

**FORM ADV**

**UNIFORM APPLICATION FOR INVESTMENT ADVISOR REGISTRATION**

**PART II – Page 1**

Name of Investment Advisor: <b>American Portfolios Advisors, Inc.</b>					
Address:	(Number & Street)	(City)	(State)	(Zip Code)	(Area Code) (Telephone No.)
	<b>4250 Veterans Memorial Hwy.,</b>	<b>Holbrook</b>	<b>NY</b>	<b>11741</b>	<b>(631) 439-4600</b>

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

**FORM ADV**  
**Part II – Page 2**

**Applicant:**  
**AMERICAN PORTFOLIOS ADVISORS, INC.**  
**REVISED: January 25, 2010**

**SEC File Number:**  
**801-61065**

1. A. Advisory Services and Fees. For each type of service provided, state the  
(check the applicable boxes) approximate % of total advisory billings from  
that service (See instructions below.)

Applicant:

**ALL ESTIMATES**

- |  |     |
|--|-----|
| <input checked="" type="checkbox"/> (1) Provides investment supervisory services   | 85% |
| <input checked="" type="checkbox"/> (2) Manages investment advisory accounts not involving investment<br>supervisory services  | 38% |
| <input checked="" type="checkbox"/> (3) Furnishes investment advice through consultations not included in<br>either service described above                                    | 7%  |
| <input type="checkbox"/> (4) Issues periodicals about securities by subscription   | N/A |
| <input type="checkbox"/> (5) Issues special reports about securities not included in any service<br>described above  |     |
| <input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs<br>formulas, or other devices which clients may use to evaluate securities | N/A |
| <input checked="" type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters<br>not involving securities                                   | 5%  |
| <input type="checkbox"/> (8) Provides a timing service   | N/A |
| <input type="checkbox"/> (9) Furnishes advice about securities in any manner not described above   | N/A |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

- B. Does applicant call any of the services it checked above financial planning or some similar term? ☒ Yes ☐ No

C. Applicant offers investment advisory services for: (check all that apply)

- ☒ (1) A percentage of assets under management  
☒ (2) Hourly Charges  
☒ (3) Fixed Fees (not including subscription fees)  
☐ (4) Subscription fees  
☒ (5) Commissions  
☒ (6) Other

D. For each checked box in A above, describe on Schedule F:

- The services provided, including the name of any publication or report issued by the advisor on a subscription basis for a fee
- Applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- When compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of clients – Applicant generally provides investment advice to: (check those that apply)

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> A) Individuals                    | <input checked="" type="checkbox"/> E) Trusts, Estates or Charitable organizations                        |
| <input type="checkbox"/> B) Banks or Thrift Institutions              | <input checked="" type="checkbox"/> F) Corporations or business entities other than<br>those listed above |
| <input type="checkbox"/> C) Investment Companies                      | <input type="checkbox"/> G) Other (Describe on Schedule F)  |
| <input checked="" type="checkbox"/> D) Pension & Profit Sharing Plans |   |

Answer all items. Complete amended pages in full, circle amended items with execution page (Page 1)

3. Types of investments. Applicant offers advice on the following: (check those that apply)

- A. Equity Securities
  - ☒ a. Exchange-listed securities
  - ☒ b. Securities traded over-the-counter
  - ☐ c. Foreign issues
- B. ☒ Warrants
- C. ☒ Corporate Debt Securities (other than commercial paper)
- D. ☒ Commercial Paper
- E. ☒ Certificates of Deposit
- F. ☒ Municipal Securities
- G. ☐ Investment Company Securities
  - ☒ a. Variable Life Insurance
  - ☒ b. Variable Annuities
  - ☒ c. Mutual Fund shares
- H. ☒ United States Government Securities
- I. Options contracts on:
  - ☒ a. Securities
  - ☐ b. Commodities
- J. Futures contracts on:
  - ☐ a. Tangibles
  - ☐ b. Intangibles
- K. ☐ Interests in partnerships investing in:
  - ☐ a. Real Estate
  - ☐ b. Oil & Gas Interests
  - ☐ c. Other (explain on Schedule F)
- L. ☒ Other (explain on Schedule F)

4. Methods of Analysis, Sources of Information and Investment Strategies

- A. Applicant's security analysis methods include: (check those that apply)
  - ☒ a. Charting
  - ☒ b. Fundamental
  - ☒ c. Technical
  - ☒ d. Cyclical
  - ☐ e. Other
- B. The main sources of information applicant uses includes: (check those that apply)
  - ☒ a. Financial newspapers & magazines
  - ☐ b. Inspections of corporate activities
  - ☒ c. Research Material prepared by others
  - ☒ d. Corporate Rating Services
  - ☒ e. Timing Services
  - ☒ f. Annual reports, prospectuses, filings with the SEC
  - ☒ g. Company press releases
  - ☐ h. Other(explain on Schedule F)
- C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)
  - ☒ a. Long term purchases  
(Securities held at least a year)
  - ☒ b. Short term purchases  
(Securities sold within a year)
  - ☒ c. Trading (securities sold within 30 days)
  - ☒ d. Short Sales
  - ☐ e. Margin Transactions
  - ☒ f. Option writing, including covered options
  - ☐ g. Other (explain on Schedule F)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1)

**5. Education and Business Standards**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients?

☒ YES      ☐ NO

(If yes, describe these standards on Schedule F)

**6. Education and Business Background**

For:

- Each Member of the investment committee or group that determines general investment advice to be given to clients, or
- If the applicant has no investment committee or group, each individual who determines general advice given to clients (if more than five, respond only for their supervisors)
- Each principal executive officer of applicant or each person with similar status or performing similar functions

On Schedule F, give the:

- Name      Formal education after high school
- Business background for the preceding five years

**7. Other Business Activities (check those that apply)**

- ☐ A. Applicant is actively engaged in a business other than giving investment advice
- ☐ B. Applicant sells products or services other than investment advice to clients
- ☒ C. The principal business of applicant or its principal executive officers involves something other than providing investment advice

(For each checked box describe the other activities, including the time spent on them, on Schedule F)

**8. Other Financial Industry Activities or Affiliations (check those that apply)**

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity-trading adviser.

A. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> a. Broker-dealer                   | <input type="checkbox"/> g. Accounting Firm                                      |
| <input type="checkbox"/> b. Investment company                         | <input type="checkbox"/> h. Law Firm   |
| <input checked="" type="checkbox"/> c. Other investment adviser        | <input type="checkbox"/> i. Insurance Company or Agency                          |
| <input type="checkbox"/> d. Financial Planning firm                    | <input type="checkbox"/> j. Pension Consultant                                   |
| <input type="checkbox"/> e. Commodity pool operator, commodity trading | <input type="checkbox"/> k. Real estate broker or dealer                         |
| <input type="checkbox"/> f. Banking or thrift institution              | <input type="checkbox"/> l. Entity that creates or packages limited partnerships |

(For each checked box in C, on Schedule F, identify the related person and describe the relationship and the arrangements)

B. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest

☐ YES      ☒ NO

(If yes, describe on Schedule F the partnerships and what they invest in)

Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1)

**9. Participation or Interest in Client Transactions**

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client
- ☒ B. As broker or agent, effects securities transactions for compensation for any client
- ☒ C. As broker or agent for any person other than a client, effects transactions in which client securities are sold to or bought from a brokerage customer
- ☒ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☒ E. Buys or sells for itself securities that it also recommends to clients

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions)

**10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services and impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

☒ YES ☐ NO

(If yes, describe on Schedule F)

**11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts or holds itself out as providing financial planning or some similarly termed services:

a) Describe below the reviews and reviewers of the accounts. For reviews, include their frequency, different levels and triggering factors. For reviewers, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews and number of accounts assigned each.

**SEE ATTACHED SCHEDULE F**

b) Describe below the nature and frequency of regular reports to clients on their accounts.

**SEE ATTACHED SCHEDULE F**

**12. Investment of Brokerage Discretion**

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

	<u>YES</u>	<u>NO</u>
1) Securities to be bought or sold	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2) Amount of the securities to be bought or sold	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3) Broker or dealer to be used	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4) Commission rates paid?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

B. Does applicant or related person suggest brokers to clients

For each yes answer to A, describe on Schedule F any limitations on the authority. For each YES to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- The products, research and services
- Whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- Whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- Any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services rendered.

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**Part II – Page 6**

**Applicant:**  
**AMERICAN PORTFOLIOS ADVISORS, INC.**  
**REVISED: January 25, 2010**

**SEC File Number:**  
**801-61065**

13. Additional Compensation

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |   | <u>YES</u>                              | <u>NO</u>                    |
|---|---|------------------------------|
| A. Is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | <input checked="" type="checkbox"/> [x] | <input type="checkbox"/> [ ] |
| B. Directly or indirectly compensates any person for client referrals?  | <input checked="" type="checkbox"/> [x] | <input type="checkbox"/> [ ] |

(For each YES, describe the arrangements on Schedule F)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- Has custody of client funds or securities or
- Requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet	<u>YES</u>	<u>NO</u>
	<input checked="" type="checkbox"/> [x]	<input type="checkbox"/> [ ]

**Item of Form    Answer**

**Part II #1C(6)** American Portfolio Advisors, Inc. (hereinafter “APA” or the “Firm”) is an investment adviser registered with the Securities and Exchange Commission. The firm offers personalized investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. The firm’s services and fee arrangements are described in the following pages.

Individuals associated with APA will provide its investment advisory services. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on APA’s behalf. Such individuals are known as Investment Adviser Representatives (IARs).

