

# Securities America Advisors, Inc. Financial Advisors Program Wrap Fee Program Brochure

(Part 2A Appendix 1 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.adviserinfosec.gov](http://www.adviserinfosec.gov). Registration as a registered investment advisor does not imply a certain level of skill or training.

October 16, 2020



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October 16, 2020

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

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

- There have been changes to the indirect owners of Securities America Advisors, Inc. (SAA) that are disclosed in Item 4 and Item 10. SAA's direct owner, Securities America Financial Corporation, is now owned by Advisor Group Holdings, Inc.
- Item 10: Core Account Investment "Sweep" Vehicle material conflicts of interest disclosures were enhanced.

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

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## **ITEM 4. SERVICES, FEES AND COMPENSATION**

### **Advisory Business**

#### **Ownership**

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

SAFC is a wholly owned subsidiary of Advisor Group Holdings, Inc., which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P. and The Berlinski Family 2006 Trust.

#### **Firm Description**

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

#### **Types of Services Offered**

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

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

#### **Financial Advisors Program**

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

Generally, brokerage transactions are processed by SAI, our affiliated broker/dealer, and cleared by National Financial Services, LLC (NFS) or Pershing, LLC (Pershing). SAI compensates SAA to offset SAA's administrative costs. SAA, SAI and your representatives do not act as custodians for any FAP accounts. Generally, NFS, Pershing or another custodian maintains custody of funds and securities. You authorize us to deduct fees directly from your account to pay for our investment management services. In these cases, we are considered to have limited custody of your assets. SAA and SAI are also deemed to have limited custody based on certain transmittal policies. Refer to the section titled "Custody" for more information. Each custodian or investment provider we use for our investment management services is a qualified custodian and provides statements to you at least quarterly. We have also entered into agreements with insurance companies that allow for managing and valuing your variable annuity accounts in conjunction with your account.. The insurance companies' custodians maintain custody of all variable annuity accounts. In addition, fixed and fixed index annuities can be linked to your FAP account to assist in consolidating and uniformly reporting on your holdings. Any fixed annuity positions linked to your account are excluded from fee billing calculations as well as management and/or valuation services. For information about the investment strategies employed in the FAP, refer to Item 5 *Methods of Analysis, Investment Strategies and Risk of Loss*. The FAP client agreement can be terminated by any of the parties by providing notice to the other parties, and termination is effective upon receiving the notice. In addition, closing the account causes the client agreement to be terminated. However, if you elect to administratively reopen a closed account within 30 days of closing, the client agreement remains in full force and effect.

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

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

## **Fees and Compensation**

### **General Fee Information**

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

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

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

In a brokerage account, you are charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold strategy for the account or do not wish to receive ongoing investment advice or management services, you should consider opening a brokerage

account rather than an advisory account. The fees charged by us vary among our programs and our representatives. As noted above, fees charged in our managed programs can be more than the cost of purchasing the same services separately. Because other advisors offer their own programs and services, fees and expenses from recommended investment products may be less than you incur with an SAA account.

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

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

### Commissions, Transaction Costs and Other Charges

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

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

### Investment Assets

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

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

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

In addition, SAA will exclude the value of any investment it designates as an "alternative investment product" from an asset-based advisory fee if you purchased it in a commission-based account through a SAI registered representative and then transferred it to an advisory account. (See discussion below regarding converting a commission account to an advisory account.) Alternative investments include, but are not limited to, venture capital, private equity, hedge fund, managed futures and real estate investment trust products. However, if

an alternative investment product was purchased at net asset value (NAV) (in other words, purchased with no commission), then that alternative investment product can be subject to an asset-based advisory fee.

## **Funds**

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

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

### Share Classes

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

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

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

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

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

of recently purchased commission-based products to fee-based advisory accounts. "Recently purchased" is defined as a minimum of 90 days.

#### Mutual Fund Approved Product List

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

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

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

#### 12b-1 Fees

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

As discussed above, SAA has implemented a policy requiring that IARs complete new purchases of mutual funds in advisor managed accounts at the lowest cost share class available to SAA's investors for each mutual fund on the Approved Products List. Further, SAA has implemented a policy 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 Advisors Program**

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

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

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

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

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

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

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

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

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

Fixed and fixed index annuities can also be linked to your FAP account to assist in consolidating and uniformly reporting on your holdings. Any fixed and fixed index annuity positions, however, are excluded from fee billing calculations as well as from management and/or valuation services. The fee may be a flat fee, a linear fee (where the percentage fee is fixed based on the total assets in your account) or a tiered fee schedule (where the percentage-based fee is lowered as assets in your account increase). The exact fee charged or fee schedule used is disclosed to you in the fee schedule prior to services being provided.

