

# 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.

June 7, 2017



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June 7, 2017

**ITEM 2. SUMMARY OF MATERIAL CHANGES**

The last annual update to the Securities America Advisors, Inc. Form ADV Part 2A Brochure was filed March 31, 2017. Since then, the following material changes have occurred:

- The LifeGuide and Asset Based Brokerage Services Programs have closed and all legacy accounts have been merged into Financial Advisors Program accounts.
- We have revised how fees are charged on certain products.
- The Unified Managed Account Portfolios program under the Managed Opportunities Program is now offered on a non-discretionary basis only at the Securities America Advisors level.

We may update this Brochure at any time. If we make any material changes relating to Item 9 (disciplinary information), we will provide you either: (i) a copy of our Form ADV Part 2A that includes or is accompanied by a summary of material changes or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV Part 2A. We urge you to carefully review all subsequent summaries of material changes as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest and disciplinary history.

To receive a complete copy of our Brochure at no charge, please visit our website at [www.securitiesamerica.com](http://www.securitiesamerica.com) or contact us at 800-747-6111.

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## **ITEM 4. ADVISORY BUSINESS**

### **Principal Owners**

Securities America Advisors, Inc. (SAA) and Securities America, Inc. (SAI), an affiliated broker/dealer, are wholly-owned subsidiaries of Securities America Financial Corporation (SAFC). SAFC is a wholly-owned subsidiary of Ladenburg Thalmann Financial Services, Inc. (LTFS). LTFS provides a diverse array of financial products and services through a number of subsidiaries, and is listed on the NYSE Amex Exchange under the symbol LTS. Dr. Phillip Frost and related entities, Gamma Trust and Nevada Trust, are beneficial owners of over 25% of LTFS. LTFS has several other affiliates registered as investment advisors, an investment company, insurance broker, broker/dealers and a trust company. LTFS is a holding company primarily engaged in business through its subsidiaries.

Securities America Financial Corporation is also a majority owner of Arbor Point Advisors, LLC (APA). APA is an investment advisor firm registered with the Securities and Exchange Commission (SEC).

### **Firm Description**

SAA is an investment advisor firm registered with the SEC since January 1994 and provides a variety of programs that can be used 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) may be registered representatives of SAI, a full service broker/dealer affiliated with SAA. 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.

### **Amount of Assets Managed By Our Firm**

As of the fiscal year ending December 31, 2016, the amount of client assets we managed totaled \$15,610,261,972. Of that total, \$12,554,232,632 was managed on a discretionary basis and \$3,056,029,340 was managed on a non-discretionary basis.

### **Types of Services Offered – Investment Supervisory Services, Non-Investment Supervisory Services and Other Investment Management Services**

SAA provides personalized confidential financial planning and investment advice. We provide advice through consultation with you, which can include:

- Determination of financial objectives;
- Identification of financial issues;
- Cash flow management;
- Tax related investment planning;
- Insurance review;
- Investment management;
- Education funding;
- Retirement planning, and
- Estate planning.

Upon retaining a representative and establishing an advisory account, you can expect to complete certain account opening documents required by the qualified custodian. The account opening documents provide information regarding the custodian's name, address and manner in which the funds or securities are maintained. The account agreement describes the services provided to you in return for the stated advisory fee.

### **Types of Services Offered – Investment Supervisory Services**

We define "investment supervisory services" as giving you continuous advice or making investments for you based on your individual needs. If you wish to use our investment advisory services, you will sign a client services agreement describing the services provided to you in return for the stated advisory fee. You can cancel the services within the timeframe specified in the agreement; otherwise, the agreement remains in effect until either party provides notice of termination. Refer to the section titled "Termination of Agreement" for more information. We cannot assign your client services agreement to anyone without your consent.

### **Types of Advisory Programs Offered – Investment Supervisory and Administrative Services**

We provide a diverse range of investment supervisory and administrative services to you through our Financial Advisors Program, Lockwood Advisors Program, Managed Opportunities Program, Retirement Plan Advisory Program, Participant Retirement Program and other advisory programs.

In the Financial Advisors Program, Lockwood Advisors Program and Managed Opportunities Advisor Directed programs, your representative will primarily recommend mutual funds. To the extent mutual funds are used, your representative will seek to purchase a low cost mutual fund, if available. . Refer to the section titled "Fees and Compensation" for more information.

Where possible, when recommending mutual funds for your advisory account our firm or one of our affiliates will recommend a low cost mutual fund. Charges for these products can be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer.

We describe each advisory program in greater detail below.

#### Financial Advisors Program Description

Your representative assists you with establishing your Financial Advisors Program account. The minimum Financial Advisors Program account size is \$25,000; however, we can grant exceptions.

Unless you elect to retain discretion on the account, the client services agreement 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 effect any transaction for you that they believe would be in violation of state or federal law, rule or regulation or any regulatory or self-regulating body rule or regulation. The authorization you sign is a continuing one and remains in full force and effect and will be relied upon by your representative, SAA or SAI until written notice of termination or change is received by your representative, SAA or SAI from you.

Generally, brokerage transactions are processed by SAI, our affiliated broker/dealer, and cleared by National Financial Services, LLC (National Financial Services) or Pershing, LLC (Pershing). SAI provides compensation to SAA to offset our administrative costs. SAA, SAI and your representative do not act as custodians for any Financial Advisors Program accounts. Generally, National Financial Services, Pershing or another custodian 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 the section titled "Custody" for more information. We have verified that 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 the management and valuation of your variable annuity accounts within the Financial Advisors Program. The insurance companies' custodians maintain custody of all variable annuity accounts.

For information about the investment strategies employed in a Financial Advisors Program, please refer to the section titled "Methods of Analysis, Investment Strategies and Risk of Loss."

#### Managed Opportunities Program Description

The Managed Opportunities Program, a wrap fee program developed by our firm, allows you to establish an account utilizing Mutual Fund Portfolios, Separate Account Portfolios and Unified Managed Account Portfolios developed by third-party money managers that are registered investment advisors (collectively referred to as sub-advisors). SAA acts as the investment advisor for all Managed Opportunities Program accounts and your representative acts in a referral capacity when referring you into those Mutual Fund, Separate Account and Unified Managed Account Portfolios. One or more of these sub-advisors will be affiliated entities of SAA.

The Managed Opportunities Program also offers Advisor Directed Portfolios. Your representative can use the Advisor Directed Portfolio option to design investment management and asset allocation portfolio(s) for you. Your representative is acting in an advisory capacity and not in a referral capacity when using the Advisor Directed Portfolio option.

Your representative assists you in establishing the Managed Opportunities Program account through a web-based platform. A master brokerage account (master account) can be established at your request for the administrative purpose of holding and transferring your assets. When liquidating positions is required for investing proceeds into a Managed Opportunities portfolio or for the purpose of transferring your assets out of the Managed Opportunities Program, the liquidating transactions can occur in the master account.

Generally, National Financial Services, Pershing or other custodians maintain custody of funds and securities. We are authorized to deduct fees directly from your accounts 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 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 us the 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 sub-advisory services in the Managed Opportunities Program. Clients establishing Managed Opportunities Program accounts receive a copy of Envestnet's Disclosure Brochure in addition to our firm's Disclosure Brochure. Generally, SAI processes all transactions in Managed Opportunities Program accounts. SAA and Envestnet are separate, non-affiliated entities.

To establish Managed Opportunities Program accounts, you must provide relevant information requested by us in the New Account Application and Investment Policy Profile. This information assists your representative in determining the suitability of the Managed Opportunities Program accounts and in establishing appropriate investment objectives. We may reasonably request other supporting documents and financial information. A Managed Opportunities Program 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 the management of your account. SAA and your representative provide services through the Managed Opportunities Program based solely upon information supplied by you.

For information about the investment strategies employed in a Managed Opportunities Program Portfolio, please refer to the section titled "Methods of Analysis, Investment Strategies and Risk of Loss."

## Description of Managed Opportunities Program Investment Strategy Options

### *Mutual Fund 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 Mutual Fund Portfolios are described in your Managed Opportunities Program Investment Strategy Summary.

### *Separate 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 Separate Account Portfolios are described in your Managed Opportunities Program Investment Strategy Summary.

### *Unified Managed Account Portfolios*

Sub-advisors provide us with access to Unified Managed Account Portfolios. These portfolios combine specialized institutional asset class managers, mutual funds and/or exchange traded funds, and SAA serves as the overlay manager to manage separate account positions in a comprehensive asset allocation portfolio of securities in a single brokerage account. Your initial Unified Managed Account Program Portfolios are described on your Managed Opportunities Program Investment Strategy Summary.

### *Advisor Directed Portfolios*

Advisor Directed 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 Advisor Directed Portfolios are described on your Managed Opportunities Program Investment Strategy Summary.

We have also entered into agreements with insurance companies that allow for the management and valuation of your variable annuity accounts within the Managed Opportunities Program Advisor Directed Portfolios. The insurance company custodians maintain custody of all variable annuity accounts.

### *Managed Opportunities Program Miscellaneous*

Your representative can choose to "bundle" related Managed Opportunities Program accounts to achieve a break on management fees as long as the related program accounts have an identical fee schedule.

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 in all advisory programs.

## Termination of Programs

### Financial Advisors and Managed Opportunities Programs

The client agreement can be terminated by any of the parties by providing notice to the other parties and termination is effective upon receipt of the termination notice. In addition, closing the account will cause the client agreement to



be terminated. However, if you elect to administratively reopen a closed account within 30 days of closing, the client agreement will remain 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 provide a written request that the securities and funds in your account be liquidated; SAA will have a period of 72 hours from receiving notice to begin that liquidation. If the account is liquidated, all proceeds are payable to you once all transactions are settled. Subsequent transactions in a liquidated or closed account are subject to SAI's normal brokerage rates. In the FAP Program, SAA reserves the right to charge up to \$50 to close an account except for clients in any state prohibiting an account closing fee. The custodian used can also charge an account closing fee. Please refer to your new account form for details.

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

#### Retirement Plan Advisory Program Description

Through the Retirement Plan Advisory Program, representatives can provide qualified retirement plans with investment advisory services that can be 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 sole 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 advisor.