APA has entered into a Performance Fee Agreement with Dunham and Associates and any and all Performance Based Programs and supports this activity if the Advisor meets or exceeds APA’s requirements to conduct this business. The Advisor must be approved by APA and once approved will conform to Rule 205-3 as described below.

American Portfolios Advisors, Inc (APA) intends to adhere to all aspects of Rule 205-3 detailed below. This program will utilize the “Qualified Investor” definition contained in Rule. In addition...American Portfolios Advisors will employ minimum requirements that must be met by the Investment Advisor Representative (IAR), in terms of their ability, experience, and their time served in the Investment Advisory Asset Management services’ industry. All qualifications and a request to conduct this business will be submitted to APA in writing for review.

**Advisory Services and Fees**

All fees are negotiable.

Performance compensation is negotiated on a case-by-case basis, and is payable annually in arrears. In addition to the performance Fee the advisor can charge a Management Fee with a maximum annual amount of up to 3% of Assets Under Management. Fees will be assessed pro rata in the event the agreement is executed at any time other than the first day of a billing period. In special cases, other fees and fee paying arrangements may be negotiated. In all such cases, the relevant fees and terms of payment will be clearly set forth in the management agreement signed by Advisor and the client. Fees are invoiced directly for those services provided based upon the fee schedules as documented in the client agreement.

American Portfolio Advisors, Inc. (hereinafter “APA” or the “Firm”) is an investment adviser registered with the Securities and Exchange Commission. The IARs of the firm offers personalized investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. The firm’s services and fee arrangements are described in the following pages.

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Approval by APA must be issued in writing to the IAR before he/she can conduct this type of business activity. After approval has been granted to the IAR all client agreement must be approved by APA before an account can be established. APA will have the final right to reject and refuse any client agreement.

Rule 205-3 permits an adviser to enter into a Performance Fee Contract, and to receive a performance fee from, a client who has \$500,000 under management with the adviser or who has a net worth in excess of \$1,000,000. However, Rule 205-3 mandates that certain contractual provisions appear in all Performance Fee Contracts.

**QUALIFIED CLIENTS**

**Part II #1C(6)  
Continued**

1. The term *qualified client* means:

A natural person who or a company that immediately after entering into the contract has at least \$ 750,000 under the management of the investment adviser;

A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:

A. Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$ 1,500,000 at the time the contract is entered into; or

B. Is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the contract is entered into; or

The SEC permits investment advisers to enter into Performance Fee Contracts with clients who are "qualified purchasers" under Section 2(a) (51) (A) of the Investment Company Act. Among other things, the National Securities Markets Improvement Act of 1996 (the "Improvement Act") amended the Investment Company Act and the Advisers Act to create a new type of private fund (a "Section 3(c) (7) Fund") which may be sold to an unlimited number of "qualified purchasers" and to allow investment advisers to charge performance fees to Section 3(c) (7) Funds without restriction. Generally, qualified purchasers include natural persons and family owned companies owning at least \$5 million of investments, trusts whose trustees and asset contributors are all qualified purchasers described in the preceding clause, and institutional investors that own and invest at least \$25 million of investments in a discretionary basis.

**"LOOKING THROUGH" TO THE ULTIMATE CLIENT**

Rule 205-3 provides that with respect to certain clients entering into Performance Fee Contracts private investment companies, registered investment companies, and business development companies -- the adviser must "look through" the legal entity of the client to determine whether each equity owner of the client would be a Qualified Client. The SEC retains the "look through" provision but clarify that any equity owner that is exempt from or is otherwise not charged a performance fee would not be required to be a Qualified Client.

**ELIMINATION OF SPECIFIC CONTRACT AND DISCLOSURE REQUIREMENTS**

In an effort to give investment advisers greater flexibility in structuring fee arrangements with financially sophisticated investors, Rule 205-3 eliminates the prescribed contract terms and disclosure currently applicable to Performance Fee Contracts.

These requirements include the "One Year Rule" which mandates that any compensation paid to an adviser with respect to the performance of any security over a given period of time be based on all appreciation, net of all depreciation, in the client's account for a period of not less than one year. As a consequence of the One Year Rule, many hedge funds incorporate lock-up provisions that preclude investors from withdrawing any capital during their first year of participation in the fund. If the proposals are adopted, the One Year Rule would be eliminated and advisers would be free to negotiate all of the terms of a Performance Fee Contract with a Qualified Client, free of mandatory contract provisions. Although the proposed amendments would eliminate the need for lock-up provisions, many advisers will probably attempt to retain them for business reasons.

American Portfolios Advisors, Inc. ("APA") offers investment advisory services to clients through investment advisory representatives ("Advisors"). Some Advisors may also be licensed as registered representatives of American Portfolios Financial Services, Inc. ("Agents"). Certain Advisors may also be employed as independent insurance brokers and sell fixed insurance products through their own agencies.

The Advisor will conduct an initial meeting with each potential client. During this meeting, the Advisor discusses the client's financial situation, personal goals and objectives, and risk tolerance/investment style (i.e. maximum safety, low risk, growth, growth and income, aggressive growth, etc.). The Advisor may qualify a client for one or more fee-based advisory services by



**Part II #1C(6)  
Continued**

matching this information with the appropriate advisory service.

**APA OFFERS CLIENTS THE FOLLOWING CATEGORY OF SERVICE**

1. ONE FEE – a wrap-fee program
2. STRATEGIC ASSET MANAGERS – a service by which the client participates in investment management programs offered by third party managers.
3. Financial Planning, Asset Management, Consulting and Seminars.
4. Advisory Plus accounts allows the advisor to charge a fee to the client based upon assets under management and the client also agrees to pay for all related transaction charges and costs.

Minimum applicant fees charged per account is 30 bps and the maximum allotted as per SEC standards are recognized at 3% per account. There may be exceptions to this disclosure and specific program may differ and are outlined in the specific Program documents.

**Part II, page  
2, #1 (D)**

**1. MANAGED ASSET PLANNING WRAP-FEE PROGRAM – One Fee and Non-Wrap Program – Advisory Plus.**

One Fee is a comprehensive investment program, in which the client pays an inclusive “wrap fee” to obtain brokerage, asset allocation analysis and monitoring, portfolio supervision, and consolidated reporting. The maximum fee charged to the client in this program is 3% of assets under management.

**2. STRATEGIC ASSET MANAGERS**

Under Strategic Asset Managers, the Advisor helps clients complete the Portfolio Advisory Services Questionnaire, develop a basic plan to allocate their assets and select one or more outside investment managers to manage designated assets. The terms of the client’s relationship with the investment manager and Agent will vary depending on which investment manager’s program is chosen. Investment programs under Strategic Asset Managers include programs offered by third party managers through agreements created by APA.

The following are programs offered by different managers in third party Asset Managers. Other managers with similar programs may be available under third party Asset Managers from time to time.

**EMPLOYER/EMPLOYEE BENEFIT PLAN ADVICE PROGRAM**

Advisor may also consult with employers concerning employee or executive compensation benefit plans, such as pension plans or deferred compensation programs. Such consultations will include advice on the relative advantages, disadvantages and feasibility of various funding vehicles such as variable insurance products, traditional insurance products or mutual fund products. After determining that a particular vehicle is suitable, the Advisor may facilitate investment in such vehicle. IAR may receive an advisory fee and/or brokerage commission for such services. All fees and commissions are negotiable. For the assets under management, APA will receive either a fee tied to the percentage of assets under management or a brokerage commission.

**HOURLY CHARGES**

Advisor may charge an annual review fee for preparing a financial plan and related assistance or implementation of the plan to the extent needed and desired by the client at a rate not to exceed \$500 per hour, plus reimbursement for out-of-pocket expenses.

**4. FINANCIAL PLANNING, CONSULTATIONS AND ADVISORY SEMINARS**

**a) Financial Planning**

APA offers financial planning services with the assistance of financial planning software. These financial plans may range from simple to complex depending upon the needs of the client. Fixed and/or hourly charges of \$90 to \$500 or a flat fee of \$300 to \$6,000 are charged for this service and are negotiable. These fees may be waived in full or in part.

Financial planning advice will typically involve providing a variety of services, principally advisory in nature, to individuals, businesses or families regarding the management of their financial resources based upon an analysis of individual needs.

**Cont. Part II  
Page 2 #1(D)**

All financial plans ("plans"), unless indicated otherwise, are "one-time plans" and are not updated and/or reviewed on an ongoing basis. The client's relationship with respect to the plan will terminate with receipt of the plan. Any implementation that may occur as a result of the plan will be considered separate from the plan.

b) Consultations

IARs may contract with clients for advice on various topics such as Employer/Employee Benefit Advice Program. IARs may also consult employers concerning compensation programs. Such consultations will include advice on the relative advantages, disadvantages and feasibility of various funding vehicles such as variable insurance products, traditional insurance products and mutual fund products. Fees can range from \$100 to \$900 per hour depending upon the needs of the client and the complexity of the consultation, and are negotiable. Furthermore, fees may or may not be waived by adviser. Written notice can be sent to APA to terminate services contracted for with a 30 day written notice.

c) Advisory Seminars

Through APA's IARs, seminars can be conducted for various audiences. These seminars are generic in nature and can cover a number of topics, including, but not limited to:

- Basics of Investing
- Financial Planning Concepts
- Asset Allocation
- Estate Planning Concepts
- Benefits Planning

**Part II  
Page 3 #3(G)**

Retirement Planning

Advisors utilizing Variable Annuities as a suitable Investment Vehicle can collect a full or partial commission from the Insurance Company and attach an Advisory Agreement to manage the sub-accounts of the annuity for the service provided by a Third Party Manager for Active Management. These contracts will then fall into a Managed Contract requirement of providing a Quarterly Performance Report and also the Advisor is required, as Fiduciary, to provide at least yearly meetings with the client to determine the continued suitability and management of this agreement within client risk tolerances. Advisor will follow all rules of The Security Act of 1940 and all SEC regulations that regulate APA the RIA. Client will receive full disclosure by reading and reviewing, the agreement titled "Variable Annuity Sub Account Management". Client signature is required on this agreement. Commission cannot have been collected within the past three years to qualify.