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

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

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

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

SAI registered representatives have the discretion to determine the amount of commission charged to clients on products other than mutual funds or insurance products. Representatives generally waive any securities commissions from recommended transactions when effected in FAP accounts. In addition, your representative can reduce advisory

fees charged as an advisor representative to offset commissions received when transactions are affected as a registered representative or insurance agent. Load mutual funds and bonds can be bought in some managed accounts on an exception basis at your direction. In determining the amount of commissions charged, SAI registered representatives will consider FINRA's 5% guideline policy, the type of security involved, the availability of the security in the market, the price of the security and the amount of money involved in the transaction.

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

Receiving compensation from a variety of sources is a conflict of interest. In addition to the fees disclosed in your advisory agreement or commissions you pay for the purchase of securities and insurance products, your representative can receive additional compensation (including bonuses and non-cash compensation) for selling certain securities or other investment products. Examples of non-cash compensation include receiving due diligence and/or marketing allowance payments from certain sponsors. While the arrangements with each sponsor varies, each product sponsor can pay a due diligence or marketing allowance fee based upon the amount of assets held at the sponsor or on the gross amount of each sale, depending upon the product. In certain cases, additional payments are paid or directed to SAA/SAI for selling these products. This creates a conflict of interest based on the amount of compensation SAA/SAI receives when recommending one investment product over another. As a result, certain incentives and conflicts of interest exist for your representative if you buy certain products or services recommended by him or her. We encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

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

### **Other Fees**

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

### **Marketing and Sponsorships**

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

## Securities Transactions

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

1. Transfer Charges: You can be assessed transfer charges on account transactions and other miscellaneous charges by NFS or Pershing on account transactions.
2. Margin Interest Charges: To the extent margin is available in FAP or a retirement plan advisory program, such accounts must meet certain risk tolerance requirements. When margin is used to buy additional securities, the total value of eligible program assets increases as your asset-based fees increase. In addition, you can be charged margin interest on debit balances in your account. An increase in the asset-based fee you pay provides an incentive for your representative to recommend the use of margin.
3. 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.
4. Principal Transaction Fees: "Mark-up" and "mark-downs" or "dealer spreads" that broker/dealers, including affiliates of SAA, can receive when acting as principal in certain transactions. Neither SAA nor SAI receive any portion of mark-ups or mark-downs but market makers receive this type of compensation.
5. Other Fees: Fees charged in our programs are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds, variable annuities and other investments recommended to you. A description of these fees and expenses are available in each investment prospectus.
6. Miscellaneous Fees: We also reserve the right to charge additional fees to close an account except when your state of residence prohibits an account closing fee. Refer to your agreement for specific fees and additional information.

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

## Referrals

Representatives receive fees for referring you to Premier Trust for trust services. Representatives also receive fees for referring you to Ladenburg Thalmann for investment banking services or Ladenburg Thalmann Asset Management's Symbil Program. (See Item 9 *Other Financial Industry Affiliations and Activities* for additional disclosure on Premier Trust and the Symbil Program.) These fees are paid on an ongoing basis and continue even if your relationship with the representative and/or Securities America is terminated.

If you wish to obtain a non-purpose loan using your securities as collateral, your representative and SAA will refer you to a third-party lending institution. A non-purpose loan is a loan made for any purpose other than purchasing or carrying margin stock. See Item 9 *Other Financial Industry Affiliations and Activities* for additional information on these loan referrals and the conflict of interest created when making them. Additionally, similar securities-based loans are available to you for a lower overall cost from other providers. If the assets securing the loan are in an advisory account, the management fee is still being assessed to the entire account, plus any interest charged by the third party lender.

## Fixed Income Securities

Certain securities, such as over-the-counter stocks and fixed income securities are traded primarily in "dealer" markets. In such markets, securities are directly purchased from, or sold to, a financial institution acting as a dealer or "principal." Dealers executing principal trades typically include a mark-up, mark-down, and/or spread in the net price at which transactions are executed. When appropriate, your representative recommends certain bond trade transactions on a discretionary or non-discretionary basis using the Ladenburg Thalmann Fixed Income desk. See Item 9 *Other Financial Industry Affiliations and Activities* for additional information on the use of the Ladenburg Thalmann & Co.'s Fixed Income Desk.