Under a Retirement Plan Advisory agreement, the plan sponsor authorizes and engages SAA and the representative to provide services to the plan through representatives. When providing services, SAA and its representative may rely on information provided by independent third parties whom are believed to be reliable but which they have no obligation to independently verify. The named fiduciary acknowledges that SAA and the representative may 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 may 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 may:
- Recommend 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. However, the representative may train committee members regarding fiduciary duties and help coordinate regular meetings.
  - Update the named fiduciary about current and proposed legislative initiatives.
  - Provide fiduciary training as needed (upon request).

- Help with updates to existing procedures, provide recommendations regarding plan operation, documentation and establishing an audit file.
  - Help 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 may meet with the named fiduciary and conduct a periodic review of fees and costs charged to the plan by other service providers.
- (c) Make recommendations regarding the plan's investment policy statement (IPS). Along with the named fiduciary, your representative may review the investment objectives, risk tolerance and goals of the plan. If the plan does not have an IPS, the representative may recommend investment policies to assist the named fiduciary in establishing an appropriate IPS. If the plan has an existing IPS, the representative may review it for consistency with the plan's objectives; if it does not represent the objectives, the representative may recommend revisions to establish investment policies consistent with plan objectives.
- (d) Make recommendations regarding investment options and/or investment managers. The representative may provide the following services:
- Based on the IPS or other established investment guidelines, the representative may review investment options available and make 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 may provide periodic reports, information and recommendations designed to assist in monitoring plan investments. If an investment must be removed due to IPS criteria, the representative may provide information and analyses to evaluate replacement investment alternatives for model portfolios. Upon reasonable request, the representative may also make recommendations to rebalance the model portfolios in order to maintain their desired allocations.
  - Based on the IPS or other established guidelines, the representative may review potential investment managers and make recommendations for selecting one or more managers for the plan. Once the named fiduciary approves the investment manager, the representative may periodically provide reports, information and recommendations to assist in monitoring the managers. If a manager must be removed due to IPS criteria, the representative may provide information and analyses to evaluate replacement investment managers.

## II. *Discretionary Advisory Services*

Discretionary Investment Manager. The plan trustee may appoint SAA and the representative as an "investment manager." To the extent SAA and the 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). Advisor and the 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 the representative will 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. The advisor and the representative will communicate their decisions to the named fiduciary on a reasonable basis.

## Non-Fiduciary Services

Participant Education and Communication. Your representative may provide 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 can include:

- 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 can include 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.

Additionally, participant education can extend 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.

The fees charged for providing services under the Retirement Plans Advisory agreement are disclosed in the agreement, as is other compensation that will be received by SAA and your representative or their affiliates in connection with providing services to your plan or any other charges (e.g., transaction fee charges) that will apply to plan accounts.

## Termination of Program

Services can be terminated by the plan's named fiduciary without penalty within 5 days of executing the client agreement. After that, the client agreement can be terminated by the advisor or the named fiduciary at any time with 60 days' prior written notice. Upon termination, you will receive a final billing statement for any unbilled work performed prior to termination, and the named fiduciary will have 30 days from receiving the statement to deliver payment. Assigning the client agreement to a different representative will not terminate the agreement.

## Participant Retirement Program Description

Participants in an employer sponsored retirement plan ("Plan") will retain SAA and its representatives (collectively, "advisor" or "us") to provide investment advisory services with respect to your tax-exempt retirement plan account assets custodied and maintained through the Participant Retirement Program.

Under the Participant Retirement Program, you elect to have 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") managed by SAA. Through its representatives, SAA provides advice with respect to Plan Assets in your account only, including additions, substitutions and proceeds, but is not responsible for the actions or non-actions of predecessor investment advisors, managing any assets other than the Plan Assets allocated to the 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 of the 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 will cause the agreement to be terminated. Termination is effective upon receipt of 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 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

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 the section titled "Custody" for more information.

## Retirement Opportunities Program Description

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

## Other Investment Advisory Programs

Your representative can also enter into investment advisory agreements with you to provide investment management services outside of our Financial Advisors Program, Lockwood Programs, Managed Opportunities Program, Retirement Plan Advisory Program and Participant Retirement Program. You can grant your representative written authority to manage assets on a limited discretionary basis to buy and sell securities and investments according to your stated investment objectives.

SAA, SAI and your representative do not act as a custodian for your account. An outside custodian maintains custody of all funds and securities. We are authorized to deduct fees directly from your accounts 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 the section titled "Custody" for more information.

For information about the investment strategies employed in these investment advisory programs, please refer to the section titled "Methods of Analysis, Investment Strategies and Risk of Loss."

## **Types of Services Offered – Non-Investment Supervisory Services (Financial Planning and Other Investment Management Services)**

We provide a range of services that do not involve providing continuous advice to you. Examples include financial planning services and other investment advisory services offered through the Independent Managed Assets Program. These services are described in greater detail below:

### **Financial Planning and Financial Planning Consultations**

SAA and your representative will offer advice through the presentation of financial plans. Clients using these services receive a written financial plan providing them with a financial blueprint designed to achieve their stated financial goals and objectives. Financial plans can be comprehensive or can focus only on specific areas of concern to you. In general, a financial plan can address any or all of the following areas of concern:

- Personal: Family records, budgeting, personal liability, estate information, divorce planning, college planning and financial goals analysis.
- Tax & Cash Flow: Income tax and spending analysis and planning for past, current and future years.
- Death & Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- Retirement: Analysis of current strategies and investment plans to help you achieve your retirement goals. Retirement planning could include the review of qualified and non-qualified retirement plans and strategies.
- Investments: Analysis of investment alternatives, asset allocation strategies and their effects on your portfolio.
- Life Insurance: Analysis of current and future insurance needs.

- College Planning: Analysis of your college funding and planning situations along with recommendations of academic and financial strategies to increase your cash flow, which can be used to reduce college expenses and help maintain your retirement goals.

SAA and your representative can also provide financial planning consultation services on specific areas of concern to you. These services can also include retirement plan consulting services provided to a plan sponsor or to individuals wanting advice on how their plan investments should be allocated. Additionally, SAA and your representative can 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 will need to contract with SAA and your representative for one or more of the management services described in this document. Or you can use your representative in his or her separate capacity as a registered representative to establish a brokerage account and implement transactions in this separate capacity. A conflict can exist between the interests of SAA or your representative and your interests if you choose to buy product(s) through your representative in his or her capacity as an SAI registered representative where the representative can receive a commission on the product(s) sold in addition to the fees charged for financial planning and financial planning consultations. Your representative can recommend investments to you in which you will pay management fees and/or broker/dealer commissions if our broker/dealer affiliate processes the transaction. You are under no obligation to act upon SAA's or your representative's recommendations. If you elect to act on any of the recommendations, you are under no obligation to effect transactions through SAA or our broker/dealer affiliate. Your representative can recommend investments to you in which you will pay management fees and/or broker/dealer commissions if our broker/dealer affiliate processes the transaction.

When providing financial planning and financial planning consultation services, your representative gathers information through interviews concerning your current financial status, future goals, attitude towards risk and time horizon. You may be required to complete a questionnaire and provide additional documentation as requested by SAA or your representative. Depending on the level of services you purchase, your representative may prepare a written report. Implementing any recommendation may require you to work closely with your attorney, accountant and/or insurance agent. Implementation is entirely at your discretion. Your representative can also provide advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, college planning and insurance and/or annuity advice.

Some states will preclude your representative and SAA from receiving a financial planning fee for services customarily associated with the solicitation of insurance sales or the servicing of an insurance contract. Other states will 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.

### **Independent Managed Assets Program Description (Other Investment Management Services)**

Within the Independent Managed Assets Program, our firm has approved a group of money managers that are registered as investment advisors and who sponsor turn-key wrap programs offering advisory services including asset allocation, market timing and portfolio management. One or more of these money managers will be affiliated entities of SAA. Your representative enters into an agreement with a third-party investment advisor (i.e., money manager) for which your representative acts as a solicitor. Your representative refers the services of the recommended money manager and the sponsor of turn-key wrap programs or firms offering third-party money manager services on a consulting basis. The third-party investment advisor manages your accounts in accordance with the disclosures in their own disclosure documents. Most third-party investment advisors assume discretionary authority over your account. SAA and your representative do not manage or obtain discretionary authority over the assets in accounts participating in these programs. Your representative assists you with the selection of a

recommended money manager or turn-key wrap program based upon your individual needs. You would then execute an agreement directly with the outside money managers or program sponsors providing the recommended programs/services. Each third-party investment advisor maintains its own separate execution, clearing and custodial relationships. The third-party investment advisor will have differing minimum account requirements and a variety of fee ranges.

SAA, SAI and your representative do not act as a custodian for your account held with a third-party money manager. Generally, an outside custodian maintains custody of all funds and securities. Typically, as part of the investment advisory agreement you sign, you authorize the third-party investment advisor to deduct fees directly from your accounts to pay for investment management services held with them.

There will be conflicts of interest that could affect the independent judgment of SAA and your representative to recommend one manager or turn-key program over another. The amount of compensation that will be received by our firm and your representative from a particular money manager or turn-key program sponsor will be higher than the compensation that would be received from another manager or program. This will result in your representative having a financial incentive to recommend one money manager or turn-key program over another. There may be other suitable money managers that may be more or less costly. 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 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. The third-party money manager can not necessarily manage accounts in the Independent Managed Assets 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 in all advisory programs.

### **Asset Management**

Advice can be provided on investments such as the following:

- 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

Assets in our programs are invested primarily in a low cost mutual fund and 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.

SAA and SAI conduct or can hire third-party vendors to conduct due diligence analysis of the products listed above prior to making them available to the public. SAI, on our behalf, 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. SAI, on our behalf, periodically reassesses, but does not continuously monitor, the creditworthiness or financial solvency of third-party issuers. 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 be advised 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**

Generally, SAA considers the Financial Advisors Program, Managed Opportunities Program, Retirement Plan Advisory Program and Participant Retirement Program to be wrap fee programs through which investment advisory services and execution of your transactions are provided for specified fees not based directly upon transactions in your account. We receive a portion of the wrap fee for the investment management services we provide. Our firm and the representatives do not manage wrap fee accounts differently from other programs. Please refer to the section titled "Fees and Compensation" for additional information regarding fees assessed in our wrap programs. Additionally, please refer to each program's wrap fee program brochure for additional information.

