any advisory IRA using the Insured Cash Account Program as the core account investment vehicle, a level administrative fee applies for the administrative services performed in operating the program. The level account fee is predetermined by formula, as stated in the Insured Cash Account Program Disclosure Document. We cannot earn income in excess of the stated level account fee. The aggregate interest generated by banks participating in the Insured Cash Account Program is used to pay the level account fee for each individual client and to pay any third-party vendor fees. All interest left over after these payments is then credited to client accounts in the Insured Cash Account Program. A detailed explanation of the method for calculating interest and fees is available in the Insured Cash Account Program Disclosure Documents provided at account opening and on the Investors section of the Securities America website.

### Deutsche Bank Insured Deposit Program (DBIDP) Conversion to Total Bank Solutions Deposit Program (TBSDP)

The Deutsche Bank Insured Deposit Program was closed to new accounts in December 2017. Any legacy accounts remaining at that time were custodied at Pershing and continued to participate in the Program until converted by Pershing into the Total Bank Solutions Deposit Program. As of December 2018, all legacy DBIDP accounts have been converted to the TBSDP. The TBSDP is not available for any new accounts. Account owners whose account uses the TBSDP should refer to the disclosure document provided to them (also available upon request from Pershing or your advisor representative) for information on how the TBS Program operates.

### **Material Conflicts of Interest**

A conflict of interest arises due to the financial incentive from offering sweep vehicles that generate third party payments to SAA. Since additional compensation is earned by SAA through the sweep vehicles offered, a conflict of interest also arises due to an economic benefit derived by cash balances being swept into the program rather than reinvested in other investment funds or securities.

The foregoing conflicts of interest are mitigated by the fact that the representative who makes investment recommendations for your program account does not receive any economic benefit from these payments.

### **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### Conflicts of Interest

Conflicts of interest that arise in the course of providing investment management services are described throughout this brochure, as are some of our policies and procedures designed to address specific conflicts of interest, such as our Code of Ethics and personal trading practices.

We have a compliance program in place that is intended to identify, mitigate and, in some instances, prevent actual and potential conflicts of interest, ensure compliance with legal and regulatory requirements and ensure compliance

with client investment guidelines and restrictions. Our compliance program includes written policies and procedures we believe are reasonably designed to prevent violations of applicable law and regulations.

We maintain various committees which provide oversight and review of compliance across functional boundaries, including several operating committees whose membership is comprised of personnel from the impacted business area(s). These committees receive input from compliance and legal personnel as appropriate to help ensure compliance with some of these policies and procedures. Some of the key committees (or subcommittees) supporting our compliance program efforts include those committees (or subcommittees) responsible for proxy voting, trading, best execution and new products.

#### Code of Ethics

We have established a Code of Ethics to comply with the requirements of Section 204A-1 of the *Investment Advisers Act of 1940* reflecting our fiduciary obligations and those of our supervised persons and requiring compliance with federal securities laws. Our Code of Ethics covers all individuals who are classified as “supervised persons.” All Securities America employees (including SAFC, SAA and SAI), SAA officers, SAA directors, SAA representatives and their associated persons are classified as supervised persons. We require our advisory affiliates and their supervised persons to consistently act in their clients’ best interests in all advisory activities. We impose certain requirements on our advisory affiliates and supervised persons to ensure they meet the firm’s fiduciary responsibilities to their clients. The standard of conduct required is higher than ordinarily required and encountered in commercial business and includes compliance with applicable federal securities laws and regulations and with the Code of Ethics. Under the Code of Ethics, supervised persons who are required to report their personal securities holdings and transactions, may be required to pre-clear certain investments or may be restricted with respect to the timing of certain investments or prohibited from making certain investment. All supervised persons are required to conduct all personal trades through designated broker/dealers unless an exception has been granted.

This response is only intended to provide you with a summary description of our Code of Ethics. If you wish to review our Code of Ethics in its entirety, you can obtain a copy by calling us at (800) 747-6111 or writing to the RIA Compliance Department at Securities America, Inc., 12325 Port Grace Blvd, La Vista, NE, 68128.

#### Participation or Interest in Client Transactions

SAI, our affiliated broker/dealer, executes securities transactions on our behalf or on behalf of your representative. SAA, SAI and/or your representative receive advisory fees and/or broker/dealer commissions for the sale of securities placed under our management. Receiving compensation from a variety of sources is a conflict of interest. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

We will process brokerage security transactions through SAI so long as we determine that executing the transactions through our affiliated broker/dealer fulfills our duty of best execution. We consider certain factors when selecting a broker/dealer and determining the reasonableness of commissions. Refer to the section titled “Brokerage Practices” for more information.

Representatives sell mutual fund, unit investment trust, collective investment trust and insurance products offered by subsidiaries of AGHI. Therefore, a potential conflict of interest exists when representatives recommend these products because the broker/dealer stands to receive earnings from the internal fees of the recommended securities as well as earnings from a portion of the investment advisory fee received by our firm. Representatives are not under any obligation to sell these products or to meet any selling quotas related specifically to these products. Refer to Item 10 *Other Financial Industry Activities and Affiliations*; we encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

Managers recommended in the Independent Managed Assets Program determine the brokers to be used for client trades within program accounts. In certain circumstances, and when consistent with the manager’s fiduciary obligation of best execution, trades will be affected through SAI and its representatives, who will receive separate compensation

for implementing these transactions. You should review the disclosure documents of the Independent Managed Assets Program manager to determine if these managers block trades, negotiate commissions and/or obtain volume discounts. Refer to Item 10 *Other Financial Industry Activities and Affiliations*.

