

## ADV PART 2A AND APPENDIX 1

### ITEM 1 – COVER PAGE

#### Multi-Financial Securities Corporation

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This brochure provides important information about Multi-Financial Securities Corporation (Firm, us, our, or we). You should use this brochure to understand the relationship between you, the Firm, and your investment adviser representative (Advisor). If you have any questions about the contents of this brochure, please contact us at 800.929.3485.

The Firm is registered with the Securities and Exchange Commission (SEC) as a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The information in this brochure has not been approved nor verified by the SEC or by any state securities authority.

Additional information about the Firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (select "investment adviser firm" and type in our name).



## ITEM 2 – MATERIAL CHANGES

Why are you providing me with this brochure?

Recently, the SEC modified certain rules, and as a result, we substantially changed our current disclosure brochure and documentation. We are sending this brochure to all of our clients, and recommend that you carefully review it in its entirety.

Will I receive a brochure every year?

We may, at any time, update this brochure. Any material changes will either be sent to you as a summary of those changes or, depending on the extent of these changes, you will receive the entire updated brochure.

May I request additional copies of the brochure?

Absolutely. You may request and receive additional copies of this brochure in one of three ways:

1. Contact your Advisor with whom you are working with.
2. Download the brochure from the SEC website at [www.adviserinfo.gov](http://www.adviserinfo.gov). Select “investment adviser firm” and type in our Firm name.
3. Contact the Advisory Compliance Department at 800.929.3485.

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## ITEM 4 – ADVISORY BUSINESS

### Who We Are

Multi-Financial Securities Corporation, headquartered in Denver, Colorado, is a full-service securities brokerage firm. Founded in 1981, Multi-Financial provides industry-leading products and services to more than 900 financial professionals nationwide.

We manage approximately \$1,707,937,900 in discretionary assets and \$1,654,732,058 in non-discretionary assets. In a discretionary account you authorize your Advisor to purchase or sell securities without discussing the specific transaction with you in advance. Your Advisor does not have the ability to withdraw cash from your account without your express authorization. A non-discretionary account requires your Advisor to obtain permission from you prior to executing each and every transaction on your behalf.

We are wholly owned by Cetera Financial Group, Inc. Please refer to Item 10 of this brochure for more information on our corporate structure.

### Getting to Know You Better

All advisory relationships begin with an initial client meeting. Typical meetings may be done in person, over the telephone, or through e-mail communications. The purpose of this initial meeting is to discuss with your Advisor your investment history, goals, objectives, and concerns as it relates to the management of your account.

Depending on your specific situation and the program that you select, your Advisor may have you complete a questionnaire or other fact-finding documentation. The answers that you provide will assist your Advisor in creating an Investment Policy Statement (IPS). Your Advisor uses your completed IPS, which includes information such as your goals, objectives, income, etc., to assist you and your Advisor in the management of your account. If your financial situation changes, including your goals and objectives, it is important that you let your Advisor know as soon as possible.

### Important Considerations Prior to Opening an Account

We believe that it is important to operate in good faith with our clients. We want you to have the necessary information about our Firm so that you can make an informed decision when deciding who to do business with.

We would like to provide you with general overviews of several important facts that are common with the advisory programs that we offer. While the list below is not meant to include every possible situation, we do consider and take into account the following:

#### Reasonable Restrictions

All advisory programs that involve the purchase and sale of securities offer you the ability to place reasonable restrictions on how we manage your account. For example, a reasonable restriction may indicate your desire that we do not invest in a certain sector or industry. If we determine that a restriction is unreasonable, we may refuse to manage your account. If this occurs, we will notify you immediately.

#### Deposits and/or Withdrawals

Unless specifically stated, you may make additions to or withdrawals from your account at any time. If your account falls below the minimum required account value, we may terminate your account. You may also add securities to your account; however, note that we reserve the right to not accept particular securities into your account.