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

### **Fees**

Management fees charged in our programs are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds, variable annuities or any other investment that can be recommended to you. A description of these fees and expenses are available in each investment prospectus. The ongoing management fee for investment management services can cost you more than if the assets were held in a traditional brokerage account. 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 buy ongoing investment advice or management services, you should consider opening a brokerage account rather than an advisory account. Fees charged in our programs 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. The fees charged vary among our programs and our advisors.

Our firm can also invest a portion of your assets in mutual funds, exchange traded funds, variable annuities or other investments and charge a management fee on your assets invested in these securities. Therefore, you will pay two levels of fees for management of your assets, one directly to our firm and one indirectly to the managers of the mutual funds, exchange traded funds, variable annuities or other investments held in your portfolios. In addition, your representative can 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 may be bought directly through the mutual fund company or variable annuity company. Therefore, you could generally avoid the second layer of fees by making your own decisions regarding the mutual fund, exchange traded fund or 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 unit investment trusts (UITs) and variable annuities that were subject to an up-front load or sales charge and sold by an SAI representative at the time of purchase. Any variable



annuity that had an asset-based advisory fee prior to June 9, 2017, may continue to be charged. Variable annuities that were purchased with an advisory share class (e.g., I shares) may 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 registered representative of SAI and then transferred it to an advisory account. 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 will be subject to an asset-based advisory fee.

Representatives will receive either an advisory fee or a commission, but not both. If an adviser received an upfront commission, or is receiving ongoing trail commissions or 12b-1 fees, the advisor may not charge an additional advisory fee except as described above for variable annuities.

In addition, advisors using third-party money managers for funds held directly with the product sponsor may not receive an additional solicitor's fee if they received an upfront commission, ongoing trails or 12b-1 fees.

Representatives may 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.

Representatives may need to move products on which they previously received a commission to a fee-based advisory account. Mutual funds moved from a commission account to a fee-based advisory account will be converted to a lower-cost share class. 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 ETFs) but will have a look-back period, and recently received commissions will be reimbursed to the client. Any systematic process of selling a commission-based product and then shortly thereafter converting it to a fee-based advisory account will not be allowed.

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.

SAA representatives will either absorb commissions, transaction charges and other fees (in other words, the representative pays the commissions, transaction charges or other fees) or the commissions, transaction charges and other fees will be in addition to the investment management fee (in other words, you pay these commissions, transaction charges or other fees). However, commissions, transaction fees and other fees that are 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.

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

If your representative recommends a product previously purchased in a commission-based account be transferred into an advisory account, the recommendation can be deemed to be a conflict of interest. We manage this conflict through written disclosure to you and by imposing reasonable controls designed to monitor for this activity.

SAA and your representative do not retain 12b-1 fees paid by funds for either qualified or non-qualified accounts. SAA has implemented a policy by which IARs are required to complete all new purchases of mutual funds in advisory accounts at the lowest available share class. 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.

### **Fees for the Financial Advisor Program**

We charge an annual management fee for investment management services through Financial Advisors Program accounts. Your representative negotiates fees with you based on the complexity of your financial situation and the services that are provided, the experience and standard fees charged by your representative and the nature and total dollar asset value of the assets maintained in your account. The maximum annualized management fee that can be charged to you for these programs by the advisor or representative is 3%. The exact fee or fee schedule charged to you is disclosed to you prior to services being provided. Your representative can choose to "bundle" related Financial Advisors Program accounts to achieve a break on management fees. Account bundling can be done only on accounts within the same program, 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 for all of the 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 Financial Advisors Program 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. In such cases, the management fee is noted as zero on your brokerage statements.

For the Financial Advisors Program, SAA retains up to 25 basis points (.25%) of the representative's annualized management fee as compensation for providing administrative and support services. SAA and the representative will then split the balance of the annualized management fee by a predetermined payout schedule. Account bundling does not reduce our administrative fee; each account is priced separately for purposes of our administrative fee. Representatives can receive a reduced administrative and support services fee based on total assets under management placed in the Financial Advisors Program, therefore creating a potential conflict of interest. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

You can also be assessed ticket charges on account transactions and other miscellaneous charges by SAI, National Financial Services 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 or exchange traded funds.

### Management fees for Financial Advisors Program Accounts Held at National Financial Services

Management fees for Financial Advisors Program accounts held at National Financial Services are billed in advance with the exception of the initial fee. If the account is billed monthly, the initial fee is billed in arrears, 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, 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.

Fees are calculated at the beginning of each calendar billing period (monthly or quarterly) based on the average daily balance of the Financial Advisors Program account assets under management for the previous period. The market value of variable annuity accounts included in the management portfolio is included in the calculation of management

fees. SAA might not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In limited 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. The average daily balance does not take into account unpriced securities or any days when Financial Advisors Program accounts have a zero balance. When required, National Financial Services sends you a brokerage account statement at the beginning of each billing period that includes a management fee notification. The management fee notification shows the average daily balance, how the fee was calculated, any adjustment to the fee and an explanation of any adjustment, and the net fee to be deducted later in the period from your core account investment vehicle within the account. You can also be assessed ticket charges on account transactions and other miscellaneous charges by SAI, National Financial Services 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 fee may be a flat fee, 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

#### Management Fees for Financial Advisors Program Accounts Held at Pershing

Management fees for Financial Advisors Program accounts that are held at Pershing are billed in advance with the exception of the initial fee. If the account is billed monthly, the initial fee is billed in arrears, prorated based on the number of days services were provided during the first billing period. The 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, prorated based on the number of days services were provided during the partial billing period. The initial fee is billed at the same time the first full period fee is billed in advance.

Management fees for Financial Advisors Program accounts held at Pershing are calculated at the beginning of each calendar billing period (monthly or quarterly) based on the value of account assets under management as of the close of business on the last business day of the preceding period as valued by an independent pricing service, where available, or by Pershing in good faith, based on Pershing's books and records. The market value of variable annuity accounts included in the management portfolio is included in the calculation of Financial Advisors Program management fees. We might not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In limited 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. When required, Pershing sends you a management fee notification prior to fees being deducted from your account. The management fee notification shows the period ending balance, how the fee was calculated, any adjustment to the fee and an explanation of any adjustment, and the net fee to be deducted later in the period from your core account investment vehicle within the account. You can also be assessed ticket charges on account transactions and other miscellaneous charges by SAI 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 fee may be 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 in the Managed Opportunities Program Portfolios

You pay an annual management fee based on a percentage of assets under management for all Managed Opportunities Program accounts. Your representative negotiates fees with you based on the complexity of your financial situation and the services that will be provided, the experience and standard fees charged by the representative providing the services and the nature and total dollar asset value of the assets maintained in your account. The maximum annualized management fee that can be charged to you is 3%. The exact fee or fee schedule will be disclosed to you prior to services being provided. The representative is paid a portion of the management fee for solicitations/referrals to Mutual Fund Portfolios, Separate Account Portfolios and Unified Managed Account Portfolios.

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 a threshold amount (as such amount is determined from time to time by SAA or SAI), 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.

In the Unified Managed Account Portfolios program, accounts are subject to an annual minimum account fee. The annual minimum account fee depends on the specific Unified Managed Account Program selected by you and is disclosed on the Managed Opportunities client fee schedule. Imposing an annual minimum account fee on smaller accounts can result in an annual management fee greater than the stated maximum percentage.

We retain a portion of the representative's annualized management fee for management, administrative and support services we provide. We pay the balance of the annualized management fee to the representative. We charge the representative a minimum administrative fee of \$10 per month for all portfolios except for the Separate Account Portfolios, which is \$20. Sub-advisors are compensated by us from our portion of the fees. The fees paid to our firm are disclosed in the Managed Opportunities Program Investment Strategy Summary provided to you as part of the client agreement. Representatives can receive a reduced administrative and support services fee based on total assets under management placed in the Managed Opportunities program, therefore creating a potential conflict of interest. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

For Advisor Directed Portfolios, you can also be assessed ticket charges on account transactions and other miscellaneous charges by SAI, National Financial Services or Pershing on account transactions. Account assets can also be subject to additional fees and expenses as explained in the prospectus for mutual funds or exchange traded funds.

### Management fees for Managed Opportunities Program Accounts Held at National Financial Services

Management fees are calculated monthly at the beginning of each month based on either the average daily balance (ADB) or the period ending balance (PEB) of client's account assets under management for the previous month. 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 month. This initial fee is billed at the same time the first full month's fee is billed in advance. For all Managed Opportunities Program portfolios, except the Unified Managed Accounts program, management fees are calculated at the beginning of each month based on the ADB of your account assets under management for the previous period. The ADB does not take into account unpriced securities held in the account or days when an account has a zero balance.

For the Unified Managed Accounts program, management fees are calculated at the beginning of the month based on the PEB balance of your account assets under management for the previous month. Fee calculations are based solely on the PEB and do not take into consideration any day(s) in the month where the account has a zero balance. In addition, any unpriced securities held in the account are not included in the account's billable value.

You provide us with written authorization to have management fees automatically deducted from your accounts. On an exception basis, you can have your management fees paid from other accounts or have us bill you directly by invoice. In such cases, the management fee is noted as zero on your account statements. At no time will SAA or SAI act as custodian of your accounts or have direct access to your funds and/or securities. When required, SAA or the account custodian sends you a management fee notification at the beginning of each billing period. The management fee notification can be included on your brokerage account statements. The management fee notification shows the average daily balance computed fee, any adjustment to the fee, an explanation of the adjustment and the net fee to be deducted later in the billing period from your core account investment vehicle. Sub-advisors will maintain cash in the core account investment vehicle which you select in order to pay for management fees and other charges and fees. All fees and charges are noted on your statements.

Variable annuity policies can be linked to Managed Opportunities Advisor Directed 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 Managed Opportunities Advisor Directed Program Portfolios, the market value of variable annuity accounts included in the management portfolio can be included in the calculation of the management fees. We might not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In some circumstances, when ADB is utilized, 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 balanced compared to management fees when the pricing is based on the average daily balance.

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 (CDSC) 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 Program accounts. You are subject to a \$200 transfer charge if, within 12 months of the establishing a Managed Opportunities Program portfolio, you direct us to transfer the assets of that portfolio to another Managed Opportunities Program portfolio.

The fee is 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.