#### Policy Regarding Engaging in Agency Cross Transactions in Advisory Accounts

It is SAA's policy to prohibit agency cross transactions where representatives act as brokers for both buying and selling a single security between two different clients and are compensated through an agency commission or principal mark-up for the trades. If we adopt a different policy in this area, we will observe all rules and regulations in accordance with the disclosure and consent requirements of Section 206(3) of the *Advisers Act*. Additionally, we are aware that such transactions only occur if we ensure that we meet our duty of best execution for the client.

#### Policy Regarding Engaging in Principal Trading Involving Advisory Accounts

Ladenburg Thalmann & Co., Inc. (LTCO), one of our affiliates, acts as a dealer with respect to certain securities and as such executes transactions for SAA clients as a principal unless the account is covered under ERISA. Principle transactions are prohibited in ERISA accounts. As a dealer, LTCO receives a "mark-up," "mark-down," and/or spread in the net price at which principal transactions are executed. This compensation is in addition to other compensation paid to SAA and its affiliates under your advisory program. Thus, SAA has a conflict of interest in deciding to execute trades through LTCO on a principal basis. SAA has policies in place to address this conflict of interest. After receiving disclosures about a specific principal transaction with LTCO, clients have the opportunity to reject the transaction before it is completed, to the extent required by applicable law. In addition, SAA has policies and procedures in place to assure clients receive best execution with respect to principal trades, regardless of whether the trade is executed by LTCO or an unaffiliated dealer.

#### Personal Trading

SAA, representatives and our supervised persons are allowed to buy, sell or hold a position in securities identical to the securities recommended to you, at or about the same time they or a related person buys or sells the same securities for their own or a related person's account. However, it is SAA's policy that no supervised person will put his or her interest before your interests. SAA and our representatives will not trade ahead of any client or trade in a way that causes the supervised person to obtain a better price than the price a client obtains. SAA monitors the personal securities transactions of our representatives for compliance with SAA policy relating to personal transactions and the SAA Code of Ethics.

#### Pre-Clearance and Restricted Securities Policy

Due to our affiliation with another investment company, investment advisors and broker/dealers, we maintain a Restricted and Pre-Clearance Equity List which limits our firm and representatives' ability to transact in certain equities on your behalf in a discretionary advisory program. Your representative may not be able to place certain transactions or can experience delays in submitting certain transactions on your behalf based on any pre-clearance or pre-approval requirements implemented by the firm. The purchase or sale price of your security will vary (higher or lower) from the execution price you might receive if you placed the transaction through another investment advisor representative not affiliated with SAI and not subject to any trading restrictions. These trading restrictions are subject to change without notice.

#### Insider Trading Policy

SAA and our supervised persons can come into possession of material non-public information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, our firm and our supervised persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client. Accordingly, if SAA or our supervised persons come



into possession of material non-public information with respect to any company, we and they are prohibited from communicating such information to, or using such information for the benefit of, our respective clients. In addition, we and they have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, our clients when following policies and procedures designed to comply with law.

SAA and our affiliated entities have adopted an "Insider Trading Policy" in accordance with Section 204A of the *Advisers Act* which establishes procedures to prevent the misuse of material non-public information by our firm and our supervised persons. If your representative maintains a personal investment account with another advisory firm or broker/dealer, your representative must make arrangements with that outside firm or broker/dealer to send at least quarterly statements to SAI. The representative must complete an annual certification concerning his or her personal securities activities and provide such additional information about personal trading activities as required under the Insider Trading Policy and the Code of Ethics. Supervised persons who violate this policy will be subject to sanctions imposed by our firm.

#### Policy Governing Contributions to Local and State Elected Officials and Candidates

SAA requires that its supervised persons seeking to make a political contribution to or volunteer for a state or local candidate, political action committee or political party pre-clear their contributions or activity through the firm. We do not require our supervised persons to pre-clear contributions to federal candidates unless the candidate is currently a state or local government official running for federal office. However, we do require supervised persons to notify us of any contributions made to or volunteer activity done on behalf of federal candidates, political action committees or political parties. SAA and your representative are also subject to local and state pay-to-play rules in addition to federal securities rules and regulations.

#### **ITEM 12. BROKERAGE PRACTICES**

SAA typically places trades through its affiliate, SAI. SAI is an introducing broker/dealer clearing through National Financial Services, Pershing and/or Fidelity Institutional Wealth Services depending on the advisory program utilized for your account. SAA, SAI or another affiliated company has an agreement to introduce customer accounts to these clearing firms on a fully disclosed basis. In exchange, these firms provide clearing and execution services for transactions executed for SAA customers. On SAA's behalf, SAI approves and opens accounts and accepts securities order instructions with respect to the accounts. Brokerage transactions are then processed by SAI and cleared by National Financial Services or Pershing. In the Participant Retirement Program, transactions are cleared by Fidelity Institutional Wealth Services. National Financial Services, Pershing and Fidelity Institutional Wealth Services are not affiliated with SAA or SAI. SAA and SAI do not act as a custodian for any account and generally do not maintain custody of client funds or securities. Outside custodians, including the clearing firms indicated above, maintain custody of all funds and securities. Please refer to Item 15 *Custody* for additional information.