## **Offerings and Special Transactions**

Clients purchase initial public offerings, secondary offerings and special purpose acquisition company transactions through broker/dealers. An affiliate of our firm can act as an underwriter or manager for such offerings. SAA and/or our affiliate broker/dealer SAI can also act as a member of the selling syndicate. See the discussion on Ladenburg Thalmann & Co., Inc. acting as a manager or underwriter for initial public offerings and also SAA/SAI's possible participation in Item 9 *Other Financial Industry Activities and Affiliations*

## **Interest Charges in Cash Accounts**

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

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

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

## **Retirement Services**

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

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

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

existing plan). Therefore, our representatives have an economic incentive to encourage an investor to roll plan assets into an IRA that we manage or encourage an investor to engage us to monitor and/or consult on the account maintained at the existing plan.

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

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

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

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

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

### **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 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **Types of Clients**

We generally provide investment advice to:

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

The minimum amount to establish and maintain a Financial Advisors Program account is \$25,000, although an exception can be granted if negotiated between yourself, SAA and your representative.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Our investment advisor representatives use various methods of analysis and investment strategies.

Some investment advisor representatives use just one method or strategy while others may rely on multiple strategies. SAA does not require or mandate that its representatives implement a particular investment strategy or use a particular analysis method. Investment advisor representatives have flexibility (subject to SAA supervision and compliance requirements) when developing their investment strategies. The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that are used by SAA investment advisor representatives.

### **Methods of Analysis**

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

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

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

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

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

it ahead of the crowd. The risk in utilizing such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, resulting in a premature purchase of a security.

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

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

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

Your representative has access to third party vendors that provide programs or software to analyze individual securities. We also offer your advisor access to third party vendors that provide support services in portfolio design and strategy implementation. One of our affiliates, LTCO provides research designed to help clients capitalize on inefficiencies in the market. Their institutional quality research provides their partners with value-added insights that enables their decision-making processes, informs their strategies and allows them to address critical market issues. Your representative can use the services of LTCO in addition to other third-party services made available. Refer to Item 9 *Other Financial Industry Activities and Affiliations* for more information about our affiliates.

## **Investment Strategies**

Various investment strategies can be employed in our programs and when providing advisory services, including (1) long-term purchases (securities held at least one year), (2) short-term purchases (securities sold within a year), (3) trading (securities sold within 30 days), (4) short sales, (5) margin transactions and (6) option writing (including covered options, uncovered options or spreading strategies). Strategic and tactical asset allocation model portfolios are also employed in SAA Programs. In addition, model mutual fund and variable annuity asset allocation portfolio programs, provided by a number of institutional investment managers and strategists, can be used when managing client assets. Multiple investment strategies are available for use when managing your account. Your representative is responsible for determining the appropriate management style and assists you in placing your assets in a model portfolio based on your individual financial situation, goals and objectives. Your assets are allocated according to the model selected. Reallocations are implemented in discretionary accounts by the money managers in these portfolios without prior notice to you.

Investment strategies and philosophies used within our managed programs or when providing advisory services vary based on the advice provided by your representative. Models and strategies used by one representative vary from models and strategies used by other representatives. Some representatives limit their advice to mutual funds and others will provide advice on a full range of securities that include equities, mutual funds, options, fixed income and

other types of investments. Some representatives develop models or strategies that are generally applied to their clients while other representatives will develop individualized portfolios for each client.

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

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

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

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

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

In limited circumstances, your representative or a third-party money manager can engage in a strategy involving frequent trading. We suggest you 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 be prepared to lose all of the funds you invest in securities. You should not invest funds necessary to meet your regular, on-going personal needs. In particular, you should not fund this type of trading with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet your living expenses.
- Active trading can result in few or no profits and, worse, can lead to large financial losses very quickly. Active trading requires in-depth active knowledge of the securities market and of sophisticated and disciplined trading techniques and strategies. Also, you must compete with professional, licensed traders employed by securities firms and other knowledgeable, experienced and well-trained traders. You should have appropriate knowledge and experience before engaging in active trading. You should be familiar with a securities firm's business practices, including operation of the firm's order execution systems and procedures. Under certain conditions, you could find it difficult or impossible to liquidate a position quickly at a reasonable price. Your success will be affected by strengths and weaknesses and the methods and practices of the

brokerage firm in executing trades. You should develop an intimate knowledge of these matters before you engage in an active trading strategy.