#### Management fees for Managed Opportunities Program Accounts Held at Pershing

Management fees for Managed Opportunities Program accounts that are held at Pershing are calculated monthly at the beginning of each month based on the value of account assets under management as of the close of business on the last business day of the preceding month as valued by an independent pricing service, where available, or by Pershing in good faith, based on Pershing's books and records. 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 month. This initial fee is billed at the same time the first full month's fee is billed in advance. Fee calculations are based solely on the PEB and do not take into consideration any day(s) in the month where the account has a zero balance. In addition, any unpriced securities held in the account are not included in the account's billable value.

You provide us with written authorization to have management fees automatically deducted from your accounts. On an exception basis, you can have your management fees paid from other accounts or have us bill you directly by invoice. In such cases, the management fee is noted as zero on your account statements. At no time will SAA or SAI act as custodian of your accounts or have direct access to your funds and/or securities. When required, Pershing sends you a management fee notification prior to fees being deducted from your account. The management fee notification shows the period ending balance, how the fee was calculated, any adjustment to the fee and an explanation of the adjustment, and the net fee to be deducted later in the billing period from your core account investment vehicle. Sub-advisors will maintain cash in the core account investment vehicle which you select in order to pay for management fees and other charges and fees. You can also be assessed ticket charges on account

transactions and other miscellaneous charges by SAI 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. All fees and charges are noted on your statements.

Variable annuity policies can be linked to Managed Opportunities Advisor Directed 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 Managed Opportunities Advisor Directed Program Portfolios, the market value of variable annuity accounts included in the management portfolio can be included in the calculation of the management fees. We might not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In limited 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.

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 (CDSC) 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 Program accounts. You are subject to a \$200 transfer charge if, within 12 months of the establishing a Managed Opportunities Program portfolio, you direct us to transfer the assets of that portfolio to another Managed Opportunities Program portfolio.

The fee is 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 in the Lockwood Programs**

The maximum annualized management fee that can be 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 may 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 may be subject to 12b-1 fees to offset distribution expenses as described in the prospectuses of those funds. These amounts may be paid by the investment companies, but the fees are ultimately borne by the client. If and to the extent that the assets in an account are invested in investment companies such as mutual funds or exchange traded funds, client may indirectly pay duplicate advisory and other fees in connection with such investments. 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 that 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 may be 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 Retirement Plan Advisory Program**

Fees in the Retirement Plan Advisory Program can be paid as an asset based fee (or level commissions in lieu thereof) or flat fee paid on a set schedule provided to your advisory account. Details of the compensation calculation and payment methods are disclosed in the investment product prospectus and/or contract, fee schedule and/or client agreement executed when the account is established. Your representative can provide copies of these documents and additional specific details.

Management fees are calculated by the plan sponsor on our behalf. Management fees can be calculated in arrears based on the previous period ending balance or in advance based on the value at the end of the period. SAA or your representative can provide an invoice to the plan sponsor within 10 business days following the end of the calendar billing period or the plan sponsor can authorize SAA, your representative, the investment provider or other third party to authorize the payment of management fees to SAA. Actual payment for investment management services provided will be outlined in the Retirement Plan Advisory Program agreement. . All fees will either be deducted from the plan's account or paid by the named fiduciary or plan within 30 days of receiving the billing notice. Any fees remaining unpaid for 30 days after receipt of notice can be charged to the plan.

In addition to the fees for services provided under the Retirement Plan Advisory Program, plan assets invested in products (i.e., mutual funds, group variable annuities and/or other retirement plan investment vehicles) bear the operating expenses of and cost of investing in those products, which may include sales charges or redemption fees. Those expenses are detailed in the product's prospectus, contract or related disclosure document. If the plan incurs such fees or costs as a result 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 in accordance with the conditions set forth in the investment product's prospectus, contract or related disclosure documents. The named fiduciary also acknowledges that the plan may 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 recordkeeper. 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 can have its management fees paid from other accounts or have us bill the plan directly by invoice. In such cases, the management fee is noted as zero on the plan's custodial account statements.

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

You pay management fees to SAA and your representative in accordance with the provisions of a client fee schedule. The maximum annual management fee charged to you is 3%. The fee can be 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 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. Management fees must be paid directly from your account only, and your account is solely liable for such fees.

SAA retains up to 25 basis points (.25%) of the annual fee charged to your account for the administrative and support services we provide. Although not required, we can bundle your 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 can be done on 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 of the 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 ADB or the PEB 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, with the exception of 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 its 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, at any time, a portion of the other Plan Assets to cover the charges. 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 can 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 in Other Investment Advisory Programs**

In programs outside of the Financial Advisors Program, Lockwood Programs, Managed Opportunities Program, Retirement Program and Participant Retirement Program, your representative charges an annual fee based on the value of the assets under management. The annual fee charged for these services is negotiated with you, with 3% being the maximum annualized fee that can be charged to you. 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. In some instances, your representative can choose to charge a fixed fee for management services. Fixed fees range from \$250 to \$5,000 annually and are determined by your representative based on the amount of assets under management and the complexity of the services that will be provided. Fixed fees can be charged monthly, quarterly or annually, in advance or arrears. Fees of more than \$1,200 will not be collected six or more months in advance.

The management fees charged for investment advisory services are deducted from your account by the account custodian or are billed directly to you. If fees are deducted from the account, you provide the account custodian with written authority to have fees deducted upon notice from your representative and paid to our firm. All management fees billed directly are due upon receipt of our invoice. We retain a portion of any fees charged to you. The remainder of the fees is paid to your representative. We retain up to .25% of the fees charged.



Management fees charged as a percentage of assets under management can be calculated at the beginning of each period (monthly or quarterly) based on the value of your account assets under management at the end of the previous period or management fees can be calculated at the end of each period (monthly or quarterly) based on the average daily balance (ADB) or period-ending balance (PEB). As an alternative, representatives can limit their management fee compensation to a portion of mutual fund sales loads, and variable annuity sales commissions.

### **Financial Planning Consultation Fees**

Representatives can charge an hourly fee, a fixed fee or a percentage of the assets on which the representative is providing financial planning consultation services. Hourly fees for financial planning and financial planning consultations are generally charged at a rate of up to \$750 per hour. As an alternative, a flat fee can be charged. Flat fees for financial planning and consultation services will typically range up to \$15,000. Clients contracting for ongoing financial planning and consultation services can be charged an annual, semi-annual, quarterly or monthly retainer fee. Such fee is charged as a flat fee or a percentage of assets on which the representative is providing advice. The maximum percentage charged will be 3% of the value of assets on which the consulting services are provided. Additionally, SAA and the representatives can charge a flat fee to individual attendees or sponsors for hosting financial planning seminars. Financial planning seminar fees can range from zero to \$15,000. SAA or the representatives can also be entitled to receive reimbursements from product sponsors for seminar expenses if disclosed and agreed to in advance by seminar attendees or sponsors.

The above ranges are the standard fees typically charged. In some instances fees higher than those stated 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. Representatives negotiate fees with you based on the complexity of your personal circumstances, financial situation and the services that will be provided, the scope of the engagement, your gross income, the experience and standard fees charged by the representative providing the services and the nature and total dollar asset value of the assets on which services will be provided. In addition, fees can be negotiated 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. Fees of more than \$1,200 will not be collected six or more months in advance.

Your representative can provide additional financial planning services and charge fees at his or her current hourly and fixed fee rates.

### **Independent Managed Assets Program Fees**

SAA and the representatives are compensated by the Independent Managed Assets Program money managers or turn-key wrap programs sponsors through solicitor or consulting fees. You should be aware the solicitor or consulting fees paid to SAA and the representatives differ among recommended managers and turn-key wrap programs. 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.

Fees can be negotiated 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 can be 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 the third-party investment advisor's Form ADV, the wrap fee disclosure brochure or other applicable disclosure documents such as the disclosure documents of the managers selected and the account opening documents. SAA and your representative share in a portion of the fee

charged by the third-party money manager. The shared portion varies from program to program. You can request the shared amount from us and we will provide that information to you.

In mutual fund/variable annuity programs, your representative assists you in selecting various strategies consisting of model portfolios of mutual funds and/or variable annuity sub-accounts or assists you in 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 of more than \$1,200 will not be collected six or more months in advance.

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

Your representative receives compensation as a result of your participation in our programs. Fees for investment supervisory services can 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 SAA or your representative can receive 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 can create a financial incentive for your representative. Your representative is not under any obligation to promote or use one money manager over another. You may want to consider the following factors when determining the reasonableness of the fees charged, including the following:

- 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 buy and sale of securities.
- The value of the services provided in assisting you in designing, establishing and monitoring the managed assets.
- The cost of the additional administrative, marketing, asset management and other support services that may be provided in the management of a program account.

As licensed registered representatives of SAI, your representative is able to effect securities transactions for separate and typical compensation for any client requesting such securities transaction services. Your representative may sell insurance products, in his or her separate capacity as an independent insurance agent, for sales commissions. SAI registered representatives have the discretion to determine the amount of commission charged to clients on products other than mutual funds or insurance products. As a result, your representative can receive both advisory fees and broker/dealer commissions for the sale of securities placed under SAA's management. Representatives who provide advice to you through Financial Advisors Program, Managed Opportunities Program and Retirement Plan advisory accounts generally waive their brokerage commissions from recommended securities transactions effected in these program advisory accounts. Your representative can reduce his or her advisory fee to offset the commissions or markups charged when an advisory fee is charged in addition to the commissions or mark-ups. Load mutual funds and bonds can be bought in some managed accounts on an exception basis at your direction.

Receiving compensation from a variety of sources can also be considered to be a conflict of interest. In determining the amount of commissions charged, SAI registered representatives will take into account 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 these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. You are not under any 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 may buy the same investment product from a non-affiliated broker or implement securities transactions without the services offered by the representative. In that case, you would not receive the services provided by your representative.

Financial planning clients are not under any obligation to engage representatives in their SAI registered representative capacity when considering implementing advisory recommendations. Implementing any or all recommendations is solely at your discretion. In addition, your representative, as an insurance agent or broker of various insurance companies, can buy investment products (insurance) for separate and typical compensation for any client requesting this additional service. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another insurance agent or broker/dealer. You may engage individuals from non-affiliated broker/dealers to implement the advisory recommendations. Implementing any or all recommendations is solely at your discretion. In that case, you would not receive the services provided by your representative.