SAI has a referral arrangement with NFS, whereby SAI receives compensation from NFS based on the amount of certain SAI client assets currently custodied by NFS and transferred to the advisory platform maintained by Fidelity Institutional Wealth Services Group (IWS), a division of NFS' affiliated company, Fidelity Brokerage Services, LLC. The assets are transferred by representatives, as well as by representatives who terminate their registration with SAI and FINRA and now conduct business as an investment advisor representative of an independent registered investment advisor (IRIA). SAI recommends the IWS advisory platform and provides ongoing service and support to investment advisor representatives of independent investment advisor firms who are also registered representatives of SAI. Independent investment advisor firms are under no obligation to transfer client assets to IWS and do not receive any additional compensation or remuneration for selecting IWS. Similarly, clients do not incur any additional fees or expenses as a result of payment of compensation by NFS to SAI.

We have also entered into agreements with various insurance companies that allow for the managing and valuation of client's variable annuity accounts within our Financial Advisors Program, Managed Opportunities Advisor Managed

Portfolios accounts and other advisory programs as well as accounts created through our providing retirement plan advisory services. Fixed and fixed indexed annuities can be linked to your Financial Advisors Program and Managed Opportunities Program accounts but are excluded from fee billing calculations as well as management and/or valuation services. Linking these types of annuities to your accounts allows you to view them in conjunction with your advisory account. The insurance company custodians maintain custody of all annuity accounts. SAA and SAI do not act as a custodian for any account.

### Selecting Brokerage Firms

We recognize your unrestricted right to select and choose any broker or dealer you wish, except in situations where SAA or a recommended manager is given discretionary authority over your account. We process brokerage security transactions through SAI, our affiliated broker/dealer, so long as we determine that executing the transactions through SAI fulfills its duty of best execution. Refer to the section titled “*Best Execution*” for information as to the factors considered by our firm when selecting a broker/dealer.

Stocks, bonds and other securities can be traded in managed accounts and are subject to normal spreads, mark-ups and mark-downs paid to market makers of those securities. SAI does not make markets in securities. SAI and SAA do not receive any portion of the spreads, mark-ups or mark-downs.

Transaction charges can apply to securities sales, purchases and exchanges. However, your advisor cannot receive both an advisory fee and a commission on an asset within your account. The charges vary for mutual funds, variable products, stocks, bonds and option transactions. Factors that determine transaction charges include the size of purchase, type of transaction, mutual fund family, variable product sponsor, the representative involved and the processing method (on-line/phone/systematic). Full transaction charges cannot apply to certain transactions associated with mutual fund product sponsors participating in the Partners Program (see Item 10, *Other Industry Affiliations and Activities* for additional information on this Program). At the representative's discretion, he/she can pass these transaction charges to you.

For more information on these transaction charges or commissions, please ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

### Step Out Trades

In certain program accounts, some investment products (e.g., fixed income securities, certain thinly traded securities, illiquid securities or ETFs) can occasionally be “stepped out” to other broker/dealers in order to gain best execution, minimize market impact, access new issues or specialized securities, receive research and other soft dollar services or for operational efficiency. In some instances, stepped out trades are executed by the other broker/dealer without any additional commission, mark-up or mark-down. In other instances, the executing broker/dealer may impose a commission, mark-up or mark-down on the trade. If trades are placed with a broker/dealer that imposes a commission or equivalent fee on the trade (including a commission imbedded in the security price), the client will incur trading costs in addition to the wrap fee paid to his or her representative. Due to the additional costs incurred, managers engaging in step-out trades will generally cost more than managers who do not utilize step-out trades.

In Managed Opportunities accounts, Envestnet generally routes trades directly to the custodian(s) of record. However, clients should be aware that Envestnet and its sub-managers can trade away or step out transactions to another broker/dealer. These transactions often involve certain thinly traded securities, illiquid securities or ETF trades and can be made in order to obtain best execution and minimize market impact. In some instances, these stepped out trades are executed by the other broker/dealer without any additional mark-up or mark-down. In other instances, however, the executing firm can impose a commission, mark-up or mark-down. If these additional fees are charged, the client will incur trading costs in addition to the wrap fee paid to your representative. These additional charges are often imbedded in the wrap fee and not shown separately on confirmations or statements.

Clients using Lockwood programs should be aware that program sub-advisors can trade away or step out transactions from the Lockwood platform and the usual clearing and custody services provided by Pershing. When sub-advisors place trades with another broker/dealer, the transactions typically incur additional costs such as commissions, mark-ups or mark-downs. Often, these additional costs are included in the execution prices paid by clients but may not be shown separately on confirmations or statements. Therefore, sub-advisors engaging in step-out trades will generally cost more than subadvisors not trading away.