- Active trading can involve aggressive trading, and you should generally expect to pay commissions, ticket and transaction charges on each trade. The total daily commissions you pay on your trades will add to your losses or significantly reduce your earnings. For instance, assuming each trade costs \$16 and an average of 29 transactions are conducted per day, you would need to generate an annual profit of \$111,360 just to cover trading costs.
- Active trading can result in tax consequences can be affected due to shorter-term purchases and sells. We suggest you consult your tax professional for advice. Your portfolio can be more volatile with shorter term or more active trading.

### **Risk of Loss**

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

- Market Risk: This type of risk is caused by external factors independent of a security's particular underlying circumstances. Markets can, as a whole, go up or down on various news releases for no understandable reason at all. This sometimes means that the price of specific securities go up or down without any real reason and take some time to recover any lost value. Adding securities does not help to minimize the risk since all securities can be impacted by market fluctuations.
- Short-Term Trading Risk: These types of transactions can result in short-term gains or losses for federal and state tax purposes, which can be taxed at a higher rate than long-term strategies. SAA and your representative attempt to invest your assets in a tax efficient manner, but you should consult with your tax professional regarding transactions in your account.
- Investment Term Risk: If you require us to liquidate your portfolio during a period in which the price of the security is low, you will not realize as much value as you would had the investment had the opportunity to increase or regain its value (as investments frequently do) or had we been able to reinvest in another security.
- Short Sales Risk: Short sales are motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit. The maximum gain on a short sale is limited but the maximum loss is theoretically infinite. Short sales also involve significant expenses, dividend responsibilities, possible regulatory prohibitions and critical timing considerations that impact potential profitability.
- Margin Risk: If you engage in margin transactions then you are borrowing funds to purchase securities using loans for which your portfolio serves as collateral for repayment. Use of margin increases a portfolio's risk as price swings are amplified and, if the value of your securities

declines, you can lose more funds than you originally deposited. The lender or custodian may be required to cease trading or liquidate securities to meet a margin call or credit line demand. When using margin as a strategy, you can lose more than your original investment.

- Option Risk: An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time, reflecting the nature of the option as a wasting asset becoming worthless when it expires. If you don't sell an option in the secondary market or exercise it prior to expiration, you will lose your entire investment in the option.
- Interest-Rate Risk: Fluctuations in interest rates can cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Reinvestment Risk: This is the risk that future proceeds from investments are reinvested at a lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- Inflation Risk: The risk is that the rate of inflation will exceed the rate of return on an investment. The investment value itself does not decline but its relative value does.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Political Risk: Most investments have a global component, even domestic stocks. Political events anywhere in the world can have unforeseen consequences to markets around the world.
- Regulatory Risk: Changes in law and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it--a lengthy process--before they generate a profit. They generally carry a higher risk of profitability than an electric company, which generates such of its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- Concentrated Investment Risk: Certain investment strategies can be concentrated in a specific sector, industry or individual security. In this case, your portfolio is more likely to sharply increase or decrease in value with changes in the market. This strategy is more volatile because the risk associated with each security represents a large percentage of your overall portfolio.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid while real estate properties are not.
- Financial or Default Risk: Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations and service its debts in good times and bad. During periods of financial stress, the inability to meet loan

obligations can result in bankruptcy and/or a declining market value. Ratings provided by several rating services help to identify those companies with more risk.

- **Risks Specific to Sub-Advisors and Other Managers:** If we invest some of your assets with another advisor (including private placement), there are additional risks. For example, the other manager might not be as qualified as we believe them to be, the investments those managers use might not be as liquid as we would normally use, or the managers' risk guidelines might be more liberal than we normally employ.

There are risks inherent in all financial decisions and transactions, and there is no guarantee your investment objectives will be achieved. Our firm and our affiliated entities make no promises, representations, warranties or guarantees that any services 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 use or the success of our overall management. SAA, its representatives and our affiliated entities will not be liable for any loss incurred with respect to your account, except where such loss directly results from such party's negligence or malfeasance. Nothing in this section is intended to be a waiver of any right of action you have under applicable securities laws or your rights in the event SAA, the representative or SAA's affiliated subsidiaries breach any fiduciary duty owed to you. SAA monitors accounts based on standard deviation thresholds. For information about these thresholds, please visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

#### **ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION**

In the Financial Advisors Program, your representative serves as the portfolio manager and is selected by you at the time you enter into an agreement with our firm to manage your account. In this case, your representative manages your portfolio and determines which investments are bought, sold, reallocated or redeemed. Please refer to the section titled "Investment Analysis" for more information. In other cases, your portfolio manager can be another individual or entity unaffiliated with our firm. In that case, another party you select manages your portfolio and determines which investments are bought, sold, reallocated or redeemed.