In addition to the advisory fees disclosed in your advisory agreement or commissions you pay for the purchase of securities and insurance products, your representative can receive compensation, including bonuses and non-cash compensation, for selling certain securities or other investment products. Examples of non-cash compensation can include the receipt of due diligence and/or marketing allowance payments from certain sponsors. While the arrangements with each sponsor can vary, 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 can create 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 can exist for your representative if you buy certain products or services recommended by your representative. We encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

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

SAI, our affiliated broker/dealer, our employees and your representative can 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 potential conflict of interest that can give 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, and 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

Representatives may sell various investment products and insurance products offered by subsidiaries of LTFS. Representatives can make referrals for investment banking services and trust services through LTFS and/or its subsidiaries. Securities America Financial Corporation, the parent of SAI and SAA, is a wholly-owned subsidiary of LTFS and, therefore, a potential conflict of interest can exist when representatives recommend these products or services. Due to the interrelationship of these entities, conflicts of interest can arise that are not readily apparent to you. Securities America Financial Corporation, through our broker/dealer affiliate SAI and through LTFS, can engage in marketing reallowance or sponsorship arrangements with third parties, sub-advisors and brokerage firms to promote the distribution of investment products, including variable annuity and insurance products, mutual funds, managed accounts and customized portfolios. These additional engagements may not necessarily result in additional assets under management with our firm. However, 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 potential conflicts of interest with your representative.

SAI, our broker/dealer affiliate, can execute securities transactions for you on our behalf or on behalf of your representative. SAI receives various forms of revenue from our clearing firms National Financial Services 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) ticket charges, (2) margin interest charges, (3) IRA fees, (4) inactivity fees, (5) mutual fund 12b-1 trails and/or other fees. SAI can also participate in revenue sharing arrangements based on fees charged on No Transaction Funds available on the National Financial Services and Pershing platforms. Additional details are provided below:

- Transfer Charges: You can be assessed transfer charges on account transactions and other miscellaneous charges by National Financial Services 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 can provide 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.
- "Mark-ups" and "mark-downs" or "dealer spreads" that broker/dealers, including affiliates of SAA, can receive when acting as principal in certain transactions.
- 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 that can be 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. Examples include transaction charges, ticket charges or service fee/charges. When allowed by our firm or by SAI, your representative can pass these charges on to you at his or her discretion. If such charges are passed on to clients participating in the Financial Advisors Program, Managed Opportunities Program or Lockwood Program, it will be reflected on your trade confirmation as a Post/Serv Fee for National Financial Services 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 can be traded in managed accounts and are subject to normal spreads, mark-ups and mark-downs

paid to market makers of those securities. These charges can be considered by your representative when determining the amount of fees to be charged to you. For additional information about brokerage practices, please refer to the section titled "Brokerage Practices."

An outside manager recommended by our firm through Independent Managed Assets Program can use SAI, our broker/dealer affiliate, and SAI representatives to implement recommended transactions for separate compensation, provided that 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.

Representatives can receive fees for referring you to Premier Trust for trust services. Representatives can also receive fees for referring you to Ladenburg Thalmann for investment banking services or Ladenburg Thalmann Asset Management's \$ymbil Program. These fees can be paid on an ongoing basis and can continue even if your relationship with the representative and/or Securities America is terminated.

Your representative and SAA can refer you to a third party lending institution should you wish to obtain a loan using your securities as collateral. SAA can receive a fee for such a referral. This fee will not reduce your advisory management fee. Additionally, similar securities-based loans can be 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.

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. Your representative can recommend certain bond trade transactions on a discretionary or non-discretionary basis using the Ladenburg Thalmann Fixed Income desk. In these instances, our affiliate, Ladenburg Thalmann & Co., Inc. (LTCO) executes a transaction for a security traded in the dealer markets; LTCO will either execute the transaction as agent through a dealer unaffiliated with LTCO or as principal in accordance with applicable law. Those accounts covered under *ERISA* are exempt from principal transactions. Clients in our advisory program may not pay commissions or separate transaction charges to LTCO in connection with these transactions; however, the client will bear the cost (including any mark-up, mark-down, and/or spread) imposed by the dealer as part of the price of the security. Thus, the dealer will receive compensation in connection with most principal trades. SAA has a conflict of interest in using LTCO to execute principal transactions because LTCO will receive compensation in connection with the trade as dealer, which is in addition to the advisory program fee. For more information about how this conflict of interest is addressed, see the "Policy Regarding Engaging in Principal Trading Involving Advisory Accounts" section below.

Clients can purchase securities through broker/dealers in initial public offerings, secondary offerings and special purpose acquisition company transactions. An affiliate of our firm can act as an underwriter or manager for such offerings, and as such, will receive compensation equal to either all or a portion of "gross spread" (the difference between the price the client pays for the security and the price at which it purchased the securities). Our firm can also receive a portion of the gross spread as a member of the syndicate offering. The advisory fee is not reduced to offset this compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement.

Our firm can share a portion of payments received from a mutual fund or in connection with an initial public offering, a secondary offering and/or a private placement with your representative. This conflict of interest is heightened when your representative recommends securities where our firm is a member of the syndicate offering because your representative typically receives more compensation in connection with these securities than in connection with other types of securities. Your representative can also have a heightened conflict of interest when recommending funds that pay compensation because your representative can receive a portion of that compensation. Your representative

can favor certain clients when offering initial public offerings, secondary offerings and other follow-on offerings. Trade allocation will be determined on a basis that is fair, reasonable and equitable to those selected clients and that meets the clients' investment objectives. Factors such as the size of the account and the account's investment objectives can be taken into account when allocating investments. When an order is only partially filled, the security will be allocated to accounts pro-rata to the allocation of the original order quantities. Commission and transaction costs will be allocated to each account pro-rata.

With respect to initial public offerings, secondary offerings and other follow-on offerings, an allocation pro-rata to the original order quantity will be applied where demand exceeds supply. Where it is not possible to apply this policy in any particular trade, efforts will be made to allocate the next investment opportunities so that clients participating in the offerings over time, irrespective of account size, receive equitable treatment in the filling of orders.

### **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 which can be incurred in your account, SAI reserves the right to charge you interest on such debits until satisfied by you.

Cash accounts with debit balances can be 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 National Financial or Pershing. For cash accounts carried by National Financial Services 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**

Our representatives also provide services to clients' retirement accounts, such as individual retirement accounts (IRAs) and retirement plans. Our services to IRA clients include those described above. Please note: a client leaving an employer typically has four options (and may 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)

Our representatives may recommend an investor roll over plan assets to an IRA which our representative would manage. As a result, we may 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, will generally result 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 may have an economic incentive to encourage an investor to roll plan assets into an IRA that we will 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 may 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 will most likely result in more expenses and charges than if the assets were to remain in the plan.

Please speak to your representative to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

#### **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) Banks or thrift institutions;
- (3) Pension and profit sharing plans;
- (4) Trusts, estates or charitable organizations;
- (5) Corporations or business entities; and
- (6) State and municipal governmental entities.

Minimums to establish and maintain an account are listed below. Exceptions can be granted at the discretion of our firm or your representative.

- \$25,000 for Financial Advisors Program
- \$50,000 for Managed Opportunities Mutual Fund Portfolios
- \$100,000 for Managed Opportunities Separate Account Portfolios
- \$150,000 for Managed Opportunities Unified Managed Account Portfolios
- \$50,000 for Managed Opportunities Advisor Directed Account Portfolios
- \$1,000,000 for Retirement Plan Advisory Programs

There is no minimum requirement for the Participant Retirement Program. Minimum account sizes for Independent Managed Assets Program are determined by each participating money manager and turn-key wrap program. Minimums for each program are negotiable.

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

### **Methods of Analysis**

Security analysis methods can include (1) charting, (2) fundamental analysis, (3) technical analysis and (4) cyclical analysis.

The 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 Securities and Exchange Commission 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 the section titled "Other Financial Industry Activities and Affiliations" for more information about our affiliates.

Strategies include (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 also employed in SAA programs. 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.

### **Investment Strategies**

Various investment strategies can be employed in our programs. However, a specific investment strategy or investment policy is determined for you to focus on your specific financial situation, goals and stated investment objectives (i.e., current income, balanced, growth and income, growth and maximum growth). Investment strategies and philosophies used within our managed programs vary based on the advice provided by your representative. Models and strategies used by one representative can be different than 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 equities, mutual funds, options, fixed income and other types of investments listed elsewhere in this Brochure. Your representative can develop models or strategies that are generally applied to their clients while other representatives will develop individualized portfolios for each client.

Our programs employ strategic and tactical asset allocation model portfolios. 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 assets.

In the Financial Advisors Program, Managed Opportunities Advisor Directed Portfolios, Participant Retirement Program, Lockwood Program, Retirement Plan advisory accounts and other SAA investment advisory programs, the account investment management is determined by the stated investment objectives of the client (i.e., current income, balanced, growth and income, growth and maximum growth). Your representative is responsible for developing and determining the investment strategies that will be used when managing your accounts. This strategy is based on your individual financial situation, goals and objectives. Your representative is responsible for monitoring your portfolios and, when appropriate, reallocating the portfolios based on changing market conditions, changes in your



individual circumstances or other factors. If the account is managed on a non-discretionary basis, your representative will consult you prior to reallocating securities in the account. Reallocations are implemented in discretionary accounts without prior notice to clients.

In the Managed Opportunities Program - Mutual Fund Account Portfolios, Separate Account Portfolios and Unified Managed Account Portfolios, multiple investment strategies can be used in the management of 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 associated with the Mutual Fund Account Portfolios, Separate Account Portfolios and Unified Managed Account Portfolios without prior notice to you.

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 the management of 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 model portfolio would be appropriate to your new situation. You can also directly contact the third-party advisor managing the account. Subsequent changes to the initial portfolio(s), as directed by you, will be reflected in a verification update letter which will be provided to you. Such 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 that capital gains or losses may be realized 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. You should 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 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 the operation of the firm's order execution systems and procedures. Under certain conditions, you may 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 can 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 commission expenses. Tax consequences can be affected due to shorter-term purchases and sells. You may want to consult your tax professional for advice. Your portfolio may tend to 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, particularly over shorter time periods, that depend highly on trends in the various investments 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 guarantee 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 may lose value. All investment programs have certain risks that are borne by you. Our investment approach constantly keeps the risk of loss in mind. You face the following investment risks:

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

You should understand 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 of its services to be 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 of our affiliated entities may use or the success of our overall management. You should understand that 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 may 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**

SAA has no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity. In the normal course of business, our parent company, Securities America Financial Corporation, and some of its subsidiaries are involved in legal, regulatory and arbitration proceedings, including class actions, concerning matters arising in connection with the conduct of its activities.