#### Compensation and Reimbursement of Expenses

The broker/dealer, its affiliates and their representatives receive revenue from several sources on the products and services you purchase. These sources include fees and charges you pay and other arrangements we have in place with affiliated and non-affiliated entities (e.g., sales charges, commissions, periodic fees, periodic expenses paid from product assets, a portion of the organization and offering fees and expenses for REITs, limited partnerships and other non-public securities offerings).

We can also receive additional payments called revenue sharing payments and/or marketing allowances from certain product sponsors under special agreements with those firms ("Partners".) Additional details concerning the Partners Program and Non-Publicly Traded Products are set forth below. We also maintain revenue and marketing allowance payment programs involving certain REITs. Representatives of product sponsors, often referred to as "wholesalers," work with us, our affiliates and representatives to promote their products. These product sponsors are generally granted access to our representatives to promote their products. Consistent with rules set out by FINRA, these wholesalers and/or their firms may pay the broker/dealer for training or educating representatives. Product sponsors also make payments to the broker/dealer to promote marketing their products to clients, including covering in whole or in part the cost of seminars for clients and potential clients. These firms also invite representatives to due diligence or continuing education meetings regarding their products. From time to time, the broker/dealer allows its representatives to attend off-site training sessions sponsored or co-sponsored by these product sponsors. The broker/dealer prohibits promoting any product, including those issued by fund families, insurance carriers or sponsors, over another based solely on additional payments or other considerations received from the sale or marketing of products. Representatives are required to make recommendations to clients based on client needs and objectives; however, receiving reimbursements could create an incentive to your representative to recommend products that provide such payments. We encourage you to talk with your representative about any fees or compensation they receive from the sale of investment products.

Under the Partners Program, independent firms are selected to participate based on several criteria, including investment strategy, investment performance, transaction reporting capabilities and training and wholesaling support. In exchange for certain benefits, such as an opportunity to participate in our national conferences and broader access to representatives, the advisors pay to participate in the Partners Program by sharing with our affiliates a portion of the revenue generated by distributing their products and services and or paying a specified annual dollar amount.

Our representatives can receive reimbursements, marketing and distribution allowances, due diligence fees or other compensation based on deposits and/or assets under management directly from third-party asset manager program sponsors for the costs of marketing, distribution, business and client development, educational enhancement and/or due diligence reviews incurred by us, our affiliates and/or our representatives relating to promoting or distributing the program sponsor's products or services.

Some Partners pay a flat annual fee of up to \$1,500,000 per year. Some Partners pay basis points on asset sales, assets, or a percentage of the Partner's net advisory fee derived from assets invested through their models. These payments consist of up to 30 basis points on a Partner's asset sales, and/or up to 10 basis points on assets. It is important to understand that none of the payments made by the Partners participating in the program are paid or directed to any representative who utilizes the services of these Partners.

For the most current list of Partner program participants, ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor information/Revenue Sharing and Other Compensation.

The Income Distribution Partner Program was created for certain third-party money managers, variable product sponsors, mutual fund and fixed insurance product sponsors. These product sponsors are selected to participate based on several criteria including product breadth, investment performance, training, wholesaling support and brand recognition. In exchange for certain benefits, such as broader access to the broker/dealer's representatives, sponsors participating in the Income Distribution Partners Program are required to pay the broker/dealer for participation. The broker/dealer's income distribution planning desk is available to assist with developing distribution plans for you. The income distribution plans use suitable products available from both the Income Distribution Sponsor Partners and products on the broker/dealer's approved product list. Representatives using the income distribution desk planning services are not required to use the products included in the proposal and do not receive a greater or lesser commission for using these products. The marketing, educational and distribution activities paid for with revenue sharing, however, could lead representatives to consider products that make revenue sharing payments to the broker/dealer as opposed to sponsors that do not make such payments.

For the most current list of Partner Program participants, please ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information/Revenue Sharing and Other Compensation.

The broker/dealer focuses on a select group of mutual fund, variable annuity and investment management companies and provides them greater access to representatives to provide training, education presentations and product information. The purpose is to identify creative ways to help these companies increase field visibility, identify meaningful representative networking opportunities, present timely products and grow assets. In return for these increased services, these sponsors compensate the broker/dealer in the form of revenue sharing payments. In addition to the customary sales commissions paid in connection with sales of mutual funds, variable annuities, third party models and money market funds, these companies make payments to the broker/dealer to participate in the Program. The payments consist of amounts up to 10 basis points on a sponsor company's sales and up to 5 basis points on assets. In addition, the broker/dealer can be reimbursed by the Distribution Partner for expenses incurred for various promotional activities including, but not limited to, sales meetings, conferences and seminars held in the ordinary course of business. The broker/dealer can receive a flat fee of up to \$430,000 per year per sponsor for such reimbursements.

For the most current list of Partner program participants, ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information/Revenue Sharing and Other Compensation.

In addition to revenue sharing received from our custodians and Partner Programs previously described, SAA also participates in revenue sharing arrangements with specific money managers having their own mutual funds and using those funds in their managed programs.