#### **ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

The principal source of information used by your representative is the data provided by you, such as your personal data, assets and liabilities, income expectations, short-term and long-term financial goals, risk tolerance associated with goals, and other relevant information. This information is collected as part of the new account form, subsequent account updates or financial planning agreement. If you select your representative to manage your portfolio, he or she uses this information to make decisions to buy, sell, redeem, or reallocate the portfolios based on changing market conditions, client specific changes to their suitability and financial information. Should you wish to update your suitability and financial information, please contact your representative. Based on your response, your representative then evaluates whether or not to change your investment portfolio based on your responses to the questionnaire. If you select another party to manage your portfolio, your information will be collected by the other party for purposes of managing your account.

#### **ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

There are no restrictions on your ability to consult with your representative.

## **ITEM 9. ADDITIONAL INFORMATION**

### **Disciplinary Information**

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

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

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

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

Prior to the entry of the SEC's order, SAA implemented several policies to address the mutual fund share class selection practices described in the SEC's order. SAA now requires that its IARs complete all new purchases of mutual funds in advisory accounts at the lowest cost share class available to SAA, and SAA has worked with its clearing platforms to ensure compliance with this policy. Additionally, SAA has taken steps to convert mutual fund investments in all Class A shares (or comparable classes) to the lowest cost share classes available for the same funds at no costs or tax consequences to its existing advisory clients. For those shares that cannot be or have not yet been converted, SAA has implemented a policy to credit back any newly incurred 12b-1 fees to existing advisory clients.

### **Other Industry Activities and Affiliations**

#### **Overview**

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

#### **Corporate Structure**

Securities America Advisors, Inc. is a wholly owned subsidiary of Securities America Financial Corporation (SAFC), as is our affiliated broker/dealer, Securities America, Inc. Arbor Point Advisors, LLC (APA), another investment advisor firm, is a majority-owned subsidiary of SAFC. SAFC is a wholly owned subsidiary of Advisor Group Holdings, Inc. (AGHI), which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment

fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes, RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P., and The Berlinski Family 2006 Trust.

**Other Industry Affiliates**

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

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

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

Advisor Group, Inc. (AGI) Holding Company	100% owned by AGHI
Royal Alliance Associates, Inc. (RAA) Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Financial Service Corporation (FS Corp) Holding Company	100% owned by AGI
FSC Securities Corporation (FSC) Registered Investment Advisor, Broker/Dealer	100% owned by FS Corp

SagePoint Financial Inc (SPF). Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Woodbury Financial Services, Inc (WFS). Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Vision2020 Wealth Management Corp. Registered Investment Advisor	100% owned by AGI

## Business Operations with Affiliates

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

There is a conflict of interest since some of our business operations involve directing clients to products or services of our affiliated companies; SAA or the broker/dealer can receive compensation when doing so. We discuss these conflicts further below.

Premier Trust. Your representative can recommend Premier Trust, a Nevada chartered trust company, to provide trust, estate planning and administrative services. We receive compensation for recommending clients to Premier Trust, providing us with an incentive to recommend it rather than others providing similar services. When making any recommendation, representatives first consider whether Premier Trust can adequately service client needs and whether any other efficiencies or benefits will result to the client. Clients are not obligated to follow or recommendations or use Premier Trust's services. When used, Premier Trust provides full disclosure with respect to its trust and administrative services and related costs.

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

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

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

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

execution of your trade. Your representative is required to disclose this conflict and receive your consent prior to entering your trade.

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

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

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

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

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

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

- LTAM operates \$ymbil®, an online, interactive tool designed to assist clients in selecting among the five Ladenburg Funds by using a questionnaire to gauge a client’s time horizon, risk tolerance and investment objectives. A client investment profile is created from the responses to this online questionnaire. LTAM has no discretion over a client’s investments. Our representatives can recommend clients

use \$ymbil®, and if clients implement transactions using \$ymbil®, both SAA and our representatives receive solicitor fees. This creates a conflict of interest; however, clients have no obligation to accept any suggestions provided by \$ymbil® or to invest in any of the Ladenburg Funds.