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

### **Financial Industry Activities**

SAA conducts activities with some affiliates who are "related persons" as defined in the SEC's Form ADV Instructions. These activities can be material to our investment advisory business or our advisory clients. These affiliates include companies under common control with us by virtue of their status as subsidiaries of Securities America Financial Corporation. SAA and SAI are wholly-owned subsidiaries of Securities America Financial Corporation. APA, another investment advisor firm, is a majority-owned subsidiary of Securities America Financial Corporation. APA is registered with the SEC, under common control with SAA and shares a principal office and place of business with SAA. Although our services are similar to those provided by APA, our investment advisor representatives do not provide advisory services for APA or utilize the programs sponsored by APA.

Securities America Financial Corporation is a wholly-owned subsidiary of LTFS. LTFS provides financial products and services through subsidiaries and has several other subsidiaries registered as investment advisors, broker/dealers, an investment company, a trust company and insurance companies or agencies.

Other companies owned by LTFS and thus affiliated with SAA are:

Ladenburg Thalmann Asset Management (LTAM)	100% owned by LTFS
Ladenburg Thalmann Fund Management, LLC (LTFM)	50% owned by LTFS
Ladenburg Thalmann & Co., Inc. (LTCO)	100% owned by LTFS
Ladenburg Capital Agency Inc.	100% owned by LTFS
Triad Advisors, Inc.	100% owned by LTFS
Triad Hybrid Solutions, LLC	100% owned by LTFS
Highland Capital Brokerage	100% owned by LTFS
Investacorp, Inc.	100% owned by LTFS
Investacorp Advisory Services	100% owned by LTFS

SSN Advisory, Inc.	100% owned by LTFS
Premier Trust, Inc.	100% owned by LTFS
KMS Financial Services, Inc.	100% owned by LTFS
Securities Services Network, Inc.	100% owned by LTFS

LTAM, Investacorp Advisory Services, Inc., Triad Hybrid Solutions,, LLC, Triad Advisors, Inc, KMS Financial Services, Inc. and SSN Advisory, Inc. are SEC registered investment advisors and are wholly owned subsidiaries of LTFS. LTAM owns 50% of Ladenburg Thalmann Fund Management, LLC (LTFM), which is a registered investment advisor. We are also affiliated with LTCO, Investacorp, Inc., Triad Advisors, Inc., KMS Financial Services, Inc. and Securities Services Network, Inc., which are registered full service broker/dealers.

Due to the interrelationship of these entities, conflicts of interest can arise that are not readily apparent to the client. In the course of its business operations, Securities America Financial Corporation, through SAI, SAA, APA and LTFS, can engage in marketing reallowance or sponsorship arrangements with third parties, sub-advisors and brokerage firms to promote the distribution of investment products, including variable annuity and insurance products, mutual funds, managed accounts and customized portfolios. These additional engagements have the potential to, but may not necessarily, result in additional assets under management with our firm. Therefore, a potential conflict of interest can exist when representatives recommend these products, as LTFS 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. Please refer to the section titled "Compensation for the Sale of Securities or Other Investment Products" for more information.

LTFS is a publically traded company with a substantial interest, both financial and with respect to its reputation, in assuring new and/or additional shares of their securities are being purchased, and our investment advisor representatives can recommend LTFS securities on a non-discretionary basis. We can have an incentive to recommend investment in these offerings because of our affiliation with LTFS rather than investment based on a client's needs. To address this conflict, we have policies and procedures in place to make sure LTFS securities are recommended only to clients for whom they are suitable given the client's investment objectives and assets.

Furthermore, because of our affiliation with LTFS, clients might infer a recommendation is being made based on private information known to our investment advisor representative because of the affiliation. Representatives generally do not have access to material non-public information concerning LTFS or their securities. Any recommendation based on such material non-public information would be considered insider trading and a violation of industry regulations. Should representatives become aware of such information they are prohibited from using it in any way. Clients should understand any recommendation to purchase LTFS securities must be based solely on the client's financial needs.

Your representative can recommend Premier Trust to provide trust and administrative services. Premier Trust provides full disclosure with respect to its trust and administrative services and related costs.

Our Managed Opportunities Mutual Fund Asset Allocation Account Portfolios and Separate Account Portfolios are developed by third-party money managers that are registered investment advisors (collectively referred to as sub-advisors). One or more of these sub-advisors will be affiliated entities of SAA.

The principal executive officers, other employees and representatives can be separately licensed as registered representatives and registered principals of SAI and/or agents or brokers of various insurance companies. As such, these individuals are able to effect securities transactions and can receive separate yet customary compensation for effecting any securities transactions. These individuals can spend the majority of their time involved in all or a portion of these activities.

The majority of SAA's representatives are independent contractors and not employees of SAA or SAI. Some representatives can be employees of SAA or our affiliated broker/dealer. Representatives may own, operate, be employed by or otherwise maintain affiliations with other business entities such as insurance agencies, law firms, real estate or mortgage companies, financial planning firms, investment advisors and/or accounting firms. Many of these representatives market their services under a different marketing name and/or as an outside business activity.

Your representative can use marketing names or other names that are held out to the public. Such names are known as "doing business as" names. The purpose for using a name other than Securities America is for your representative to create a brand or marketing name that is specific to your representative and/or branch but separate from Securities America. While we allow your representative to use a name other than Securities America, your representative must disclose on advertising and correspondence that securities are offered through Securities America, Inc., and advisory services are offered through Securities America Advisors, Inc.

Certain representatives of 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 affiliated subsidiaries. Advisory services and recommendations provided under agreement with an independent investment advisor is solely the responsibility of the independent investment advisor, not SAI. The independent investment advisor firms market these services under a different marketing name and/or under an outside business activity.

SAA and independent investment advisor representatives can be separately registered as representatives of SAI, our affiliated broker/dealer, and can use SAA programs when managing their clients' assets. Your representative can engage our firm to assist them in providing advisory services. In certain circumstances, the separate independent investment advisor firms can perform services similar to those offered by us for fees that may be greater or less than the fees charged by our firm. We will only engage these firms and their associated persons to provide advice on our behalf when the engagement is in compliance with applicable SEC and state regulations. We recommend the use of other investment advisor firms as part of the Managed Opportunities Program, Independent Managed Assets Program and other programs. Please refer to the "Advisory Business" section for information about these programs.

OSJ Managers ("supervisors") who are responsible for the direct supervision of your representative can receive a percentage of commissions or fees as an override to compensate them for their supervisory services. This can be perceived as a conflict of interest. However, your representative and his/her supervisor maintain their independence because they are committed to meeting their client duties and regulatory obligations. The payments of an override, fee or commission is not the determining factor when making a recommendation or providing investment advice. You are under no obligation to purchase products or services recommended by your representative.

Your representative can also recommend clients invest in securities issued in an initial public and secondary offering ("new issue") transactions for which LTCO, an affiliated broker/dealer, acts as a manager, an underwriter and/or a member of the selling syndicate or SAA or SAI acts as a member of the selling syndicate. Our firm has a conflict of interest in recommending these securities for several reasons. First, our affiliated broker/dealer, 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 LTCO purchases the security for -- in connection with such sales. This gross spread is generally 7% but can be higher or lower in connection with certain offerings. If our firm is a member of the selling syndicate, we also receive a portion of the gross spread. Your representative generally receives a portion of this compensation in his or her capacity as a registered representative for SAI. In addition, LTCO has a substantial interest—both financial and with respect to its reputation—in assuring the offering is successful by having a large number of the securities purchased. Finally, in connection with certain offerings, LTCO has an obligation to purchase and resell a certain number of securities. Thus, because of our affiliation with LTCO, we have incentives to recommend these investments in these offerings for these reasons, rather than based on a client's 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 given the client's investment objectives and assets. In addition, clients are generally given transaction specific disclosure prior to the client's decision to invest in such securities.

## **Affiliations**

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.

## **Banking or Thrift Institution**

SAI, our brokerage affiliate, 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.

## **Bank Deposit Sweep Program (BDSP)**

Managed accounts custodied with National Financial Services have a core account investment vehicle that is used for settling securities transactions and holding credit balances. The BDSP, an FDIC-insured bank deposit sweep program, is one such core account investment vehicle.

If you are eligible<sup>1</sup> for the BDSP, by opening your account you authorize SAI to establish the BDSP as your core account investment vehicle. If your account is not eligible for the BDSP, we can provide you with access to other core account investment vehicles, including money market funds, to hold a cash balance awaiting reinvestment. 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).

Available cash in your managed account is deposited through the BDSP into interest-bearing FDIC-insured deposit accounts at one or more FDIC-insured depository institutions (Program Banks). The list of Program Banks and current interest rates for Program deposits are available from your representative or at [www.securitiesamerica.com/investors/products-services/bank-deposit-sweep-programs/](http://www.securitiesamerica.com/investors/products-services/bank-deposit-sweep-programs/).

The BDSP can create financial benefits for our firm and our affiliates and for National Financial Services. Our firm will receive a fee from each Program Bank in connection with the respective Programs. We will also pay a fee to National Financial Services. The revenue generated by us can be greater than revenues generated by sweep options at other brokerage firms and can 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.

Generally, if your account is otherwise eligible but you do not wish to use the BDSP as your account's core investment vehicle, we 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 compensation arrangements may not exist. However, you would lose the benefit of having your account managed by your representative and SAA.

The maximum amount of FDIC insurance coverage for your deposits in the BDSP is up to \$1.5 million (for an individual account) or up to \$3 million (for a joint account). Funds deposited through the BDSP are not eligible for SIPC coverage. Any deposits you maintain in the same insurable capacity, outside of the BDSP but with a BDSP Bank, are aggregated with your BDSP deposits for purposes of determining the maximum applicable FDIC deposit insurance. You are responsible for monitoring the total amount of your deposits with each BDSP Bank to determine the extent of FDIC deposit insurance coverage available to you. If you are eligible to participate in the BDSP, you can expect to receive the BDSP disclosure document when you establish your account, which you should review carefully.