#### Trading Authorization

Advisory accounts typically involve the purchase and/or sale of securities. These accounts may be managed either on a discretionary or non-discretionary basis.

The Firm has developed several advisory services and programs to give you as much flexibility as possible. We specialize in the following advisory programs:

- Firm-Sponsored Programs
  - a. Preferred Asset Management® and Prime Portfolio Services
  - b. SmartSelect<sup>SM</sup>
  - c. Mutual Fund/Exchange Traded Funds Advisory Program
  - d. Managed Account Program
  - e. xMA Next Generation Managed Account Program
- Third-Party Money Management Programs
- Financial Planning
- Consulting Services

## Firm-Sponsored Programs

### Preferred Asset Management and Prime Portfolio Services

We sponsor two asset management programs: Preferred Asset Management (Preferred) and Prime Portfolio Services (Prime). In both of these programs, your Advisor will create a mix of investments that are appropriate for your investment goals. The benefit of opening these types of accounts includes:

- Individualized management of your account
- Annual reviews of your account
- Quarterly Performance Reports

### Minimum Account Opening Balance

In general, we require a minimum deposit of \$25,000 to open a Preferred or Prime account. Your opening balance may include both cash and securities.

Depending on a number of factors, we may waive the minimum required balance, including whether or not you have other accounts with us.

### Transaction Costs

Transaction costs are the costs associated with purchasing or selling securities. The Preferred and Prime programs are materially the same with one important exception. In the Prime program, your Advisor pays for any transaction costs associated with your account. In the Preferred program, any transaction charges are paid by you. Because your Advisor pays for transaction costs in the Prime account, the management fees that you pay may be higher. Please refer to Item 5 of this brochure for further information regarding fees.

### FundVest Mutual Funds

We offer a wide range of mutual funds, including mutual funds in the FundVest mutual fund program. This program is maintained by our clearing/custodial firm, Pershing LLC (Pershing). Pershing, at their sole discretion, may add or remove mutual funds from the FundVest program without prior notice. In the FundVest program, transaction costs are waived on purchases that would normally carry a transaction charge, which may provide your Advisor with an incentive to recommend a FundVest mutual fund. This incentive is increased if you have a Prime account due to the fact that your Advisor pays for the transaction costs. To help mitigate this conflict of interest, we monitor the sales activities of our Advisors to ensure that products and services they offer to you are appropriate.

## Trading Authorization

A Preferred or Prime account can be managed either on a discretionary or non-discretionary basis.

## Types of Securities

Your Advisor will purchase securities on your behalf based on your goals and objectives. In order to meet your needs, we provide a wide range of investment choices for you to consider. Some of the securities we may offer to you include, but are not limited to:

- General Securities
- Covered Call Options and Purchasing Put Options
- Fixed Income Securities
- Mutual Funds
- Structured Products
- Exchange Traded Funds
- Unit Investment Trusts

## Borrowing Money (Margin Accounts)

A margin account is an account where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider the following:

- If you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account or withdraw funds.
- You are using the securities that you own as collateral.
- Money borrowed is charged an interest rate that is subject to change over time.
- Your Advisor has a conflict of interest when recommending that you purchase or sell securities using borrowed money. This conflict occurs because your advisory fee is based on the total market value of the securities in your account. If you have a margin debit balance (in other words you have borrowed and owe money to the Firm), your margin debit balance does not reduce the total market value. In fact, since you have borrowed money to purchase additional shares, the total market value of your account will be higher, which results in a higher advisory fee.

We reduce this conflict by requiring all margin accounts to be pre-approved by the home office. We also review accounts to determine whether or not the use of margin is appropriate and in line with your goals and objectives.

Please also carefully review the Margin Disclosure document for additional risks involved in opening a margin account.

## SmartSelect Program

We offer a portfolio management service known as SmartSelect. SmartSelect provides you with access to an independent investment manager, Envestnet Asset Management, Inc. (Envestnet), and typically utilizes open-end mutual funds. Envestnet is a registered investment adviser (RIA) and is not affiliated with us.