**Part II  
Page 3 #3(K)**

APA will offer to its clients, only publicly registered programs investing in real estate and unit investment trusts.

**Part II  
Page 3 #4(A)**

IARs use quantitative analysis (including asset allocation models) as part of their securities analysis methods.

Financial planning software can include general financial planning as well as estate, retirement and educational planning.

**Page 4, #5**

APA maintains no rigid educational or business background requirements for its employees, but professional personnel generally have a minimum of a college degree or equivalent business experience. All associated persons providing investment advice are required to pass a securities examination offered by FINRA.

**Part II**  
**Page 4, #6**

The full biographical backgrounds of APA's officers are set forth below. Such backgrounds are representative of the general standards of education or business experience which APA requires of those involved in running its management functions.

**Tom Wirtshafter**

Business Background:  
President American Portfolios Advisors – 2/2009 to present  
President of AXA 3/2003 – 06/2004  
GRR Financial 3/2002 – 03/2003  
APFS 9/2001 – 02/2003  
Nathan & Lewis 4/1982 – 09/2001  
Professional Licenses 7, 24, 4, 53, 63,66

**Thomas J. Lo Manto**

Education: Commack High School  
Business Background:  
Sr. Vice President, American Portfolios Advisors, Inc. 2/09 – Present  
Registered Representative of APFS 4/02 - Present  
Registered Rep., Nathan & Lewis Securities, Inc. 5/96 – 9/01  
Registered Rep., MFI Investments 4/92 – 5/96

**Lon T. Dolber**

Education: Half Hollow Hills, 1972  
Business Background:  
CIO & CEO, American Portfolios Financial Services, Inc. 4/02 – Present  
President and Chief Executive Officer of AP Holdings, Inc. 4/02 - Present  
Registered Principal, Nathan & Lewis Securities, Inc. 5/96 – 4/02  
Registered Principal, MFI Investments 4/92 – 5/96

**Russell J. Clark**

Education: University of Virginia, BA 1972  
Business Background:  
Registered Rep, APFS 6/01 – Present  
Branch Mgr., Nathan & Lewis Securities, Inc. 1996 – 6/01  
MFI Investments Corp. 1989 – 1996

**Dean Bruno**

Education: State University of NY @ Stony Brook  
Business Background:  
CEO, American Portfolios Financial Services 1/02 - Present  
Insurance Coordinator, Merrill Lynch 8/99 – 12-01

**Part II**  
**Page 4, #7**

As set forth in Item 1, certain registered broker-dealer representatives of APFS who are separately registered as investment advisors (or who are advisory representatives of separately registered investment advisors) may provide investment advice to clients through programs described on their individual disclosure documents. APFS may execute trades on behalf of client's accounts in these programs in its capacity as a broker-dealer. Client account agreements will set forth whether APA or a third party manager is providing the investment advice to clients.

**Part II**  
**Page 4, #8( c)**

Registered representatives may also represent one or more general life insurance agencies. Such representatives may recommend the purchase of insurance products to their clients and may receive commissions in connection with such purchases. Independent contractors, who are not registered representatives of APFS, may also sell life insurance. Certain APFS/APA representatives may also be employed as independent insurance brokers and sell fixed insurance products through their own agencies.

**Part II**  
**Page 5, #9(B)**

Under the One Fee Program, the client directs the Advisor to execute transactions for the Account through APFS. APFS and the Advisor have a financial interest in a directed brokerage arrangement

with APFS because APFS will earn transaction charges, commissions or other income in connection with those transactions. A disparity may exist between these charges and the charges that would be borne if the client did not direct brokerage to APFS. Notwithstanding such direction, transactions may not be executed through APFS if to do so would result in a breach of their fiduciary duties.

**Part II**  
**Page 5, #9(C)**

Generally, the commission rates payable by a client is negotiated between the Client and APFS, except as specifically provided herein or in the Client's Account Agreement. A Client may negotiate a commission rate that exceeds the rate the firm, as an investment manager would be able to obtain. Any such transactions will be executed by APFS only to the extent permitted by and in compliance with applicable law and regulations.

APFS also executes transactions as a broker in connection with One Fee, a wrap fee program. Potential conflicts of interest and restrictions relating to transactions executed on behalf of client accounts in One Fee are described in Schedule H. Frequently, Advisors are in a position of buying or selling the same security for a number of clients. In an effort to reduce market impact and to obtain best execution, securities may be purchased or sold in bulk (or "batched") on the same day for the Advisor's clients to the extent permitted by applicable law and regulations. In such cases, the transactions, as well as the expenses incurred in the transactions will be allocated according to a policy designed to ensure that such allocation is equitable and consistent with APFS/Advisor's fiduciary duty to its clients. Pursuant to this policy, aggregated orders are averaged as to price and, except in the case of small orders, are allocated pro rata as to amount according to each accounts daily purchase or sale orders.

**Part II**  
**Page 5, #9(D)**

While APFS does not prohibit agency cross transactions (i.e., transactions in which APFS or an affiliate acts as broker for the parties on both sides of the transaction), it generally attempts to limit such activities. However, agency cross transactions may be affected for client accounts to the extent permitted by law if appropriate client consent is obtained and required disclosure is made. APFS may receive compensation from parties on both sides of such transactions (the amount of which may vary) and, therefore, APFS will have a potentially conflicting division of loyalties and responsibilities. Client consent to agency cross transactions may be revoked at any time by written notice to APFS.

APFS and its associated persons may recommend to clients the purchase or sale of investment products in which it or a related entity may have some fundamental interest, including the receipt of compensation.

**Part II**  
**Page 5, #9(D)**

Certain mutual funds (and/or their related persons), and certain unit investment trusts in which a client may invest, make payments to broker-dealers. Such payments may be distributed pursuant to a 12b-1 distribution plan or pursuant to another arrangement as compensation for distribution or administrative services and may be paid out of the fund's or the trust's assets. APFS may receive such fees or other compensation to the extent permitted by applicable law. A fund that imposes a front-end sales load but which waives that front-end sales load for purchases made on behalf of the client's accounts (a "front-end load" fund at net asset value) may incur 12b-1 distribution or service fees in excess of .25% of the Account's net assets invested in such fund (the maximum allowed for no-load funds). In addition, unit investment trusts may incur deferred sales charges in excess of .25% of the Account's net assets invested in such trust.

The 12b-1 fee, deferred sales charges and other fee arrangements will be disclosed upon request of the Client and are typically described in the applicable fund's or trust's prospectus. Because of these compensation arrangements for non-ERISA accounts, a conflict of interest exists in connection with the recommendation of particular mutual funds or unit investment trust investments for a client's account. However, APA is subject to, and intends to comply fully with, standards of fiduciary duty that require that

**Cont. Part II**  
**Page 5, #9(D)**

it acts solely in the best interest of a client when making investment recommendations. With respect to investments in mutual funds or unit investment trusts on behalf of an ERISA account.

APFS directs customer orders in equity securities to exchanges and market makers based on APFS's analysis of their ability to provide rapid and quality execution. APA/APFS may receive remuneration for directing customer orders to certain market participants. Such remuneration typically consists of a rebate of \$0.01 to \$0.02 per share or comparable consideration. A more

detailed description of such arrangements is available upon request. APFS has an arrangement pursuant to which it receives consideration for debit or free credit balances maintained in client accounts. APFS/APA also may receive consideration for any interest charged on cash account delinquencies in client accounts. Such consideration is in addition to the fees paid for advisory services.

For accounts of clients who receive investment advisory services from a broker-dealer registered representative of APFS who is either a separately registered investment advisor or an advisory representative of such Advisor, APA's supervisory function is limited to supervising the investment advisor activities of that representative. In that regard, APA's procedures include a review of new account forms and determination of suitability. For such clients' accounts, the separately registered investment advisor is responsible for conducting reviews of advisory activities in the accounts. The procedures for those reviews are described in the Form ADV Part II or equivalent brochure of that Advisor.

**Part II  
Page 5, #9(E)**

APFS and APA has procedures dealing with insider trading, employee related accounts, front running and other issues that may present a potential conflict when such purchases, sales or recommendations are made. In general, these policies and procedures are intended to eliminate, to the extent possible, the adverse effect on conflicts of any such potential conflicts of interest.

**Participation or Interest in Client Transactions**

APA or individuals associated with APA may buy or sell – for their personal account(s) investment products identical to those recommended to clients. It is the expressed policy of APA that no person employed by APA may purchase or sell any security prior to transactions implemented for an advisory account, therefore preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

**Code of Ethics<sup>(1), (2)</sup>**

As these situations may represent a conflict of interest, APA has established the following restrictions in order to ensure its fiduciary responsibilities:

- APA emphasizes the unrestricted right of the client to specify investment objectives, guidelines, and/or conditions on the overall management of their account.
- Associated persons or their immediate family members shall not buy or sell securities for their personal portfolio(s) where their decision is derived in whole or in part, by reason of the associated person's employment, unless the information is also available to the investing public on reasonable inquiry.
- No associated person of APA shall prefer his or her own interest to that of the advisory client. Investment opportunities must be offered first to clients before APA or associated persons may participate in such transactions.
- APA and its associated persons generally may not purchase and sell securities being considered for, or held by client accounts without pre-clearance from the Compliance Officer.
- APA requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- Records will be maintained of all securities bought or sold by APA, associated persons of APA, and related entities. A qualified representative of APA will review these records on a regular basis.
- Any individual not in observance of the above may be subject to termination.