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

## **Other Affiliations and Activities**

### Registered Representative

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

### Consultation and Marketing Affiliation

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

### Independent Contractors

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

### Other Business Entities and Marketing Names

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

When operating these other businesses, the representatives use their own business name(s), marketing name(s) and/or logos that can appear on their sales and marketing materials and client statements. The representatives must disclose on all materials and correspondence that advisory services are offered through SAA. All sales and marketing materials used by the representatives are reviewed and approved by SAA home office personnel. The business names, marketing names and logos used by the representatives are separate from and are not owned or controlled by

SAA. Information about the representatives' other businesses can be found in their respective Form ADV Part 2B Supplemental Brochure, which also contains more detailed information about their educational backgrounds, business experience and disciplinary history (if any).

#### Independent Advisor Firms

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

#### Accounting Firm

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

#### Law Firm

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

#### Insurance Company or Agency

Some of our executive officers, investment advisor representatives and other employees of our firm are agents and/or brokers of various insurance companies. If clients elect to have insurance recommendations implemented, these individuals can affect insurance and/or annuity transactions and receive separate compensation when doing so. Even though the compensation is received in their separate capacity as a licensed insurance agent, the transaction is still a conflict of interest. Clients are not obligated to use any of these individuals for insurance product purchases but are free to use any insurance agent or insurance broker they choose. SAI, our broker/dealer affiliate also holds a business entity license in all 50 states as well as Puerto Rico. It can receive commissions in connection with the sale of fixed insurance products by registered representatives who are licensed to sell these products. SAI receives payments from certain insurance sponsors for marketing, training and distribution support. None of these additional payments are paid or directed to any registered representative/insurance agent who sells these products. The registered representative/insurance agent does not receive a greater or lesser commission for sales of these insurance products from which our broker/dealer affiliate receives revenue sharing payments. However, the marketing, educational and distribution activities paid with revenue sharing could potentially lead a registered representative/insurance agent to focus more on products offered by insurance sponsors that make revenue sharing payments to our broker/dealer affiliate, than those of sponsors that do not make such payments when recommending insurance products to SAI than those of sponsors that do not make such payments when recommending insurance to their clients. Clients are not obligated to implement any insurance recommendations or use SAI if electing to do so.

#### Banking or Thrift Institution

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

#### Pension Consultant

Representatives can be separately engaged to provide pension-consulting services. If clients need these services, they can engage these individuals for separate and typical compensation. Clients are not obligated to use any of these

individuals to provide this service. In addition, representatives can establish relationships with outside parties that provide pension-consulting services. In these instances, representatives can refer you to pension consultants and may receive a solicitor referral fee. These arrangements are fully disclosed to you at the time of any referral.

### Real Estate Broker or Dealer

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

### Board of Directors

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

### Core Account Investment "Sweep" Vehicle

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

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

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

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

### **FDIC Programs**

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

appropriate disclosure document when you establish or fund your account and we encourage you to review it carefully.

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

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

### **Bank Deposit Sweep Program**

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

### **Insured Cash Account Program**

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

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

The Deutsche Bank Insured Deposit Program was closed to new accounts in December 2017. Any legacy accounts remaining at that time were custodied at Pershing and continued to participate in the Program until converted by Pershing into the Total Bank Solutions Deposit Program. As of December 2018, all legacy DBIDP accounts have been converted to the TBSDP. The TBSDP is not available for any new accounts. Account owners whose account uses the TBSDP should refer to the disclosure document provided to them

(also available upon request from Pershing or your advisor representative) for information on how the TBS Program operates.

### **Material Conflicts of Interest**

A conflict of interest arises due to the financial incentive from offering sweep vehicles that generate third party payments to SAA's broker/dealer affiliate, SAI. Since additional compensation is earned by SAI through the sweep vehicles offered, a conflict of interest also arises due to an economic benefit derived by cash balances being swept into the program rather than reinvested in other investment funds or securities. This additional compensation is in addition to the management fee that SAA receives in connection with such balances pursuant to the client's advisory contract.