## SmartSelect Profile and Proposal Process

Your SmartSelect relationship begins with you completing an Investor Profile Questionnaire (IPQ). The purpose of the IPQ is to assist your Advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. The information that we gather will also be used to recommend an appropriate SmartSelect investment strategy. Envestnet, an independent adviser and sponsor of SmartSelect, will receive this information from your Advisor and create a proposed investment strategy for

your consideration. Once you receive the proposal and meet with your Advisor, you will determine whether to adopt, modify or reject the recommended investment strategy.

The proposal will present to you one of several investment strategies for consideration. The SmartSelect investment strategies are designed according to the principles of asset allocation, which attempt to generate the best mix of return and risk for your portfolio by investing in several asset classes. The strategies utilized include:

Conservative Income Allocation – A conservative income portfolio usually seeks to generate income as its primary objective and preserve initial investments as its secondary objective. Conservative income portfolios tend to invest in a mix of income-producing investments with a low degree of volatility.

Balanced Allocation – A balanced portfolio usually has both capital preservation and growth as its primary objectives. Balanced portfolios tend to invest in a relatively equal mix of low- to moderate-risk securities.

Moderate Growth Allocation – A moderate growth portfolio usually seeks to generate long-term capital gains as its primary objective. Moderate growth portfolios tend to invest in a mix of investments with potential for long-term capital appreciation with a moderate amount of volatility.

Growth Allocation – A growth portfolio usually seeks to generate long-term capital gains as its primary objective. Growth portfolios tend to invest in a mix of investments with potential for long-term capital appreciation with a more than moderate amount of volatility.

Aggressive Growth Allocation – An aggressive growth portfolio usually seeks to generate long-term capital gains as its primary objective. Aggressive growth portfolios tend to invest in assets that may be considered high risk and tend to have more volatility, but may have the potential for higher returns over the long term.

#### Trading Authorization

Your Advisor will assist you in determining an appropriate SmartSelect investment strategy to follow. By completing the account opening documentation, you authorize Envestnet to execute transactions on a discretionary basis.

#### Minimum Account Opening Balance

In general, we require a minimum deposit of \$25,000 to open a SmartSelect account. Your opening balance may include both cash and securities you are transferring into your account.

#### Transaction Costs

The client fee that you are charged includes a fee for both the professional advice received as well as any transaction costs associated with purchasing or selling securities within your portfolio. Item 5 of this brochure will discuss additional costs that you may be responsible for.

#### Mutual Fund/Exchange Traded Funds Advisory Program

We offer a portfolio management service known as the Mutual Fund / Exchange Traded Funds Advisory Program ("MF/ETF Program") The MF/ETF Program provides you with access to three different independent investment managers, (also known as "Strategists") Wilshire, Sage, and/or UBS, Based on certain information that you provide to us, the Strategists will invest your assets in mutual funds and/or exchange traded funds. Wilshire, Sage and UBS are Registered Investment Advisers that are not affiliated with us.

## MF/ETF Program Profile and Proposal Process

Your relationship begins with you completing an Investor Profile Questionnaire (IPQ). The purpose of the IPQ is to assist your Advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. The information that we gather will also be used to propose an appropriate MF/ETF Program asset allocation strategy. Once you receive the proposal and meet with your Advisor, you will determine whether to adopt, modify or reject the recommended asset allocation strategy.

### Investment Management Philosophy

Our Mutual Fund / Exchange Traded Funds Advisory Program provides you with the opportunity to participate in an asset allocation program using either a tactical model, a strategic model, or a combination of tactical and strategic models.

### Strategic Asset Allocation

Strategic asset allocation is a portfolio strategy that involves the periodic rebalancing of your portfolio in order to maintain a long-term goal of a chosen asset allocation mix. The initial investments are chosen based on expected returns (designed to work toward your goals) but that remain within your risk tolerance. Because the value of the assets can change based on market conditions, the portfolio constantly needs to be re-adjusted to meet the policy. This is often called rebalancing, and may be done at regular intervals.