Consistent with prudent product approval practices, SAA can require that an independent due diligence analyst conduct a thorough review of an investment company, investment advisor or one of their products or services prior to making the product or service available for solicitation to the general public by representatives. When this type of review occurs SAA and SAI commonly incur costs in connection with the analysis provided by the due diligence analyst. SAA and SAI can in turn require the investment company or investment advisor to reimburse us for such expenses. In addition, and at our discretion, SAA and SAI can require investment companies to pay annual fees to reimburse us for ongoing due diligence and product administration expenses.

Best Execution

SAA processes brokerage security transactions through SAI, an affiliated broker/dealer. We will continue to utilize SAI so long as we determine executing the transactions through this affiliate maintains our duty of best execution. Some factors reviewed when determining best execution include, but are not limited to:

- Access to markets dependent on the type of security
- Speed of execution
- Execution price of the security
- Ability to obtain price improvement
- Electronic download of trades;
- Efficiencies achieved in utilizing integrated front and back office technology systems;
- A dedicated service team;
- Electronic download of duplicate statements and confirmations; and
- The ability to deduct advisory fees directly from client accounts.

We will exercise reasonable diligence to ensure best execution is obtained for all clients when implementing any client transaction. On SAA's behalf, SAI conducts trade reviews to determine that the duty of best execution is being met by its trade execution and clearing firms.

#### Soft Dollars

SAA does not receive research or other products or services (i.e., soft dollar benefits) other than execution from a broker/dealer or third-party for client securities transactions.

#### Brokerage for Client Referrals

We pay a set commission rate on trades for securities traded with a commission. We do not negotiate commissions on a trade-by-trade basis or directed brokerage basis.

#### Order Aggregation

SAA representatives generally manage client portfolios independently of one another based on the specific needs and objectives of each client portfolio. Due to this, client transactions are often executed separately. While not required by firm policy, SAA and your representative can aggregate client transactions or allocate orders. Mutual funds held in client accounts do not lend themselves to aggregation because the purchase or sale price is based on the net asset value of the mutual fund. To the extent other securities are purchased that lend themselves to aggregation or block trading (e.g., stocks or exchange traded funds), SAA and your representative aggregate client transactions or allocate orders whenever possible. SAA and your representatives will allocate trades to advisory clients in a fair and equitable manner that will be applied consistently to all clients. Personal accounts of representatives, associated persons and family members will not be treated more favorably than any other client account. You should be aware that if an order is not aggregated, you can pay higher brokerage costs.

In many instances, order aggregation can result in lower commissions, a more favorable net price or a more efficient trade execution. When trades are not aggregated, you may not receive the benefits previously mentioned and, as a result, pay a higher transaction cost than if you executed the transaction elsewhere. However, there can be instances in which order aggregation results in a less favorable transaction than might have been obtained for you by trading the security separately.

#### Handling Trade Errors Made by SAA or a Representative

If SAA or our supervised persons make a trade error in your account, the error will be corrected and your account will be restored to where it would have been had the trade error not occurred. Any profit or loss from the trade correction will be maintained by our firm.

## **ITEM 13. REVIEW OF ACCOUNTS**

### Frequency of Account Reviews

Financial Advisors Program, Managed Opportunities Program, Lockwood Program, Participant Retirement Program accounts and other investment advisory agreements (where SAA or the representative is the advisor) are reviewed as needed, as required and as appropriate by SAA supervisors (SAI principals) and your representative. The nature and timing of the reviews vary by your representative. In all accounts, reviews are conducted at least annually.

### Frequency of Financial Plan Reviews

SAI home office staff (and SAI registered principals) review a sampling of each supervised person's financial plans, including written financial planning advice. Compliance and Supervision personnel also conduct periodic reviews of financial advisor activities. Financial planning clients may contract with their representatives for a review and update of their financial plans for a separate fee.

### Review Triggers

Factors triggering an account review include material market, economic or political events, changes in your financial or personal situation or performance of the account in general.

### Reports and Account Statements

You will receive monthly statements from the account custodian or clearing firm if your account(s) have activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. The statements will show any activity in the account as well as period ending position balances. You will also receive a confirmation from the custodian or clearing firm of each purchase and sale transaction.

To the extent you receive performance reports, we urge you to compare performance reports received with account statements received from the custodian. Inquiries or concerns regarding the account, including performance reports, should be directed to the representative at the phone number listed on the account statement. Performance information provided by your representative is believed to be accurate but cannot be guaranteed. Your representative can include variable annuity account position information within performance reports. Neither our firm nor your representative guarantee the accuracy of fund values, securities and other information obtained from third parties.

Clients participating in the Managed Opportunities Program are able to view daily and quarterly performance reports on a website that describes the performance, holdings and other activity in your accounts. The website is maintained on our behalf by a third party. During any month in which there is activity in Managed Opportunities Program accounts, you receive a statement from the account custodian or clearing firm showing the activity in your accounts, as well as positions held in the accounts at month end. You also receive a confirmation of each purchase and sale transaction that occurs within the accounts. If there is no activity in the Managed Opportunities Program account, you receive statements no less than quarterly from the account custodian or clearing firm.

We review the performance information in Managed Opportunities Program accounts to determine its accuracy. Performance information provided by us is believed to be accurate but cannot be guaranteed. We do not guarantee the accuracy of fund values, securities' values and other information obtained from third parties.