In addition, a conflict of interest arises as a result of the financial incentive for SAA and SAI to recommend and offer the Bank Deposit Sweep Program that may be viewed as a proprietary product and that generates additional compensation, up to a maximum of 300 basis points annually. The foregoing conflicts of interest are mitigated under our policies and procedures that have been adopted for this purpose and by the fact that the representative who makes investment recommendations for your program account does not receive any economic benefit from these payments.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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

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

We have a compliance program in place that is intended to identify, mitigate and, in some instances, prevent actual and potential conflicts of interest, ensure compliance with legal and regulatory requirements and ensure compliance with client investment guidelines and restrictions. Our compliance program includes written policies and procedures we believe are reasonably designed to prevent violations of applicable law and regulations.

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

#### **Code of Ethics**

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

prohibited from making certain investment. All supervised persons are required to conduct all personal trades through designated broker/dealers unless an exception has been granted.

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

### **Participation or Interest in Client Transactions**

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

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

Representatives sell mutual fund, unit investment trust, collective investment trust and insurance products offered by subsidiaries of AGHI. Therefore, a potential conflict of interest exists when representatives recommend these products because the broker/dealer stands to receive earnings from the internal fees of the recommended securities as well as earnings from a portion of the investment advisory fee received by our firm. Representatives are not under any obligation to sell these products or to meet any selling quotas related specifically to these products.

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

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

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

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

### **Personal Trading**

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

personal securities transactions of our representatives for compliance with SAA policy relating to personal transactions and the SAA Code of Ethics.

### **Pre-Clearance and Restricted Securities Policy**

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

### **Insider Trading Policy**

SAA and our supervised persons can come into possession of material non-public information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, our firm and our supervised persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client. Accordingly, if SAA or our supervised persons come into possession of material non-public information with respect to any company, we and they are prohibited from communicating such information to, or using such information for the benefit of, our respective clients. In addition, we and they have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, our clients when following policies and procedures designed to comply with law.

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

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

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

### **Brokerage Practices**

SAA typically places trades through its affiliate, SAI. SAI is an introducing broker/dealer clearing through National Financial Services, Pershing and/or Fidelity Institutional Wealth Services, depending on the advisory program utilized for your account. SAA, SAI or another affiliated company has an agreement to introduce customer accounts to these clearing firms on a fully disclosed basis. In exchange, these 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. Brokerage transactions are then processed by SAI and cleared by National Financial Services or Pershing. In the Participant Retirement Program, transactions are cleared by Fidelity Institutional Wealth Services. National Financial Services, Pershing and Fidelity Institutional Wealth Services

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

We have also entered into agreements with various insurance companies that allow for the managing and valuation of client's variable annuity accounts within the Financial Advisors Program and other advisory programs as well as accounts created through our providing retirement plan advisory services. Fixed and fixed indexed annuities can be linked to your Financial Advisors Program accounts but are excluded from fee billing calculations as well as management and/or valuation services. Linking these types of annuities to your accounts allows you to view them in conjunction with your advisory account. The insurance company custodians maintain custody of all variable annuity accounts. SAA and SAI do not act as a custodian for any account.

### **Selecting Brokerage Firms**

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

Stocks, bonds and other securities can be traded in managed accounts and are subject to normal spreads, mark-ups and mark-downs paid to market makers of those securities. SAI does not make markets in securities. SAI and 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. However, your advisor cannot receive both an advisory fee and a commission on an asset within your account. The charges vary for mutual funds, variable products, stocks, bonds and option transactions. Factors that determine transaction charges include the size of purchase, type of transaction, mutual fund family, variable product sponsor, the representative involved and the processing method (on-line/phone/systematic). Full transaction charges cannot apply to certain transactions associated with mutual fund product sponsors participating in the Partners Program. 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**

The broker/dealer, its affiliates and their representatives receive revenue from several sources on the products and services you purchase. These sources include fees and charges you pay and other arrangements we have in place with affiliated and non-affiliated entities (e.g., sales charges, commissions, periodic fees, periodic expenses paid from product assets, a portion of the organization and offering fees and expenses for REITs, limited partnerships and other non-public securities offerings). We can also receive additional payments called revenue sharing payments and/or marketing allowances from certain product sponsors under special agreements with those firms (Partners.) Additional details concerning the Partners Program and Non-Publicly Traded Products are set forth below. We also maintain revenue and marketing allowance payment programs involving certain REITs. Representatives of product sponsors,