The full text of APA's Code of Ethics is available to you upon request or on APA's website.

**Footnotes:**

<sup>(1)</sup> This investment policy has been established recognizing that some securities being considered for purchase and/or sale on behalf of APA's clients trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with APA's records in the manner set forth above.

<sup>(2)</sup> The foregoing does not apply to certain types of securities, such as obligations of the U.S. Government, and shares in open-end mutual funds. Open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds by Advisory Representatives are not likely to have an impact on the prices of the fund shares in which clients invest.

In accordance with Section 204-A of the Investment Advisers Act of 1940, APA also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by APA or any person associated with APA.

**Confidentiality**

As an employee of APA, associated persons may learn confidential information concerning APA and its clients. "Confidential information" generally means all information not publicly available (through the media or public records) and includes, but is not limited to:

- The composition of client portfolios.
- Certain records, procedures and other proprietary information.
- Family or personal information.

It is APA's policy that individuals employed by the firm must not disclose, directly or indirectly, any confidential information to anyone other than APA personnel and authorized professional advisors, such as broker/dealers, attorneys, and accountants, who need such information in order to discharge their professional services.

**Part II  
Page 5, #10**

The minimum account size for wrap which may be waived, is \$50,000. The minimum account size for Strategic Asset Managers may vary but is \$100,000 minimum. APA or the third party manager may require the client to deposit additional money or securities to bring the account value up to the required minimum, close the account, or charge the client a maintenance fee if the market value of the account falls below the state minimum.

**Part II  
Page 5, #11(A)**

Generally, the IAR is primarily responsible for reviewing client accounts, at least annually for suitability for all new accounts, if client's suitability is met as client's needs and market conditions change on an ongoing basis. APFS reviews all new account forms where it provides brokerage services for adequate disclosure of the client's financial goals and financial means. Trade surveillance is monitored at least on a weekly basis by APA compliance, by scanning through certain custodians for errors in commission charged and if inaccurate the written procedures are followed to amend the error. All information is then properly documented by APA compliance associate.

**Part II  
Page 5, #11(B)**

For each month in which there is activity in an account, or if there is no activity, on a quarterly basis, clients will receive a portfolio report which provides: the current market value of the combined holdings as a quarter-end, a summary of transactions, and performance of that quarter. Clients also receive a confirmation after each transaction executed in their account if requested.

**Part II  
Page  
5, #12(A)1  
And #12(A)2**

The Advisor may utilize discretion which will be limited to transactions involving mutual funds, stocks, bonds, options and UIT's. In order to grant this discretionary authority, clients must sign or initial their approval for discretion with in the appropriate application or agreement. In addition it is the responsibility of the APA advisor, with discretion, to deliver to each client an Investment Policy Statement (IPS). The IPS document will be signed by the client and a copy maintained in the client file either hard copy or an electronic version.

Clients in Strategic Asset Managers may grant certain outside investment managers authority to purchase and sell assets on their behalf as set forth in their account agreement with that investment manager. A description of the limitations on the authority of that advisor may be found in the Form ADV Part II to be delivered to the client.

**Part II  
Page 6,  
#12(A)3  
And #12.(A) 4**

If the client and investment manager select APFS as their broker-dealer for the account in Strategic Asset Managers, unless otherwise set forth in their Account Agreement, APFS will determine the amount of commissions and other charges to be paid for each transaction. Brokerage commissions and commission equivalent rates may, from time to time, be individually negotiated, and thus clients may be charged different commissions and commission equivalents than those charges to other clients for identical transactions effected through APFS. These different rates may be due to, among other things, differences in the size and nature of the respective accounts and size and nature of transactions.

**Part II**

**Page 6, #12(B) Suggestion of Brokers**

Where APA has discretion regarding which brokers to use for securities transactions, the following factors are considered in selecting such brokers: execution capabilities, availability of securities to be purchased, competitive discounted commission rates, financial strength and responsibility, responsiveness to the Client and the Firm.

APA may recommend that clients establish brokerage accounts with one or more broker-dealers to maintain custody of the Client's assets and to effect trades for their accounts. Clients are advised that there may be transaction charges involved when purchasing or selling securities. APA may or may not share in any portion of the brokerage fees/transaction charges imposed by our affiliates. In recommending a broker/dealer, APA will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible.

APA believes that our custodial agreements that APA has affiliated with, to provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

**Part II**

**Page 6, #12(B)**

The client along with the advisor can select from our custodians which will be most suitable for their account. These custodians will determine the amount of commissions and other charges to be paid for each transaction. These custodians must be affiliated with APA. APA as the registered RIA may

**Part II**

**Page 6, #12(B)**

suggest brokers for our clients. Some custodians may offer lower charges depending on IAR's and client's discretion. In Strategic Asset Managers, the investment manager and the client select the broker(s) for the client's account. If clients use APFS, they will not pay commissions higher than those obtainable from other brokers for the same services. Research is used for all of applicant's accounts, whether paying for it or not. No procedures are used by applicant to direct client transactions to a particular broker, other than disclosed herein. APA participates in the institutional customer program offered by TD AMERITRADE INSTITUTIONAL and SCHWAB INSTITUTIONAL. APA provides its advisors with specific software application that will aggregate all client accounts to better their reporting ability in their client's best interest.

APA participates in the institutional customer program offered by TD AMERITRADE INSTITUTIONAL. TD AMERITRADE INSTITUTIONAL is a division of TD AMERITRADE Inc., member FINRA/SIPC ("TD AMERITRADE"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD AMERITRADE offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. APA receives some benefits from TD AMERITRADE through its participation in the program. (Please see the disclosure under Item 13.A. below.)

**Part II**

**Page 6, #13(A)  
And #13(B)**

In addition to the arrangements set forth in Item 9.D above, APA may be a party to written cash solicitation agreements with certain unaffiliated investment advisors who are participating in Strategic Asset Managers. APA/Advisor receives compensation pursuant to these arrangements for introducing clients to the management program affiliated with APA. This compensation is typically equal to a percentage of the investment advisory fee charged by that investment advisor. APA does not monitor these investment advisors or provide on-going advisory services to clients whom it refers to these advisors as it does for certain other investment managers in Strategic Asset Managers. Because APA receives compensation from these investment advisors for referring clients, as solicitors, and because such compensation may differ depending on the individual agreement with each investment advisor, APA/Advisor may have an incentive to recommend one of these investment advisors over other investment managers with which it has a less favorable compensation arrangement; investment advisors with which APA has no such compensation arrangement; or alternative advisory programs.

If the Advisor refers a client to an investment manager or management program with whom APA has such an arrangement, the Advisor will comply with rule 206(4)-3 under the Investment Advisers Act of 1940, which includes providing the client with the investment manager's written disclosure documents and providing the client with a separate written disclosure document containing a description of the compensation arrangements. No client referred by APA is charged any additional amount over the investment manager's advisory fee as a result of the agreement between APA and the investment manager, unless otherwise set forth in the written disclosure document. APFS may provide brokerage service in connection with some of the programs and receive compensation for such services. APA may pay fees to financial intermediaries, advisors, planners and individuals who refer their clients to

APA, but only in accordance with all requirements under Rule 206(4)-3 of the Advisers Act. American Portfolios Advisors, Inc (APA) through its Investment Advisor Representatives (IARs) will obtain an investment advisory contract signed by the account owner or investor with required financial, risk tolerance, suitability, and investment vehicle selection information for each new account. The IAR is responsible for providing clients with ADV Part II and Schedule H to investors. ADV Part II acknowledgement must be signed and maintained in the client file. Pershing Managed Account Solutions (PMAS) will make available through its technology - the Distributor Workstation - the Proposal for APA and its IARs.

Because APA receives compensation from various investment advisors for referring clients, as solicitors, and because such compensation may differ depending on the individual agreement with each investment advisor, APA/IAR may have an incentive to recommend one of these investment advisors over other investment managers with which it has a less favorable compensation arrangement. APA will comply with rule 206(4)-3 under the Investment Advisers Act of 1940, which includes providing the client with the investment manager's written disclosure documents and providing the client with a separate written disclosure document containing a description of the compensation arrangements. No client referred by APA is charged any additional amount over the investment manager's advisory fee as a result of the agreement between APA and the investment manager, unless otherwise set forth in the written disclosure document.

**Part II  
Page 6, #12(B)**

**Soft-Dollar Arrangements**

In addition to a broker/dealer's ability to provide the "best execution," APA may also consider the value of "research" or additional brokerage products and services a custodian has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the APA and its IARs, and because the "soft dollars" used to acquire them are generated through client transactions, the firm could be considered to have a conflict of interest in allocating client brokerage business. It could receive valuable benefits by selecting a particular custodian to execute client transactions and the transaction compensation charged by that custodian might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm theoretically could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

**Part II  
Page 6, #12(B)**

APA's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers, who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the firm will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular custodian, we generally determine, considering all the factors described below, that the compensation to be paid is reasonable in relation to the value of all the brokerage and research products and services provided by custodians. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker/dealer for a particular transaction or set of transactions may be greater than the amounts another broker/dealer who did not provide research services or products might charge. In some cases, with a particular client's consent, we may consider a broker/dealer's provision of non-research products and/or services (i.e., products or services that we do not use in making investment decisions or executing transactions for clients). In such cases, however, the products or services involved are used solely for the benefit of the client in whose account the commissions or other fees are incurred.