Accounts not receiving reports from our firm (e.g., Independent Managed Assets Program) will be reviewed and monitored at the discretion of the representative assigned to the account or the independent investment advisor firm, their representatives and money managers handling the accounts. No other parties review accounts for accuracy of performance information. These individuals are available to answer your questions and to review an account at your request.

For retirement plan advisory services accounts, representatives can furnish to the plan sponsor consolidated performance reports of the model portfolios in the plan at least quarterly. Such reports are provided in accordance with the services agreed upon by the representative and the plan. When such services are contracted for, plan portfolios are reviewed as needed and as appropriate by your representative and also as required by SAA supervisors (SAI principals). Review triggering factors include material market, economic or political events.

#### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

##### **Incoming Referrals – Our Use of Solicitors/Payment of Referral Fee**

We enter into agreements with solicitors (referring parties) to refer clients to us. The referral agreements between our firm and referring parties are designed to comply with SEC regulations set out in 17 CRF Section 275.206(4)-3. If a referred client enters into an investment advisory agreement with our firm, a cash referral is paid to the referring party (e.g., solicitor). Written disclosure regarding the referral fees we pay is provided to you prior to or at the time of entering into our investment advisory or financial planning agreements. The disclosed referral fee is payable to the referring party for the duration of SAA's advisory relationship with you, whether or not our investment or trading strategies or your investment objectives change over time. We have no further referral fee obligation if the referring parties' representations and warranties outlined in our referral agreement become inaccurate or untrue or if our investment advisory agreement with you is terminated for any reason. In those states that require solicitors to be licensed, we require the solicitor to be licensed or filed under our registration.

The compensation to be paid in connection with these agreements is subject to negotiation between our firm, the representative and the referring party. The referral agreements between any referring party and our firm do not result in any charges to you in addition to the normal level of advisory fees charged. However, these situations create a conflict of interest because the referring party has a financial incentive to recommend one SAA program over another or over other investment advisors and broker/dealer programs, products and services. The representative or an independent investment advisor firm recommending our programs receives compensation as a result of your participation in our programs.

Fees for investment management can be more than the cost of purchasing the same services separately. You might also be able to obtain similar services for a lesser fee from other advisors. The fees charged vary among investment management services. The amount of compensation a representative receives in a particular program can be more than would be received if you participated in other programs or paid separately for investment advice, brokerage and other services. In addition, the compensation a representative receives for recommending one portfolio option over another portfolio option varies. For example, recommending one Managed Opportunities Program portfolio over a Financial Advisors Program portfolio or another portfolio within the Managed Opportunities Program creates a financial incentive for our firm and representative. Your representative has no obligation to promote or use one money manager over another. You have no obligation to engage these individuals when considering implementing advisory recommendations. You are free to select any broker/dealer you wish to implement recommendations and execute transactions. You are able to purchase the same investment product from a non-affiliated broker or implement securities transactions without the advisory services offered by your representative. In that case, you would not receive the services provided by your representative.

In addition, we can award separate non-cash compensation to representatives, independent investment advisor firms and the independent investment advisor representative for client referrals.

##### **Outgoing Referrals - SAA as Solicitor for Other Investment Advisors/Receipt of Referral Fee**

We have entered into solicitation agreements with independent third-party investment advisors pursuant to which our firm, the independent investment advisor firm and the representative receive solicitation compensation from the third-party investment advisor in return for referring accounts. SAA's broker/dealer affiliate SAI and the representative, in his or her capacity as a registered representative, serve as broker/dealer and/or representative of record on accounts

managed by the independent third-party investment advisor. In such case, SAI and the representative receive compensation (e.g., commissions) from the sale of mutual funds, exchange traded funds or variable annuities in such accounts. This compensation is in addition to the solicitor fee paid by the third-party investment advisor.

We have established a relationship with Ladenburg Thalmann Asset Management's \$ymbil program. See Item 10 *Other Financial Industry Affiliations and Activities* for additional information on the \$ymbil program

We have established a relationship with Hanson McClain Retirement Network, LLC (HMRN), a registered broker/dealer and investment advisor. The associated persons of HMRN provide consultation and marketing support services to the representative to assist representatives in obtaining more clients. As a result of this relationship, SAA pays HMRN a portion of the fees from any clients obtained as a result of the services provided by HMRN.

You should be aware SAA and your representative receive solicitor/referral fees for recommending certain portfolios to you. Therefore, a conflict of interest exists because these circumstances result in your representative having a financial incentive to recommend one portfolio over another. However, it is our policy that portfolios will be selected and recommended to you based on your individual needs, goals and objectives. Your representative is not obligated to sell any particular product or to meet any selling quotas related specifically to these products. You are not obligated to engage the representative when considering implementing advisory recommendations. You are free to select any broker/dealer you wish when implementing recommendations and executing transactions. You can purchase the same investment product from a non-affiliated broker or implement securities transactions without the services offered by your representative.

#### Lead Generation Programs

Some of our representatives utilize the services of lead generation or business development firms. Generally, prospects will contact that firm directly or online and receive the names of several financial service providers in the prospect's area. The prospect then reviews the list and makes a decision whether or not to contact a selected financial service provider. The firm does not provide the prospect any advice or recommendations concerning the list of advisors. Typically, advisors pay a subscription or membership fee to be included in the firm's network or association. In addition, some firms provide marketing resources.