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

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

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

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

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

The Income Distribution Partner Program was created for certain third-party money managers, variable products, mutual fund and fixed insurance product sponsors. These product sponsors are selected to participate based on several criteria including product breadth, investment performance, training, wholesaling support and brand recognition. In exchange for certain benefits, such as broader access to the broker/dealer’s representatives, sponsors participating in the Income Distribution Partners Program are required to pay the broker/dealer for participation. The broker/dealer’s income distribution planning desk is available to assist with developing distribution plans for you. The income distribution plans use suitable products available from both the Income Distribution Sponsor Partners and products on the broker/dealer’s approved product list. Representatives using the income distribution desk planning services are not required to use the products included in the proposal and do not receive a greater or lesser commission for utilizing these products. The marketing, educational and distribution activities paid for with revenue sharing, however, could lead representatives to consider products that make revenue sharing payments to the broker/dealer, as opposed to sponsors that do not make such payments. For the most current list of Income Distribution Partner Program participants, please ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information/Revenue Sharing and Other Compensation.

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

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

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

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

### **Best Execution**

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

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

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

## **Brokerage for Client Referrals**

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

## **Order Aggregation**

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

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

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

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

## **Review of Accounts**

### **Frequency of Account Reviews**

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

### **Review Triggers**

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

### **Reports and Account Statements**

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

To the extent you receive performance reports, we urge you to compare performance reports received with account statements received from the custodian. Inquiries or concerns regarding the account, including performance reports,

should be directed to the representative at the phone number listed on the account statement. Performance reports can be provided to you in the Financial Advisors 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.

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

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

### **Client Referrals and Other Compensation**

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

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

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

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

In addition, we can award separate non-cash compensation to representatives, 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, serves 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 is in addition to the solicitor fee paid by the third-party investment advisor.

We have established a relationship with Ladenburg Thalmann Asset Management's \$ymbil program. The \$ymbil program is described in detail above.

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

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

### **Lead Generation Programs**

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

### **Other Compensation**

SAA or our affiliated broker/dealer, SAI, forms alliances and networking and referral arrangements with financial institutions such as community banks, credit unions, credit union service organizations and farm credit services (Third-Party Financial Institutions). These alliances and arrangements allow representatives to offer financial planning services and certain other non-deposit investment and insurance products and services, to customers/members of those Third-Party Financial Institutions. Our firm leases space in selected branches of the Third-Party Financial Institutions and then sub-leases it to your representative if he or she conducts business from these locations. As a result of these alliances or networking arrangements, your representative may not be able to offer certain products that are otherwise available through our firm. Also, as a result of these alliances or networking arrangements, Third-Party Financial Institutions receive compensation representing payment for the use of the facilities and equipment of the Third-Party Financial Institutions. Compensation can be 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.

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

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

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

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

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

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

Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements 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.

To help cover or defray the costs of transitioning from another registered investment advisor to SAA, our representatives are eligible to receive various forms and amounts of transition assistance. Such transition assistance includes a promissory note loan, rent, technology services and equipment, legal expenses, administrative support, termination fees associated with moving accounts, and regulatory services, 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.

Securities America issues payments in the form of loans to representatives which are forgivable based on years of service or the extent of their production. This practice creates a conflict of interest because the representative has a financial incentive to recommend a client engage SAA for advisory services in order for the loan to be forgiven.

However, if you engage SAA for an Advisor Managed Account, your representative will obtain the necessary financial data from you, assist you in determining the suitability for the Advisor Managed Account and help you set appropriate investment objectives. Your representative will then be able to purchase and sell securities in accordance with your investment objectives. SAA periodically reviews advisory accounts to ensure suitability and adherence to investment objectives. Please consult with your representative if you have questions regarding this issue.

### **Custody**

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

### **Account Statements**

You receive account statements from investment sponsors, brokerage firms, insurance companies and other money managers at least quarterly. You can also receive monthly account statements from investment sponsors, brokerage firms, insurance companies and other money managers monthly, if there is any activity in your account. We have verified each custodian or investment provider 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 their 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.

### **Investment Discretion**

#### **Limited Discretionary Trading Authority**

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

#### **Limited Power of Attorney for Trading**

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

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

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

### **Account Authorization for Financial Advisors Program**

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

### **Voting Client Securities**

Our firm and representatives will not perform proxy voting services on behalf of clients in the Financial Advisors 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 decision based on the information provided. Upon your request, and at their discretion, representatives provide a recommendation or clarification based on their understanding of issues presented in the proxy materials but you are solely responsible for all proxy voting decisions.

### **Financial Information**

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