The Strategist does not purposely deviate from the original determined asset allocation percentages. The emphasis is on preserving this initial chosen asset allocation mix because the mix ultimately relates to a larger performance objective based on historical data.

### Tactical Asset Allocation

Tactical asset allocation is a portfolio strategy that involves the rebalancing of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors, as chosen by the portfolio managers. This strategy allows the Strategist the opportunity to try and create extra value by taking advantage of these potential situations in the markets. It is a moderately active strategy and may use short-term trading methods.

The investment philosophy is usually based on the belief that investor psychology and market forces can lead to periods of misevaluation. A tactical allocation process attempts to capture these misevaluations. It is not a fixed asset weight mix and the allocation and risk level of the portfolio may change quite dramatically.

### *Trading Authorization*

Your Advisor will assist you in determining an appropriate investment strategy to follow. By completing the account opening documentation, you authorize us to execute transactions on a discretionary basis. We, in turn, are utilizing FDX Advisors, Inc., an independent investment adviser, to execute the transactions on your behalf. FDX Advisors will use discretionary authority to execute securities transactions that are recommended by the models developed by Sage, Wilshire and UBS.

FDX Advisors will rebalance your account whenever the account moves up or down 25% from the target allocation designed by the Strategists. Sage, Wilshire and UBS.

### *Minimum Account Opening Balance*

In general, the MF/ETF Program requires a minimum deposit of \$25,000 for accounts consisting of mutual funds or \$50,000 for accounts utilizing ETF securities.



If you establish a new account and deposit funds less than the minimum opening balance requirement, your funds will not be managed until the minimum dollar amount is met. Your cash will be placed into a money market fund until the minimum opening balance requirements are met.

#### Restrictions on the Management of Your Account

By sending us a written request, you may impose reasonable restrictions on the management of your account. We may refuse to accept or manage your account if we determine such restrictions are unreasonable. In the event that we are unable to accept your restriction, we will give you the opportunity to modify or withdraw the restriction.

#### Trade Confirmations

You will receive trade confirmation from Pershing, LLC. for each securities transaction placed in your account. If you do not wish to receive trade confirmations, you may indicate this wish by contacting your Advisor and he/she will assist you with completing the paperwork required to suppress these confirmations.

#### Quarterly Performance Reports

On a calendar quarter basis, you will receive a Performance Report that indicates how your account has performed over time. If you have any questions regarding the performance within your account, please contact your Advisor.

#### *Transaction Costs*

The client fee that you are charged includes a fee for both the professional advice received as well as any transaction costs associated with purchasing or selling securities within your portfolio. Item 5 of this Brochure discusses additional costs for which you may be responsible.

#### MAP Profile and Proposal Process

Your MAP relationship begins with your completion of an Investor Profile Questionnaire (IPQ). The purpose of the IPQ is to assist your Advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. After reviewing your specific financial situation, your Advisor will generate a proposal with a recommended investment strategy for your consideration.

#### Minimum Account Opening Balance

In general, MAP requires a minimum deposit of \$100,000 per account. In situations where you select a fixed income manager to manage an account that consists of only municipal bonds, the minimum opening deposit is \$250,000 per account.

#### Trading Authorization

Your Advisor will assist you in determining an appropriate MAP investment manager(s) and strategies to follow. By completing the account opening documentation, you authorize the selected manager(s) to execute transactions on a discretionary basis.