#### Other Compensation

SAA or our affiliated broker/dealer, SAI, form alliances and networking and referral arrangements with financial institutions such as community banks, credit unions, credit union service organizations and farm credit services (Third-Party Financial Institutions). These alliances and arrangements allow representatives to offer financial planning services and certain other non-deposit investment and insurance products and services to customers/members of those Third-Party Financial Institutions. Our firm leases space in selected branches of the Third-Party Financial Institutions and then sub-leases it to your representative if he or she conducts business from these locations. As a result of these alliances or networking arrangements, your representative may not be able to offer certain products that are otherwise available through our firm. Also, as a result of these alliances or networking arrangements, Third-Party Financial Institutions receive compensation representing payment for the use of the facilities and equipment of the Third-Party Financial Institutions. Compensation is in the form of a program support or rent payment and/or a portion of advisory fees or securities and insurance commissions paid to representatives for sales to customer/members of the institutions. If SAA or SAI, refers an existing or new representative to Fidelity Institutional Wealth Services, SAA receives 3 basis points (.03%) on the assets under management of the referred representative. This fee is not shared with the representative.

These relationships create compliance issues relative to consumer protection. The joint guidelines of regulators of the depository institution call for, at a minimum, written and verbal disclosure at or prior to the time securities products are purchased or sold. Also, the securities products:



- Are not insured by the Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund, the Federal Deposit Insurance Corporation, the National Credit Union Administration or any other federal or state deposit guarantee fund or other government agency;
- Are not endorsed or guaranteed by the bank or credit union or their affiliates;
- Are not deposits or obligations of the depository institutions and are not guaranteed by the depository institutions;
- Are subject to investment risks, including possible loss of principal invested.

SAI also receives reimbursement from the clearing firms it uses for all or a portion of any asset transfer fees you incur upon the transfer of accounts from other clearing providers. SAI retains all or a portion of such reimbursements or, at its discretion, passes through all or a portion of such reimbursements to you and/or its representatives.

Your representative has an incentive to join and remain affiliated with Securities America through certain compensation arrangements which include bonuses, enhanced pay-outs, forgivable loans and/or business transition loans. Furthermore, there can be production goals associated with the recommendation of a transaction from your representative. Receiving such compensation is considered a conflict of interest. We encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

We offer incentives to SAA representatives for meeting certain production levels. These incentives are above and beyond compensation they receive for providing products and services through Securities America. Receiving incentives is considered a conflict of interest. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

Our firm, our officers and our representatives receive reimbursements from marketing and distribution allowances, due diligence fees and travel expenses. Other compensation or reimbursement is also received based on deposits and/or assets under management directly from third-party asset manager program sponsors for the costs of marketing, distribution, business and client development, educational enhancement and/or due diligence reviews incurred by our firm or your representatives relating to the promotion or sale of the program sponsor's products or services.

Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements is not predicated on specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or it is anticipated sales will be made.

To help cover or defray the costs of transitioning from another registered investment advisor to SAA, our representatives are eligible to receive various forms and amounts of transition assistance. Such transition assistance includes a promissory note loan, rent, technology services and equipment, legal expenses, administrative support, termination fees associated with moving accounts and regulatory services. Transition assistance is based on production, reimbursement of fees, free or reduced-cost marketing material, attendance to conferences and events or access to preferred pricing.

Securities America issues payments in the form of loans to representatives which are forgivable based on years of service or the extent of their production. This practice creates a conflict of interest because the representative has a financial incentive to recommend a client engage SAA for advisory services in order for the loan to be forgiven. However, if you engage SAA for an advisor managed account, your representative will obtain the necessary financial data from you, assist you in determining the suitability for the advisor managed account and help you set appropriate investment objectives. Your representative will then be able to purchase and sell securities in accordance with your investment objectives. SAA periodically reviews advisory accounts to ensure suitability and adherence to investment objectives. Please consult with your representative if you have questions regarding this issue.

## **ITEM 15. CUSTODY**

Generally, SAA and SAI do not act as custodian for any account. Outside custodians maintain custody of all funds and securities. SAA is deemed to have custody of your funds or securities because of our authority to directly deduct advisory fees from your accounts within the programs described in Item 4 *Advisory Business* section above. In addition, SAI, our affiliated broker/dealer, serves as an introducing broker/dealer and collects physical stock certificates or engages in certain asset transmittal practices such that we are deemed to have custody of such assets. SAI is deemed to have limited custody of your assets by giving you the ability to transfer funds between accounts you own titled in the same name; or if you specifically request it, transferring funds between accounts you own titled in different names. SAI is also deemed to have limited custody by giving you the ability to have funds sent from your account to your address of record or, if you specifically request, to some other address. Because SAI maintains limited custody of our client assets as described above, SAA is required by SEC regulation to undergo an examination at least annually by a qualified independent public accountant. Additionally, SAA must undergo an independent verification of client assets under its control.