<sup>1</sup> Your representative can assist you in determining whether your account is eligible for the BDSP.

## **Deutsche Bank Insured Deposit Program (DBIDP)**

Managed accounts custodied at Pershing can participate in the DBIDP, which sweeps excess cash balances in your brokerage account carried at Pershing to bank deposit accounts at various depository institutions (DBIDP Banks) and sweeps cash from the various DBIDP Banks to cover purchases of securities and other debits in your brokerage account carried at Pershing.

Pershing uses the services of Deutsche Bank Trust Company Americas (DBTCA) to perform allocations among the DBIDP Banks to maximize FDIC insurance coverage. You are solely responsible for monitoring any money held at a DBIDP Bank outside the DBIDP, as this can impact the insurance coverage available.

Each DBIDP Bank pays DBTCA a fee for its services related to your deposit account at each particular DBIDP Bank. DBTCA in turn shares a portion of that fee with Pershing which in turn shares a portion of its fee with us. We can earn a higher fee if you participate in the DBIDP than if you purchase shares in a money market fund. DBIDP Banks are listed on your account statement. If you are eligible to participate in the DBIDP, you can expect to receive the Deutsche Bank Insured Deposit Terms and Conditions, which you should review carefully.

## **Accounting Firm**

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

## **Law Firm**

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

## **Insurance Company or Agency**

Some principal executive officers, representatives and other employees of our firm are agents and/or brokers of various insurance companies. Some individuals are able to effect insurance recommendations if you elect to have insurance recommendations implemented. These individuals receive separate and typical compensation for insurance and/or annuity implementation. You are not obligated to use any of these individuals for insurance product purchases. You are free to use any insurance agent or insurance broker you choose.

We have arrangements that are material to our advisory business with related persons who are insurance companies or agencies. SAI, our broker/dealer affiliate, is also a licensed insurance agency and can receive commissions in connection with the sale of fixed insurance products by registered representatives who are licensed to sell these products. SAI, in addition to receiving commissions on the sale of these insurance products, 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 our broker/dealer affiliate, than those of sponsors that do not make such payments when recommending insurance products to their clients.

## **Pension Consultant**

Representatives may be separately engaged in providing pension-consulting services. If you are in need of these services, you may engage these individuals for separate and typical compensation. You are not obligated to use any of these individuals to provide this service. In addition, representatives may establish relationships with outside

parties that provide pension-consulting services. In such instances, representatives may refer you to pension consultants and may receive a solicitor referral fee. Such arrangements are fully disclosed to you at the time of referral.

### **Real Estate Broker or Dealer**

Representatives may be separately licensed as real estate agents. As such, these individuals will, for a separate commission or fee, provide real estate brokerage and/or appraisal services for clients who require these services. You are not obligated to use these individuals for real estate services.

### **Recommendation or Selection of Other Investment Advisors for Our Clients and Compensation Received**

For a discussion of our compensation arrangements involving the recommendation or selection of other investment advisers for our clients, please refer to the section titled "Client Referrals and Other Compensation."

### **Board of Directors**

The Board of Directors for Securities America serves as board members for several of our affiliated companies. There may 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.

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

### **Our Approach to Conflicts of Interest**

Conflicts of interest that can 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 to be 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 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 (Advisers Act)* 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 (including Securities America Financial Corporation, our firm, and our affiliated broker/dealer) employees, 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, a copy can be obtained 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, can execute securities transactions on our behalf or on behalf of your representative. SAA, SAI and/or your representative can receive advisory fees and broker/dealer commissions for the sale of securities placed under our management. Receipt of compensation from a variety of sources can be considered to be 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. Please refer to the section titled "Brokerage Practices" for more information.

Representatives can sell mutual fund, unit investment trust, collective investment trust and insurance products offered by subsidiaries of LTFS. Therefore, a potential conflict of interest can exist when representatives recommend these products inasmuch as LTFS 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. We would refer you to the section titled "Other Financial Industry Activities and Affiliations" and encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

Managers recommended in the Independent Managed Assets Program determine the brokers to be used for client trades within Independent Managed Assets Program accounts. In certain circumstances, and when consistent with the manager's fiduciary obligation of best execution, trades can be effected through SAI and its representatives, who will receive separate and typical compensation for implementation of these transactions. You should review the disclosure documents of the Independent Managed Assets Program manager to determine if these managers block trade, negotiate commissions and/or obtain volume discounts. Please refer to the section titled "Other Financial Industry Activities and Affiliations."

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

It is SAA's policy to prohibit representatives from engaging in agency cross transactions where representatives act as brokers for both the buy and sell of a single security between two different clients for which the representatives receive compensation in the form of an agency commission or principal mark-up for the trades. Should 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 can only occur if we can ensure that we meet our duty of best execution for the client.

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

LTCO, our affiliate, acts as a dealer with respect to certain securities, and as such can execute 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 will receive 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 addresses this conflict of interest in the following ways. 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 can recommend securities 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. It is SAA's policy that no supervised person will put his/her interest before your interests. SAA and our representatives may not trade ahead of any client or trade in a way that would cause the supervised person to obtain a better price than the price a client would obtain.

### **Our 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 can limit our firm and the representative's 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 may experience delays in submitting certain transactions on your behalf based on any pre-clearance or pre-approval requirements implemented by the firm. You can receive a worse price than what 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.

### **Our Insider Trading Policy**

SAA and our supervised persons may 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, should 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 their personal securities activities and provide such additional information about personal trading activities as may be 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.

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

SAA requires that its supervised persons seeking to make a political contribution to a state or local candidate pre-clear their political contributions through the firm. We do not require our supervised persons to pre-clear contributions

to candidates running for federal office, unless the candidate is currently a state or local government official running for federal office. SAA and your representative will also be subject to local and state pay-to-play rules in addition to federal securities rules and regulations.

## **ITEM 12. BROKERAGE PRACTICES**

We do not receive research or other products or services other than execution from a broker/dealer or third-party for client securities transactions.

Brokerage services are made available through National Financial Services, Pershing and/or Fidelity Institutional Wealth Services. SAA, SAI or another affiliated company have an agreement with the clearing firms to introduce customer accounts to the clearing firm on a fully disclosed basis. In exchange, these clearing firms provide clearing and execution services for transactions that are executed for our customers. On SAA's behalf, SAI approves and opens accounts and accepts securities order instructions with respect to the accounts.

Generally, brokerage transactions are 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. We have also entered into agreements with various insurance companies that allow for the management and valuation of client's variable annuity accounts within our Financial Advisors Program, Retirement Plan Advisory Program accounts, Managed Opportunities Advisor Directed Portfolios accounts and other advisory programs. The insurance company custodians maintain custody of all variable annuity accounts. SAA and SAI do not act as a custodian for any account. Generally, SAA and SAI do not maintain custody of client funds or securities. Outside custodians maintain custody of all funds and securities. Because some of the programs described in this document allow for the direct deduction of advisory fees from client accounts we can be deemed to have limited custody of client assets. SAA and SAI can be deemed to have limited custody for certain transmittal policies. For example, by giving you the ability to transfer funds between accounts you own and that are titled in the same name or, if you specifically request it, transferring funds between accounts you own that are titled in different names, SAI can be deemed to have limited custody. Additionally, 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, SAI can be deemed to have limited custody of your assets. In each of these cases, SAA, SAI and/or your representative can be deemed to have limited custody. Outside custodians maintain custody of all funds and securities.

### **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 will 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. Please 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 our firm do not receive any portion of the spreads, mark-ups or mark-downs.

Transaction charges can apply to securities sales, purchases and exchanges. The charges vary for mutual funds, variable products, stocks, bonds and option transactions. Factors that determine transaction charges include size of purchase, type of transaction, mutual fund family, variable product sponsor, the representative involved and processing method (on-line/phone/systematic). Full transaction charges cannot apply to certain transactions associated with mutual fund product sponsors participating in the Premier Funds program (see description below). 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.

### **Compensation and Reimbursement of Expenses to Ladenburg Thalmann and Representatives**

Ladenburg Thalmann Financial Services Inc. and its affiliates, which include Ladenburg Thalmann & Co. Inc., Securities America, Inc., Triad Advisors, Inc., Securities Service Network, Inc., Investacorp, Inc. and KMS Financial Services, Inc., (together "Ladenburg Thalmann"), and their representatives receive revenue on the products and services you purchase from several sources. These sources include fees and charges you pay and other arrangements we have in place with affiliated and non-affiliated entities including: 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 nonpublic securities offerings.

We may also receive additional payments called revenue sharing payments and/or marketing allowances from certain product sponsors under special agreements with those firms, called "Strategic Partners." Additional details concerning the Strategic Partners Program and Non-Publicly Traded Products are set forth below. We also maintain revenue and marketing allowance payment programs involving certain Real Estate Investment Trusts (commonly referred to as REITs). Representatives of product sponsors, often referred to as "wholesalers," work with Ladenburg Thalmann and its 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 Ladenburg Thalmann for training or education of our representatives. Product sponsors also make payments to Ladenburg Thalmann to promote the marketing of their products to clients, which payments include 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 Ladenburg Thalmann allows its representatives to attend off-site training sessions sponsored or co-sponsored by these product sponsors. Ladenburg Thalmann prohibits the promotion of 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 the clients' needs and objectives; however, receipt of such reimbursements could create an incentive by 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.

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

Ladenburg Thalmann and its Affiliates are also affiliated with SEC registered investment advisory firms, which include Ladenburg Thalmann Asset Management Inc., Securities America Advisors, Inc., Arbor Point Advisors, LLC, Triad Advisors, Inc., Triad Hybrid Solutions, LLC, SSN Advisory, Inc., Investacorp Advisory Services, Inc., and KMS Financial Services, Inc., (together "Ladenburg Thalmann Advisors"). Ladenburg Thalmann Advisors has also created the Strategic Partners Program for independent investment advisor firms. Independent investment advisor 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 Ladenburg Thalmann's national conferences and broader access to our representatives, the independent investment advisors in the Strategic Partners Program pay to participate in that program by sharing with Ladenburg Thalmann Advisors a portion of the revenue generated by distributing their products and services and or paying a specified annual dollar amount.

Ladenburg Thalmann Advisors representatives may 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 Ladenburg Thalmann Advisors and/or

Ladenburg Thalmann Advisors representatives relating to the promotion or distribution of the program sponsor's products or services.