Research and Brokerage Products and Services. "Research" products and services we may receive from custodians may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. APA and our IARs generally use such products and services in the conduct of



our investment decision making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

Amount and Manner of Payment. A broker/dealer through whom the firm wishes to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay, or reimburse the firm for, specified expenses. In other cases, a broker/dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate it. The actual level of transactional business the firm does with a particular broker/dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits." Where a client has authorized us to consider a broker/dealer's provision of services outside the Section 28(e) safe harbor, a broker/dealer may generate "credits" based on transactions effected in the past and allow the firm to use such "soft dollars" to acquire services and products provided by third parties. We do not exclude a broker/dealer from receiving business simply because the broker/dealer has not been identified as providing soft dollar research products and services, although we may not be willing to pay the same commission to such broker/dealer as we would have paid had the broker/dealer provided such products and services.

As part of its fiduciary duties to clients, APA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by APA, or its related persons, in and of itself creates a potential conflict of interest.

On occasion, APA may receive benefits from companies that are currently doing business with APA, or that APA is considering doing business with. Benefits from these companies may include, but is not limited to, such things as expenses paid for due diligence trips, conferences, seminars for IARs and clients.

**Part II  
Page 6, #12(B)**

APA participates in Pershing Managed Account Solutions (PMAS) or one of its affiliates for customer program and APA may recommend PMAS to clients for custody, brokerage and 3<sup>rd</sup> party managed services. There is a direct link between APA's participation in the program and the investment advice it gives to its clients, although APA receives economic benefits through its participation in the program that are typically not available to PMAS investors. These benefits include the following products and services provided without cost: duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain Institutional money managers; marketing, research, technology, and practice management products are services provided to APA by third party vendors.

Other services made available by PMAS are intended to help APA manage and further develop its business enterprise. The benefits received by APA through participation in the program do not depend on the amount of brokerage transactions directed to PMAS. Clients should be aware, however, that the receipt of economic benefits by APA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence APA's recommendation of PMAS for custody and brokerage services. APA also receives from PMAS certain additional economic benefits that may or may not be offered to any other independent investment advisors participating in the program. APA's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including, to seek best execution of trades for client accounts and determining the best possible solution for their risk tolerance. APA by participating in the program may receive discounts for technology, marketing, compliance, practice management products and products provided by third party vendors.

Some of the products and services made available by PMAS through the program may benefit APA but may not benefit its client's accounts. These products or services may assist APA in managing and administering client accounts, including accounts not maintained at PMAS.

Fee Structure:

Minimum fee is 70 bps, with a maximum of 3%.

Morningstar, Inc. (Morningstar) provides Lockwood with certain research on investment selections included in AdvisorFlex Portfolios. Lockwood is not, in any way, affiliated with Morningstar.

Lockwood is the Sponsor and Portfolio Manager of AFP and receives asset allocations and investment selection suggestions from Morningstar. Lockwood, using Morningstar creates models and makes them available to APA.

**Part II  
Page 6, #12(B)  
(continued)**

As disclosed under Item 12.B. above, APA participates in TD AMERITRADE's INSTITUTIONAL customer program and APA may recommend TD AMERITRADE to clients for custody and brokerage services. There is no direct link between APA's participation in the program and the investment advice it gives to its clients, although APA receives economic benefits through its participation in the program that are typically not available to TD AMERITRADE retail investors. These benefits include the following products and services provided without cost: duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain INSTITUTIONAL money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to APA by third party vendors. Some of the products and services made available by TD AMERITRADE through the program may benefit APA but may not benefit its client accounts. These products or services may assist APA in managing and administering client accounts, including accounts not maintained at TD AMERITRADE. Other services made available by TD AMERITRADE are intended to help APA manage and further develop its business enterprise. The benefits received by APA through participation in the program do not depend on the amount of brokerage transactions directed to TD AMERITRADE. Clients should be aware, however, that the receipt of economic benefits by APA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence APA's recommendation of TD AMERITRADE for custody and brokerage services.

APA also receives from TD AMERITRADE certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include payment by TD AMERITRADE of \$30,000 annually to Advent Software, Inc. to cover two Advent User licenses and the Advent Axys Integrated Solution, the cost of account reconciliation for accounts custodied at TD AMERITRADE, and ancillary Advent product charges and associated fees and taxes. TD AMERITRADE provides the Additional Services at its own expense, and APA does not pay any fees to TD AMERITRADE for the Additional Services. APA and TD AMERITRADE have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

APA's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to APA, TD AMERITRADE most likely considers the amount and profitability to TD AMERITRADE of the assets in, and trades placed for, APA's client accounts maintained with TD AMERITRADE. TD AMERITRADE has the right to terminate the Additional Services Addendum with APA, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD AMERITRADE, APA may have an incentive to recommend to its clients that the assets under management by APA be held in custody with TD AMERITRADE and to place transactions for client accounts with TD AMERITRADE. APA's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including, to seek best execution of trades for client accounts.

**TD AMERITRADE ADDITIONAL SERVICES**

. APA participates in the TD Ameritrade Institutional and Schwab institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (TD Ameritrade "I") member FINRA/SIPC. TD Ameritrade and Schwab institutional are an independent and unaffiliated SEC registered broker-dealer.

. TD Ameritrade and Schwab offers to independent registered investment advisors services which include custody of securities, trade executions, and clearance and settlement of transactions. Advisors receive some benefit from TD Ameritrade through its participation in the program

. APA may recommend TD Ameritrade or Schwab to clients for custody and brokerage services.

. APA receives economic benefits through its participation in the program by subscribing to Advent software.

. APA by participating in the program may receive discounts for technology, marketing, compliance,

practice management products and products provided by third party vendors.

. These services received by APA, or its affiliated persons, do not depend on the amount of brokerage transactions directed to TD Ameritrade or to Schwab Institutional.

**POTENTIAL CONFLICTS OF INTEREST DISCLOSURE**

. That by receiving Additional Services, APA will receive certain additional economic benefits which may or may not be offered to any other independent advisor that participates in the Program.

. APA elects to participate in the Program and utilize Advent software in an effort to utilize the tool for reporting of client accounts. This tool is linked to the TD Ameritrade platform and APA feels the reporting will provide a higher level of accuracy.

. APA may make these services available to its affiliates at no cost. Consequently, APA brokerage commissions and custodial fees generated at TD Ameritrade or Schwab Institutional may be used to benefit APA affiliates.

. APA may have a conflict of interest in recommending to its clients that their assets be held in custody with TD Ameritrade and in placing transactions for client accounts with TD Ameritrade, because TD Ameritrade considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, the APA clients accounts when determining whether to provide or continue providing Additional Services to APA; and

That APA receipt of Additional Services does not diminish APA's duty to act in the best interest of its clients, including to seek best execution of trades for client accounts.

**SCHWAB INSTITUTIONAL SERVICES:**

American Portfolios Advisors, Inc (APA) also has an agreement with Charles Schwab & Co. Inc, (Schwab) whereby Schwab pays APA a significant percentage of the service fees Schwab receives on the assets of APA clients invested in certain mutual funds where some are a part of Schwab's Mutual funds OneSource® service in recognition of certain shareholder servicing that APA performs in respect to those assets. The amount of OneSource ® service fee that Schwab receives varies from 25 to 40 basis points annually depending on the particular amount of client assets invested in a particular fund and with in specific client agreements.

**Part II  
Page 6, #12(B)**

**Additional Compensation**

Schwab Institutional provides APA with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers at no charge to them so long as a total of at least \$10 million of the adviser's Clients account assets are maintained at Schwab Institutional. Schwab Institutional services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require significantly higher minimum initial investments. Schwab Institutional also makes available to APA other products and services that benefit APA but may not benefit its Clients' accounts. These include software and other technology that provide access to Client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of APA's fees from its Clients' accounts, and assist with back-office support, recordkeeping and Client reporting. The availability to APA of the foregoing products and services is not contingent upon APA committing to Schwab Institutional any specific amount of business (assets in custody or trading).

**POTENTIAL CONFLICTS OF INTEREST DISCLOSURE**

Because APA receives economic benefit, APA has a potential conflict of interest in recommending to clients that they (i) use Schwab as custodian; (ii) invest their assets in certain mutual funds that include OneSource® funds; and (iii) invest in a fund that has a higher service fee than other funds.

APA also may have a potential conflict of interest in exercising its discretionary authority to buy and hold shares of certain mutual funds on behalf of clients.

**AMERICAN PORTFOLIOS ADVISORS, INC.  
WRAP FEE BROCHURE  
SCHEDULE H**

**This brochure provides clients with information about American Portfolios Advisor's Inc. (APA) and its WRAP Fee program that should be considered before becoming a client of the Wrap Fee program. This information has not been approved or verified by any governmental authority.**

**American Portfolios Advisors. Inc.  
4250 Veterans Memorial Highway, 4<sup>th</sup> Floor East,  
Holbrook, NY 11741  
(631) 439-4600**

AMERICAN PORTFOLIOS ADVISORS, INC.  
WRAP FEE BROCHURE

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**American Portfolios Advisors Inc.  
Strategic Asset Management (SAM)  
The Managed Asset Program (MAP)**

APA is an independent registered investment advisory firm (RIA) regulated by the SEC. The APA WRAP fee program is an investment advisory service for the serious investor seeking professional money management. The WRAP program contains two distinct types of sub-programs, Strategic Asset Management (SAM) and the Managed Asset Program (MAP) programs. Our Investment Advisory Representatives (IAR) can employ either or both strategies with their Clients. APA may also recommend that a portion of the Client's portfolio be invested in one or more alternative investments. These alternative investments are described below under "Alternative Investments".