### Account Statements

You receive account statements from investment sponsors, brokerage firms, insurance companies and other money managers at least quarterly. You can also receive monthly account statements from investment sponsors, brokerage firms, insurance companies and other money managers monthly if there is any activity in your account. We have verified each custodian or investment provider used for our investment management services is a qualified custodian and provides statements to clients directly at their address of record at least quarterly. We encourage you to carefully review your account statement.

### Performance Reports

If you receive performance reports from your representative, we urge you to compare the account statements received directly from your custodians to the performance report statements provided by our firm or your representative. Inquiries or concerns regarding your account, including performance reports, should be directed to SAA, the independent investment advisor firm or your representative.

## **ITEM 16. INVESTMENT DISCRETION**

### Limited Discretionary Trading Authority

If you grant SAA or your representative limited discretionary trading authority, we have the authority to determine, without obtaining your specific consent, the securities to be bought or sold, the amount of the securities to be bought or sold and when to buy or sell those securities. Upon receiving written authority to engage in limited trading authority on your behalf, SAA and your representative will commence engaging in discretionary trading transactions. Discretionary trading authority facilitates placing trades in your accounts on your behalf so that SAA and your representative can promptly implement the investment policy you have approved in writing.

### Limited Power of Attorney for Trading

If a limited power of attorney for trading is signed by you, we consult with you prior to placing each trade. You sign a limited power of attorney form so we can execute the trades you have approved.

We accept discretionary authority to manage accounts on your behalf. For discretionary clients, we request that you provide written authority to determine which securities and the amounts to be bought or sold. Any limitations on this discretionary authority by you should be included in this written authority statement. You can change/amend these limitations as required. Such amendments must be submitted in writing.

Representatives can enter into separate investment advisory agreements with you to provide investment management services outside of our Financial Advisors Program, Managed Opportunities Program, Lockwood Program and retirement plan advisory services. You can grant the representative written authority to manage assets on a limited discretionary basis to buy and sell securities and investments according to your stated investment objectives.

#### Account Authorization for Financial Advisors Program

Unless you elect to retain discretion on the account, the advisory client services agreement you executed gives your representative limited discretionary authority to buy and sell securities and investments based on your stated investment objectives. In no event will your representative, SAA or SAI be obligated to affect any transaction for you that they believe would be in violation of state or federal regulations or guidance. The signed authorization is a continuing one, remains in full force and effect and will be relied on until written notice of termination or change is received from you by your representative, SAA or SAI. Whether or not you grant limited discretionary authority to your representative, you must specifically grant SAA limited discretionary trading authority. The authority granted to SAA is solely so it can execute any transactions necessary in order to convert certain mutual fund holdings in your account to a lower-cost share class (whenever such share class is available).

#### Account Authorization for Managed Opportunities

The following describes each of the investment strategy options available to clients under the Managed Opportunities Portfolios Program, including the nature of granting discretionary authority with respect to each option selected by client.

When executing a Managed Opportunities Program client agreement, you grant us discretion to select one or more sub-advisors, including those providing administrative, website, performance reporting, transaction order entry and other services to you and our firm. You grant us and any sub-advisor selected by our firm limited discretionary trading authority with respect to the purchase and sale of securities in the Master Account, Strategist Fund Portfolios, Separate Account Portfolios, Unified Managed Accounts, and Advisor Managed Portfolios and appoint us and any sub-advisor selected by our firm as your agent and attorney-in-fact with respect to the trading authorization. In some programs, discretionary authority to select a broker and to negotiate commissions is typically given to the recommended manager (not available in the Financial Advisors Program and Managed Opportunities Advisor Managed Programs).

When executing a Managed Opportunities Program client services agreement, you acknowledge that the composition of any of the Managed Opportunities Portfolios can change from time to time, causing the portfolio to become more conservative or more aggressive, and that such changes are a normal part of the investment management process. Unless a sub-advisor notifies us of a change in the fundamental investment objectives of a portfolio, our firm and/or your representative will not notify you of such changes or take action to change the investment portfolio selected for you. The initial portfolio or portfolios selected for you are explained on a "Managed Opportunities Program Investment Strategy Summary" document. Any changes to the initial portfolio(s) selection are reflected in a verification update letter mailed to you.

### **ITEM 17. VOTING CLIENT SECURITIES**

Other than the specific Managed Opportunities Program portfolios described in our wrap program brochure, our firm and representatives will not perform proxy voting services on behalf of clients in any other program. If the account is for a pension or other employee benefit governed by ERISA, the right to vote proxies is expressly reserved for the plan's trustees or other plan fiduciary and not our firm. All proxy notices will be sent directly to you. You should read through the information provided with the proxy materials and decide based on the information provided. Upon your request, and at their discretion, representatives provide a recommendation or clarification based on their understanding of issues presented in the proxy materials, but you are solely responsible for all proxy voting decisions.

## **ITEM 18. FINANCIAL INFORMATION**

We do not have any financial impairment that will preclude us from meeting our contractual commitments to you. We do not serve as a custodian for your funds or securities. At no time will fees of more than \$1,200 be charged six or more months in advance of services being provided by our firm or a representative. On our behalf, our affiliated broker/dealer, SAI, has established policies and procedures designed to prevent the collection of fees greater than \$1,200 six or more months in advance of services being provided. As such, a balance sheet is not required to be provided to you at this time.