Ladenburg Thalmann Advisors Strategic Partners pay a flat annual fee. In addition to a flat fee, which may be up to \$400,000 per year, Strategic Partners may pay basis points on sales on assets, or a percentage of the Partner's net advisory fee derived from assets invested through their models. It is important to understand that none of the payments made by the Strategic Partners participating in the program are paid or directed to any representative who utilizes the services of these Strategic Partners.

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

Ladenburg Thalmann created the Income Distribution Partner program 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 Ladenburg Thalmann representatives, sponsors participating in the Income Distribution Partners program are required to pay Ladenburg Thalmann for participation. The Ladenburg Thalmann income distribution planning desk is available to assist with the development of distribution plans for you. The income distribution plans use suitable products available from both the Income Distribution Sponsor Partners and products on the Ladenburg Thalmann approved product list. Ladenburg Thalmann 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 Ladenburg Thalmann, as opposed to sponsors that do not make such payments.

For the most current list of Income Distribution Partner program participants, please ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

Ladenburg Thalmann focuses on a select group of mutual fund, variable annuity and investment management companies providing them greater access to our 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 Ladenburg Thalmann 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 Ladenburg Thalmann to participate in the program. The payments consist of amounts up to 10 basis points on a sponsor company's sales, up to 5 basis points on assets. In addition, Ladenburg Thalmann may 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. Ladenburg Thalmann may receive a flat fee of up to \$300,000 per year, per sponsor, for such reimbursements.

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

In addition to revenue sharing received from our custodians and Premier Partners programs, as described above, we can also participate in revenue sharing arrangements with specific money managers having their own mutual funds and using those funds in their managed programs. In all cases where we receive revenue sharing from managers using their own funds, we reduce the platform fee to the client.

Consistent with prudent product approval practices, SAA can require 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. SAA and SAI can 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 reimburse us for such expenses. In addition, SAA and SAI can at our discretion, require investment companies to pay annual fees to reimburse us for ongoing due diligence and product administration expenses.

### **Ladenburg Thalmann Initial Public Offering (IPO) Allocations**

IPO allocations through Ladenburg Thalmann are only available to clients through investment advisor 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.

### **Best Execution**

SAA will process brokerage security transactions through our affiliated broker/dealer so long as we determine executing the transactions through SAI fulfills our duty of best execution. We consider the following factors when selecting a broker/dealer and determining the reasonableness of commissions:

- Electronic download of trades;
- Balances;
- 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 by considering the back office services, technology provided and pricing of services offered. On SAA's behalf, SAI conducts trade reviews to determine the duty of best execution is being met by its trade execution and clearing firms.

### **Soft Dollars**

SAA does not have any soft dollar arrangements.

### **Brokerage for Client Referrals**

Directed Brokerage

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**

While not required by firm policy, SAA and your representative can aggregate client transactions or allocate orders when possible. Mutual funds held in client accounts do not lend themselves to aggregate or block trades. 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 can aggregate client transactions or allocate orders whenever possible. SAA and our representatives will allocate trades to advisory clients in a fair and equitable manner that will be applied consistently to all clients. When trades are not aggregated, clients may not enjoy the effects of lower transaction per share costs that often occurs as a result of aggregating trades. As a result, you can pay a higher transaction cost than could be received elsewhere. 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.

## **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, Retirement Plan Advisory, 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 can 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.

### **Review Triggers**

Factors triggering an account review can 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. Such 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 that occurs within Financial Advisors Program, Lockwood Program and Participant Retirement Program accounts.

To the extent you receive performance reports from your representative, 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 investment advisor firm at the phone number listed on the account statement. Performance reports can be provided to you in the Financial Advisors Program, and Participant Retirement Program by us through your representative. Each representative then decides whether to provide these reports to his or her clients. 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 can guarantee the accuracy of fund values, securities' and other information obtained from third parties.

If a representative prepares a quarterly performance report for an account, it is the representative who reviews the performance information to determine accuracy.

Clients participating in the Managed Opportunities Program are able to view daily and quarterly performance reports on a website maintained on our behalf by a third-party which describes the performance, holdings and other activity in your accounts. 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 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 can include material market, economic or political events.

### **Review of Financial Plans**

Financial planning clients may contract for a review and update of their financial plans for a separate fee. Financial plans provided by representatives may be periodically reviewed by Supervision personnel within SAI, our affiliated broker/dealer, on our behalf.

## **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 as set out in 17 CRF Section 275.206(4)-3. If a referred client enters into an investment advisory agreement with our firm and a cash referral is paid to the referring party, such fee will be paid as a fixed fee or a percentage of the client advisory fees generated. Written disclosure regarding the referral fees we pay are provided to you prior to or at the time of entering into our investment advisory or financial planning agreements. The referral fee disclosed to you will be 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 will 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 or filed as a registered investment advisor, we may 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 can create 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 may be able to obtain similar services for a lesser fee from other advisors. The fees charged may vary among investment management services. The amount of compensation a representative may receive 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 Managed Opportunities Program portfolio option over another portfolio option may vary. For example, the recommendation of one Managed Opportunities Program portfolio over a Financial Advisors Program portfolio or another portfolio within the Managed Opportunities Program can create a financial incentive for our firm and representative. Your representative is not under any obligation to promote or use one money manager over another. You are not under any 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 can purchase the same investment product from a non-affiliated broker or could implement securities transactions without the 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, the 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 and the independent investment advisor firm and the representative receive solicitation compensation from the third-party investment advisor in return for referral of accounts. SAA's broker/dealer affiliate SAI and the representative, in his or capacity as a registered representative, can 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 representatives can receive normal and customary compensation (e.g., commissions) from the sale of mutual funds, exchange traded funds or variable annuities in such accounts. This compensation can be in addition to the solicitor fee paid by the third-party investment advisor.

We have established a relationship with LTAM's \$ymbil program. Representatives of SAA can provide clients access to LTAM's \$ymbil program through the individual representative's website. SAA receives a portion of the asset management fee that LTAM charges. These fees can be paid on an ongoing basis and can continue even if your relationship with the representative and/or Securities America is terminated.

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.

In some instances, Financial Advisors Program and Managed Opportunities Advisor Directed Portfolios can be managed by third-party registered investment advisors under separate investment management or sub-advisor agreements. In such circumstances, representatives use Financial Advisors Program accounts to provide clients and third-party registered investment advisors with administrative support services and brokerage clearing services through SAI and National Financial Services or Pershing. Third-party registered investment advisor management fees are separate and distinct from our firm's and the representative's fees. Please also refer to the section titled "Advisory Business" for more information about the Independent Managed Assets Program.

You should be aware SAA and your representative can receive solicitor/referral fees for recommending certain portfolios to you. Therefore, a potential conflict of interest can exist because these circumstances can 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 under any obligation to sell any particular product or to meet any selling quotas related specifically to these products. You are not under any obligation to engage the representative when considering implementation of advisory recommendations. You are free to select any broker/dealer you wish when implementing recommendations and executing transactions. You may purchase the same investment product from a non-affiliated

broker or could implement securities transactions without the services offered by your representative. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

### **Other Compensation**

SAA or our affiliated broker/dealer, SAI, can 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) to 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 can lease space in selected branches of the Third-Party Financial Institutions and then sub-lease 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 can receive compensation representing payment for the use of the facilities and equipment of the Third-Party Financial Institutions, 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 our affiliated broker/dealer, 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 can 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 can also receive reimbursement from the clearing firms it uses, for all or a portion of any asset transfer fees you can incur upon the transfer of accounts from other clearing providers. SAI can retain all or a portion of such reimbursements or, at its discretion, can pass through all or a portion of such reimbursements to you and/or its representatives.

Your representative can have an incentive to join and remain affiliated with Securities America through certain compensation arrangements which could 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. Receipt of any such compensation can be considered to be a conflict of interest. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

We can offer incentives to your representative for meeting certain production levels above and beyond compensation he or she receives for selling products and services through Securities America. Receiving incentives can be 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 can receive reimbursements from marketing and distribution allowances, due diligence fees and travel expenses. Other compensation or reimbursement can also be 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 can underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon 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.

In order to help cover or defray the costs of transitioning from another RIA to SAA, our representatives can receive various forms and amounts of transition assistance. Such transition assistance can include a promissory note loan, rent, technology services and equipment, legal expenses, administrative support, termination fees associated with moving accounts, and regulatory services, with such transition assistance based on production, reimbursement of fees, free or reduced-cost marketing material, attendance to conferences and events, or access to preferred pricing.

SAI can issue payments in the form of loans to representatives which can be forgivable based on years of service with SAI or the extent of their production with SAI. This practice can create a conflict of interest in that the representative can have 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, we do not maintain custody of your funds or securities other than the direct deduction of advisory fees from your accounts within the programs described in the "Advisory Business" section above. However, SAI, our affiliated broker/dealer can serve as an introducing broker/dealer and collect physical stock certificates or engage in certain asset transmittal practices such that we can be deemed to have custody of such assets. For example, by giving you the ability to transfer funds between accounts you own that are titled in the same name; or if you specifically request it, transferring funds between accounts you own that are titled in different names, SAI can be deemed to have limited custody of your assets. Because our affiliated broker/dealer, SAI, maintains limited custody of our client assets as described above, SAA is required by SEC regulation to undergo an examination provided by a qualified independent public accountant at least annually. Additionally, SAA must undergo an independent verification of client assets under its control.

#### **Account Statements**

You will receive account statements from investment sponsors, brokerage firms, insurance companies and other money managers at least quarterly. You may 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 we use 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 the 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 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 programs. 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**

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, Mutual Fund Portfolios, Separate Account Portfolios, and Advisor Directed 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 Directed Programs).

When executing a Managed Opportunities Program client agreement, you grant us limited discretionary trading authority with respect to the purchase and sale of securities in the Master Account and Advisor Directed Portfolios and appoint us and any sub-advisor selected by SAA as your agent and attorney-in-fact with respect to the trading authorization.

The Unified Managed Account Portfolios program is a non-discretionary program at the SAA level. However, you will grant any sub-advisor selected limited discretionary trading authority with respect to the purchase and sale of securities in your Unified Managed Account.

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 make a determination based on the information provided. Upon your request, representatives can 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 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. As such, a balance sheet is not required to be provided to you at this time.