**The SAM Program**

Investors are offered the opportunity to have their assets professionally managed by a Third Party Institutional Manager(s) (TPM), in the SAM program. While each TPM dictates the minimum amount needed to establish an account for their respective program; the industry appears to have an average minimum of \$100,000.

Under the SAM Program portfolios are generally allocated among different investment managers or in a diversified portfolio. Clients participating in the program receive trade confirmations, account statement and quarterly performance reports either in paper or electronically format; at times, the client may have the option to waive receipt of trade confirmations. The TPM will debit the client account quarterly for the agreed upon advisory fees noted within the Client's agreement, executed with APAI and or the TPM. The performance of the TPM is independently monitored and reported to the Client quarterly by either the TPM or the IAR.

For each Client, the TPM will construct an asset and portfolio allocation that reflects any specific information pertaining to the Client's investment guidelines and objectives. Furthermore, the TPM will adhere to any explicit instructions communicated to the TPM, as necessary, in connection with the management of the Client's account. Accounts of Clients participating in the SAM Program are managed in accordance with model portfolios maintained by each TPM, subsequently selected by the Client, and subject to any specific investment restrictions or limitations imposed by the Client, which have been communicated in writing to APAI and the TPM.

Accordingly, the discretionary authority of each TPM selected by a Client participating in the SAM program is limited to making decisions with respect to the specific securities and portfolio weightings of such securities held in the TPMs model portfolio. The TPMs role in the execution of securities trades for the SAM accounts is limited to its understanding that the changes it makes to its investment model portfolio will result in the custodian and clearing broker, executing transactions in Client accounts utilizing the model.

**Selecting Third Party Managers (TPM)**

Selecting the best combination of Portfolio Managers is critical to the long-term success of the Client's goals. The IAR matches the Client's requirements with those TPMs who have been approved to work in APAs SAM program, and whose style and characteristics, based upon information provided by the Client in the client questionnaire and in consultation with the Client and/or the Client's advisers, best match their investment objectives. To wit, TPMs are recommended based upon the investment goals, needs, and risk tolerance of the Client. The rationale behind the recommendation is explained to the each prospective Client. Ultimately the Client retains each TPM, but the IAR will recommend the replacement of a TPM for any one of a variety of reasons including, without limitation, a change in the Client's investment objectives or needs, a change in the investment style or process employed by the TPM, a change in the TPM's personnel, and/or under performance as compared to applicable benchmark indices and peer managers with comparable investment styles. The TPMs that have been approved for use in the SAM program are directly accessible to our IARs through the coordination of our home office.

**Third Party Manager Due Diligence**

APA conducts ongoing and annual reviews of the TPMs. This review focuses on personnel, any material changes experienced at the TPM, the quality of their investment process, consistency of their performance,

and any new investment strategies. Based upon APA's evaluation of the manager, APA has authority to remove a TPM from the program completely, if a TPM does not pass or comply with the review process. If a TPM is removed, APA will make every effort to find a comparable TPM to place any existing Clients.

**Education and Business Standards**

The IARs responsible for providing investment advice to Clients in the WRAP Program must have successfully passed the FINRA hosted-Series 65 or 66. The FINRA grants exceptions to this rule if an IAR has a professional designation of Certified Financial Planner (CFP) or Chartered Financial Consultant (ChFC). Additionally, an FINRA U4 is also required for affiliation. The IAR's history is examined to see if they will be permitted into the program. Once accepted into the RIA as an IAR, APA posts the IAR up to the IARD system, if state jurisdiction requires such posting.

**The MAP Program**

Under the MAP program, one or more of APA's IARs assumes the Portfolio Manager role, charged with the management of the Clients assets. The MAP Program allows the client to open an account with one of our custodians and invest in, without limitation, individual stocks, mutual funds, bonds, options, and Unit Investment Trusts. The minimum amount to open these accounts is \$50,000. The advisor may or may not have trading authority within the account. Based on information, using a client questionnaire, the IAR will create a suitable asset allocation strategy within the risk tolerances as demonstrated by the results of the client questionnaire, client temperament, goals, time, and risk assessment. The IAR assists the Client in defining investment objectives, and determining overall appropriate asset allocation.

In the MAP program, the IAR has the fiduciary responsibility for the recommendation of a suitable asset allocation. The IAR then implements the selection and monitors and reports on the performance of each selected portfolio to the Client. The custodian will debit from the Client's account the agreed upon quarterly advisory fees noted within the Client's agreement executed with APA based upon total account value.

**Summary of WRAP Programs**

Both programs provide a variety of Client services that include, but are not limited to Portfolio Analysis, Development of Investment Policy, Asset Allocation Modeling and Analysis, Investment Management Selection, and Quarterly Performance Reporting and Monitoring. All services are designed to ensure a high level of quality money management to meet the Client's investment objectives.

**Lockwood Adviser Flex Portfolios (AFP)**

AFP utilizes the services of Morningstar, Inc. (Morningstar) provides Lockwood with certain research on investment selections included in Advisor *Flex* Portfolios. Lockwood is not, in any way, affiliated with Morningstar.

. Lockwood, using Morningstar to creates models and makes them available to APA.

The models/ allocation strategies are;

- Current Income/ Income Generation
- Current Income/ Purchasing Power Presentation
- Capital Appreciation/ Conservative
- Capital Appreciation/ Moderate
- Capital Appreciation/ Moderate Growth
- Capital Appreciation/ Growth
- Capital Appreciation/ Enhanced Growth

Lockwood has made model related information, such as reports prepared by Morningstar, marketing materials, and market commentary available to APA.

Advisor, although without having discretion, can choose specific positions from an approved list to add or substitute into the allocation. Rebalancing is approved by client along with granting Limited Discretion to the account.

Minimum account size is \$100,000 with subsequent minimum contributions of \$1,000.00.

**Fees for AFP billed quarterly in advance:**

First \$500,000.....70Basis Points

Next \$500,000.....70 Basis Points

Over \$1,000,000.....70 Basis Points

Householding may be used to reduce the Fee - with restrictions. This total fee includes Lockwood fee, clearing custody, and execution fee paid to Lockwood Affiliate Pershing, LLC and advisor. Additional fees may apply such as redemption fees and/or 12B1 fees and interest expenses of Mutual Funds used in

the program. Redemption fee schedules will be found in the Fund prospectus. In addition for availability on the platform Pershing, LLC may receive fees from the related Mutual Funds.

**Investment Strategy Development**

Critical to the success of any investment plan is a sharply focused, well-defined strategy that accounts for the Client's risk tolerances, expected rate of return targets and liquidity needs. APA uses an Investment Strategy Questionnaire, for both programs, to assist in developing and recommending an Investment Strategy for each Client. Based on the information provided by the Client in the questionnaire, APA will:

- Gain an understanding of the financial circumstances and objectives of the client.
- Define the Client's long-range goals, constraints, risk tolerance levels, and time horizons.
- Assess growth rates and future contributions needed to achieve objectives, liquidity needs and spending levels.
- Identify asset classes best suited to maximize returns and minimize risk.
- Develop a written Investment Strategy (as mandated by ERISA) or an investment policy that incorporates any security or social class restrictions the Client may wish to impose.

**Asset Allocation Modeling and Analysis**

Asset allocation analysis provides important input in correctly matching the objectives of the Client with Portfolio Manager(s) whose investment disciplines are suitable for achieving the desired goals. The allocation process:

- Determines optimal asset allocation to strive to achieve the Client's nominal and real rate of return targets while minimizing risk
- Establishes permissible concentration of assets in specific asset classes
- Anticipates Client communicated future spending and contribution rates

**Lockwood Advisors, Inc. – MAA PROGRAM**

Lockwood is registered with the SEC as an investment advisor. An affiliate of Lockwood, Pershing, is registered with FINRA and the New York Stock Exchange as a securities broker-dealer and provides the clearing and custody services. Lockwood and Pershing are affiliated companies, each of which is owned by The Bank of New York Mellon Corporation.

The Consultant provides the Client with Lockwood account opening paperwork, a Firm brokerage agreement(s), along with a copy of Lockwood's ADV Part II, Schedule H, and submits the financial information, investment objectives and account forms to Lockwood. Lockwood reviews the information provided by the Client and once approved, a brokerage account is opened by the Firm for the Client's managed account assets.

In the MAA Program, a Firm may select the MAA Plus Manager which permits a Firm to add Managers to their platform which Managers are not covered by Lockwood. The Firm has the sole responsibility for selecting and monitoring such MAA Plus Managers.

With respect to all ERISA accounts, the money market sweep vehicle is hard-coded to the Federated Master Trust. Each Client whose account is subject to ERISA shall receive a copy of the prospectus of the Federated Master Trust.

It should be noted that each Manager employs its own timeframe for investing funds, once Lockwood has turned over new assets to a Manager. Clients should consult each Manager's disclosure document to determine the Manager's specific procedures. Lockwood is not responsible for any adverse effect caused by a Manager's failure to invest Client funds on a timely basis.

The total fee assessed to the Client will vary depending on the services the Client selects. Typically, the Client fee will include the Lockwood advisory or program fee, Manager(s) fee, clearing and custody fee and Consultant fee, as described below. Fees are calculated as an annual percentage of assets based on the value of the account. Fees are billed pro rata at inception of the account for the remainder of the calendar quarter and quarterly thereafter, unless indicated otherwise.

**Inception and Post-Inception Billing**

At inception, fees are billed from the date the account is opened through the end of that calendar quarter in advance. Thereafter, fees are billed in advance for the next calendar quarter based on the value of the



assets at the end of the prior calendar quarter. For post-inception deposits in excess of \$5,000, prorated fees on each deposit may be charged.

**SMA Standard Program Fee (In Basis Points)**

<b>Household</b>	<b><u>SMA Equity/ Balanced</u></b>	<b><u>SMA Fixed Income</u></b>
First \$500,000	3.00%	
Next \$500,000 to 1 M	2.5%	
1 million & over	1.5%	

**Inception and Post-Inception Billing**

At inception, fees are billed from the date the account is opened through the end of that calendar quarter in advance. Thereafter, fees are billed in advance for the next calendar quarter based on the value of the assets at the end of the prior calendar quarter. For post-inception deposits in excess of \$5,000, prorated fees on each deposit may be charged.

**Alternative Investments**

Where deemed appropriate, suitable and based on the Client's objectives, assets, risk tolerance and investment experience as well as to obtain greater asset and style diversification, APA may recommend to Clients participating in the MAP and/or SAM program that a portion of the Client's portfolio be invested in one or more alternative investments in lieu of allocating assets separately to a Portfolio Manager. These alternative investments may include an investment in, real estate investment trusts or other pooled investment vehicles, index-linked debt securities.

**Quarterly Performance Reporting and Monitoring**

As stated in the preceding sections, each Client receives an objective report from their IAR or TPM, reporting the performance of their account. Performance information is calculated under AIMR guidelines for portfolios using the clearing firms of American Portfolios Financial Services, Inc and American Portfolios Advisors, Inc. At minimum, the report will include, beginning quarterly balance, ending quarterly balance, all transactions during the quarter, all of the portfolios holdings, allocation of portfolio, and quarterly performance of portfolio. This report format applies to both types of WRAP programs.

**Cost of Services**

Under the WRAP program, each Client enters into an Investment Advisory Agreement with APA, pursuant to the advisor establishing investment objectives, developing an investment strategy to meet those objectives, identifying appropriate portfolio managers and monitoring the performance of such portfolio managers. In consideration of such services, APAI receives an Investment Advisory Fee ("Wrap Fee"). The "Wrap Fee" program is, and includes all advisory, brokerage and custodial costs. The fee does not include, without limitation, postage and handling, certain charges imposed by Mutual Fund companies for transactions that are considered to be "short term trading", from time to time ticket charges, fees imposed by the Securities and Exchange Commission ("SEC"), wire transfer fees, the costs and expenses associated with the temporary investment of the Client's funds in a money market account, any internal management or operating fees or expenses imposed or incurred by a mutual fund in which a Client's account may be invested, or special requests by the Client. Fees are generally paid quarterly in advanced.

The Wrap Fee may be more or less than the cost to the Client of purchasing such services separately depending upon various factors, including the level of trading activity in the Client's account. In particular, if the account has relatively low turnover rates, the "Wrap Fee" may be more costly.

In the MAP program the IAR and APA will receive an Investment Advisory Fee (Fee), for services rendered, for Equity, Balanced and Fixed Income accounts. The Fee has a maximum cap of 3.00%, for the minimum account value.

In the SAM program, a portion of Fee is used to pay the TPM selected to manage the account while the balance of the fee is to compensate the IAR and APAI. The internal range of fees charged by the TPMs for Equity, Balanced and Fixed Income accounts is 2.00% to 0.20%. The aggregate Fee, for the IAR, APA and the TPM, has a maximum cap of 3.00%, for the minimum account value. The fees are calculated upon the total amount of assets within the account at the end of each quarter.

To illustrate, inasmuch as costs for managing equities are higher than fixed income, the higher the equity allocation, the higher the Fee; the lower the equity allocation, the lower the Fee. The actual APA Fee varies depending not only upon the size of the account and the asset allocation, but also upon the number of portfolio managers. Assuming the same allocation between equity and fixed income and the same total account size, allocations with fewer managers will generally result in lower fees than allocations utilizing more managers. Furthermore, since fixed income portfolios in some of the MAP or SAM program are invested in fixed income mutual funds, APA's fee does not include any amount for investment manager fees (and is accordingly reduced) for assets invested in fixed income mutual funds. However, a mutual fund incurs management fees and other operating fees and expenses as disclosed in the prospectus for such fund, which fees and expenses are in addition to APA's fee.

In addition to fees listed above certain selected Advisors may suggest Programs that will include Performance Based Fee Pricing. These Programs will comply with SEC Rule 205-3. For more detailed information on the Rule 205-3 please read ADV Part II- attached to this document.

#### **Solicitor**

APA may also pay a portion of the Fee to a solicitor/finder ("Solicitor") for services provided in introducing the Client to APAI and its IAR and as taking part of APA's SAM and MAP programs. The fee paid to the solicitation is part of the WRAP fee agreed to by the Client; a portion of IARs fee is shared with solicitors who acts as the liaison between APA and the Client. The solicitor's fee is not an additional fee paid by the client.

Since the compensation paid to a Solicitor maybe more than what the Solicitor would receive if the Client participated in other programs or paid separately for investment advice, brokerage, and other services, the Solicitor may have a financial incentive to recommend the APA's WRAP Program over other programs or services. The Client will be asked to sign a disclosure document that will provide specific information about the relationship of the solicitor, APA and its IAR.

#### **Wrap Fee for Equity, Balanced Accounts, and Fixed Income**

##### **Annual Rate**

Total Net Asset Value	<u><b>SAM</b></u>	<u><b>MAP</b></u>
\$50,000 to \$250,000	3.00%	3.00%
\$250,001 to \$500,000	3.00%	3.00%
\$500,000 to \$1,000,000	2.50%	2.50%
1,000,000 and over	1.50%	1.50%

All fees are negotiable

#### **Fee Adjustments related to Fund Investments**

Where a Client invests directly a portion of the portfolio with a mutual fund, APA's Fee for that portion of the Client's assets does not include any amount for portfolio management. The Client will be responsible for paying operating fees and expenses, such as custodial fees, brokerage expenses, appraisal fees and legal and accounting fees as the fund also incurs them. These fees and expenses are disclosed in the prospectus or offering materials for the fund.

#### **Termination Administrative Fee:**

The Client will be entitled to a prorated refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter after the termination date. If the account is closed within the first twelve months by the Client or as a result of withdrawals which bring the account value below the minimum, APA reserves the right to retain the prepaid quarterly fee for the current quarter and to charge the Client's account the balance of the fee for such initial twelve month period (calculated on the account value at the time the account is closed) in order to cover the administrative cost of establishing the account. The administrative costs will vary depending on the portfolio manager selected and the investment style of the

account. Comparable services may be available from other sources for fees lower or higher than those charged by APA. Fees may be discounted or negotiated at APA's discretion.

**Custody and Brokerage**

Currently APA utilizes Pershing LLC, Schwab Institutional and TD Waterhouse Investor Services, Inc. as custodians for Client accounts, for the MAP program.

All transactions and Client accounts are effected solely through the TPM and their custodial partner, for the SAM Program.

**Proxy Voting Policy and Procedures**

Clients participating in APA's SAM program authorize the various investment managers to vote directly for securities held in the Client's account with such manager. Clients participating in MAP program are responsible to do their own proxy voting when notified by the investment firm. Proxies for mutual fund shares held in Client accounts are sent to Clients or voted as the Client directs in writing.

**Other Business Activities**

The principal executive offices of APAI are also the principal executive offices of American Portfolios Financial Services, Inc. ("APFS"), full service general securities broker-dealer registered with the Securities and Exchange Commission, the National Association of Securities Dealers ("FINRA"), and various regulatory bodies. As a broker-dealer, APFS provides a variety of services (including non-advisory discretionary services) and renders advice as to the value and/or advisability of purchasing securities, without receiving special compensation and solely incidental to the conduct of its business as a broker-dealer. The principal business of APFS's executive officers is the day-to-day management of the broker-dealer activities.

**Other Financial Industry Activities or Affiliations**

APFS will be eligible to receive commissions, as a general agent or sub-producer, from one or more insurance companies for the sale of insurance products.

As set forth in Item 1, certain registered broker-dealer representatives of APFS who are separately registered as investment advisors (or who are advisory representatives of separately registered investment advisors) may provide investment advice to clients through programs described on their individual disclosure documents. APFS may execute trades on behalf of client's accounts in these programs in its capacity as a broker-dealer. Client account agreements will set forth whether APA or a separately registered investment advisor is providing the investment advice to clients.

**Types of Clients**

IARs of APA generally provide investment advice to Individuals, Trust, Estates, Charitable Organizations, Corporations or other Business entities, Pension and Profit Sharing plans.

**Education and Business Standards**

APAI maintains no rigid educational or business background requirements for its employees, but professional personnel generally have a minimum of a college degree or equivalent business experience. All associated persons providing investment advice are required to pass a securities examination.

**Education and Business Background**

The individuals listed below have an average of over 10 years experience in the investment business as well as other business sectors.

The full biographical backgrounds of APAI's officers are set forth below. Such backgrounds are representative of the general standards of education or business experience which APA requires of those involved in running its management functions.

**Tom Wirtshafter**

Business Background:

President American Portfolios Advisors	2/2009 to present
President of AXA	3/2003 – 06/2004
GRR Financial	3/2002 – 03/2003
APFS	9/2001 – 02/2003
Nathan & Lewis	4/1982 – 09/2001
Professional Licenses 7, 24, 4, 53, 63,66	

**Thomas J. Lo Manto**

Education: Commack High School

Business Background:

Sr. Vice President, American Portfolios Advisors, Inc.	4/02 – Present
Registered Representative of APFS	4/02 - Present
Registered Rep., Nathan & Lewis Securities, Inc.	5/96 – 9/01
Registered Rep., MFI Investments	4/92 – 5/96

**Lon T. Dolber**

Education: Half Hollow Hills, 1972

Business Background:

CIO & CEO, American Portfolios Holding Company.	4/02 – Present
President and Chief Executive Officer of AP Holdings, Inc.	4/02 - Present
Registered Principal, Nathan & Lewis Securities, Inc.	5/96 – 4/02
Registered Principal, MFI Investments	4/92 – 5/96

**Russell J. Clark**

Education: University of Virginia, BA 1972

Business Background:

Registered Rep, APFS	6/01 – Present
Branch Mgr., Nathan & Lewis Securities, Inc.	1996 – 6/01
MFI Investments Corp.	1989 – 1996

**Dean Bruno**

Education: State University of NY @ Stony Brook

Business Background:

Chief Operating Officer, American Portfolios Financial Services	1/02 - Present
Insurance Coordinator, Merrill Lynch	8/99 – 12-01

**Participation or Interest in Client Transactions**

Registered representatives may also represent one or more general life insurance agencies. Such representatives may recommend the purchase of insurance products to their clients and may receive commissions in connection with such purchases. Independent contractors, who are not registered representatives of APFS, may also sell life insurance. Certain APFS/APA representatives may also be employed as independent insurance brokers and sell fixed insurance products through their own agencies.

APFS generally will not act in the capacity of a principal in executing trades for advisory clients. However, on occasion, APFS may act as principal for a particular trade and in those cases will make appropriate disclosure and obtain client consent prior to the completion of each transaction as required by applicable law and regulations, including, without limitation, Section 206(3) of the Investment Advisors Act of 1940.

Generally, the commission rates payable by a client is negotiated between the Client and APFS, except as specifically provided herein or in the Client's Account Agreement. A Client may negotiate a commission rate that exceeds the rate the firm, as an investment manager would be able to obtain. Any such transactions will be executed by APFS only to the extent permitted by and in compliance with applicable law and regulations.

APFS also executes transactions as a broker in connection with One Fee, a wrap fee program. Potential conflicts of interest and restrictions relating to transactions executed on behalf of client accounts in One Fee are described in Schedule H.

Frequently, Advisors are in a position of buying or selling the same security for a number of clients. In an effort to reduce market impact and to obtain best execution, securities may be purchased or sold in bulk (or "batched") on the same day for the Advisor's clients to the extent permitted by applicable law and regulations. In such cases, the transactions, as well as the expenses incurred in the transactions will be allocated according to a policy designed to ensure that such allocation is equitable and consistent with APFS/Advisor's fiduciary duty to its clients. Pursuant to this policy, aggregated orders are averaged as to price and, except in the case of small orders, are allocated pro rata as to amount according to each accounts daily purchase or sale orders.

**Conditions for Managing Accounts.**

The minimum account size for One Fee which may be waived, is \$50,000. The minimum account size for Strategic Asset Managers may vary but is \$150,000 minimum. SEI has a minimum account size of \$50,000 while American Skandia has a minimum account size of \$50,000. The minimum investment size for Employer/Employee Benefit Plan Advice Program is generally \$10 million. For each program, APA or the outside investment manager may require the client to deposit additional money or securities to bring the account value up to the required minimum, close the account, or charge the client a maintenance fee if the market value of the account falls below the state minimum.

**Review of Accounts**

For each month in which there is activity in an account, or if there is no activity, on a quarterly basis, clients will receive a portfolio report which provides: the current market value of the combined holdings as a quarter-end, a summary of transactions, capital gains/losses and distributions as well as an appraisal and comparison of the portfolio versus actual market indices. Clients also receive a confirmation after each transaction executed in their Account.

**Additional Compensation**

In addition to the arrangements set forth in Item 9.D above, APA may be a party to written cash solicitation agreements with certain unaffiliated investment advisors who are participating in Strategic Asset Managers. APA/Advisor receives compensation pursuant to these arrangements for introducing clients to the investment advisors. This compensation is typically equal to a percentage of the investment advisory fee charged by that investment advisor. APA does not monitor these investment advisors or provide on-going advisory services to clients whom it refers to these advisors as it does for certain other investment managers in Strategic Asset Managers. Because APA receives compensation from these investment advisors for referring clients and because such compensation may differ depending on the individual agreement with each investment advisor, APA/Advisor may have an incentive to recommend one of these investment advisors over other investment managers with which it has a less favorable compensation arrangement; investment advisors with which APA has no such compensation arrangement; or alternative advisory programs.

If the Advisor refers a client to an investment manager with whom APA has such an arrangement, the Advisor will comply with rule 206(4)-3 under the Investment Advisers Act of 1940, which includes providing the client with the investment manager's written disclosure documents and providing the client with a separate written disclosure document containing a description of the compensation arrangements. No client referred by APA is charged any additional amount over the investment manager's advisory fee as a result of the agreement between APA and the investment manager, unless otherwise set forth in the written disclosure document. APFS may provide brokerage service in connection with some of the programs and receive compensation for such services. APA may pay fees to financial intermediaries, advisors, planners and individuals who refer their clients to APA, but only in accordance with all requirements under Rule 206(4)-3 of the Advisers Act

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**THIS NOTICE IS FOR YOUR INFORMATION. NO RESPONSE IS REQUIRED.**

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**AMERICAN PORTFOLIOS FINANCIAL SERVICES, INC.**  
**AMERICAN PORTFOLIOS ADVISORS, INC.**

4250 Veterans Memorial Highway  
4<sup>th</sup> Floor, Suite 420E  
Holbrook, NY 11741  
(631) 439-4600

## **Privacy Statement**

American Portfolios Financial Services, Inc. and American Portfolios Advisors, Inc. consider privacy to be a fundamental part of their relationships with you. We have developed practices and procedures to protect the confidentiality and security of your nonpublic personal information. Our practices and procedures apply to current and former customers. You have privacy choices and may limit our disclosure of your personal information.

### **Personal Information We Collect and Disclose**

We collect the following kinds of nonpublic personal information about you:

- information we receive from you;
- information about your transactions with us, our affiliates, or others; or
- Information we receive from a consumer reporting agency.

We reserve the right to disclose all of the nonpublic personnel information about you that we collect.

### **Nonaffiliated Third Parties To Whom We Disclose Personal Information**

We respect the relationship that you have with your registered representative or investment advisor. If your representative or advisor elects to leave us and join another firm, we will disclose, and permit your representative or advisor to disclose, all of the information we collect, as described above, to the new firm in order to assist you with the timely and orderly transition of your account and to allow your representative or advisor to continue to serve you at the new firm.

We also make disclosures to other nonaffiliated third parties as permitted by law.

### **Affiliates To Whom We Disclose Personal Information**

We disclose all of the information we collect, as described above, to our affiliates to assist us in processing transactions and servicing your account and to share eligibility information for products and services.

### **Confidentiality and Security**

We restrict access to nonpublic personal information to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with applicable laws to guard your nonpublic personal information.

### **Privacy Choices**

We are permitted to disclose nonpublic personal information about you to nonaffiliated third parties and to our affiliates in connection with processing transactions and servicing your account. If you prefer that we do not disclose nonpublic personal information about you to nonaffiliated third parties (other than those parties needed to process and service your account), or to our affiliates for their own marketing purposes, you may direct us not to make those disclosures (other than disclosures permitted by law) by opting out. If you wish to opt out of these disclosures, you may call the following toll-free number: 1-800-889-3914, ext. 194. If two or more customers jointly have an account with us, we will treat an opt-out direction by one of those customers as applying to all of the associated joint customers.

### **California and Vermont Customers**

For an account with a primary mailing address in California, we will not disclose your personal information to nonaffiliated third parties except as permitted by California law. We will also limit the sharing of personal information about you with our affiliates to comply with California privacy laws. You may restrict our sharing of personal information with our affiliates by calling our toll-free number.

For an account with a primary mailing address in Vermont, we will not disclose your personal information to nonaffiliated third parties or our affiliates except as permitted by Vermont law.

For both California and Vermont, we are permitted to share nonpublic personal information with nonaffiliated third parties and our affiliates to process transactions and service your account.

**“BUSINESS CONTINUITY PLAN (Disaster Recovery)”**

**Our Plan is located at [www.americanportfolios.net](http://www.americanportfolios.net)**

**Please contact your AP representative if you require a paper copy.**

Amended 9/2008

NAF # \_\_\_\_\_

**ADV Part II Acknowledgement**

I/We acknowledge that I/we have received the ADV Part II document for American Portfolios Advisory, Inc.

I/We acknowledge that I/we have received the ADV Part II for the American Portfolios Advisors, Inc. Program.

I/We understand that it is my/our responsibility to read the document thoroughly and to understand the material contained within prior to investing.

Client Name(s): \_\_\_\_\_

Client Signature(s): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Client Title(s): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Representative Name: \_\_\_\_\_

Representative Signature: \_\_\_\_\_

Date: \_\_\_\_\_



**FORM ADV  
Schedule F  
For Corporations  
Form ADV Part II**

**Applicant:**  
**AMERICAN PORTFOLIOS ADVISORS, INC.**  
**REVISED: January 25, 2010**

**SEC File Number:**  
**801-61065**

**NAF#** \_\_\_\_\_

**ADV Part II Acknowledgement (Client Copy)**

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Client Name(s): \_\_\_\_\_

Client Signature(s): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Client Title(s): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Representative Name: \_\_\_\_\_

Representative Signature: \_\_\_\_\_

Date: \_\_\_\_\_