#### Selection of MAP Investment Managers

We have entered into an agreement with Strategic Investment Research Group, an independent third party to provide us with research in the screening, selecting, and monitoring of the investment managers available in MAP. Strategic Investment Research Group is a division of Prudential. Prudential is a Strategic Partner of the Firm and provides additional compensation to us to support our ongoing operational costs. Our Strategic Partner program is described in more detail in Item 5 of this brochure. With assistance from Strategic Investment

Research Group, we use both quantitative and qualitative criteria to evaluate managers within MAP. While not an exhaustive list, the criteria generally used in evaluating a manager or their investment strategies include:

- A minimum of \$100 million in total assets under management;
- At least two full-time portfolio managers with adequate support staff;
- A consistent and verifiable five year performance record, which meets industry standards;
- No material legal or regulatory problems;
- Appropriate registration;
- Corporate organization, ownership and business structure;
- Investment process;
- Customer service and marketing activities;
- Operations, trading and facilities; and
- Investment management fees.

We may put a manager or one or more investment strategies on review status if relevant information is noted. The level of restriction will depend on the severity of the concern and the ability of the manager to satisfactorily address the concern(s). At no time do we make any representation regarding the future performance of any investment strategy or security recommended by any manager. We may add or remove a manager or investment strategy from the MAP program at any time.

#### Transaction Costs

The client fee that you are charged includes a fee for both the professional advice received as well as any transaction costs associated with purchasing or selling securities within your portfolio. Item 5 of this brochure will discuss additional costs that you may be responsible for.

#### xMA Program

We offer a portfolio management service known as Next Generation Managed Account (xMA). xMA provides access to independent investment manager(s) to design models based on investment styles. The styles may consist of multiple types of securities but typically utilize some or all of the following: fixed income, open-end mutual funds, exchange-traded funds, and general securities.

#### xMA Proposal and Investment Policy Statement Process

Your xMA relationship begins with completing an Investor Profile Questionnaire. The purpose of this questionnaire is to assist your advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. The information that we gather will also be used to recommend an appropriate xMA manager.

Based on the answers provided to the firm, an Investment Policy Statement (IPS) will be generated. The IPS will present to you one of several investment styles for consideration.

#### Trading Authorization and Discretionary Management

This program is a discretionary program. The type of discretionary authority exercised depends on the model portfolio that you invest within. Your advisor will have discretion as it relates to the xMA manager being utilized.

#### Use of Independent Investment Managers

Your advisor may recommend models designed by one or more independent investment managers. The xMA manager will independently select the securities for the model selected. The securities that comprise the model will be sent to us for trade execution. We utilize Pershing LLC for clearing and trade execution services.

## Fixed Income Models

Your advisor may recommend models designed by FDx Advisors, Inc. (Folio) to invest in fixed income securities. If a Folio model is selected, Folio will utilize Pershing LLC. for trade clearing and execution services.

## Minimum Account Opening Balance

In general, we require a minimum deposit of:

1. \$100,000 for a portfolio that consists of individual equities
2. \$250,000 for a portfolio that consists of fixed income securities

The minimum deposit may consist of both cash and securities. In the event that you deposit an amount less than the required minimum opening balance, the assets will not be managed until the minimum opening balance is met. Any cash deposited during this interim period will be deposited into a money market fund. Managers may have different account minimums, restrictions on the types of investments they manage, and other pertinent details. Please refer to the manager's Form ADV Part 2A for additional information.

## Transaction Costs

The client fee that you are charged includes a fee for both the professional advice received as well as any transaction costs associated with purchasing or selling securities within your portfolio. However, pursuant to an adoption agreement between PrimeVest Financial Services, Inc., an affiliate of our Firm, PrimeVest may charge IRA or other retirement account maintenance or termination fees that PrimeVest or its agent, in turn, distributes to our Firm. Item 5 of this brochure will also discuss the standard fee schedule that may be applied to your account.

## Trade Confirmation Statements

You will not receive individual trade confirmation statements for each trade that either we or Folio execute as part of your model portfolio. Pershing LLC will send you a monthly statement indicating the trading activity that occurred in your account during the prior month. If no trading activity has occurred, you will receive a statement from Pershing LLC on a quarterly basis. If you wish to receive a confirmation for any individual transaction, please contact your advisor.

## Third-Party Money Manager Programs

Our Third-Party Money Manager (TPMM) programs provide you with the opportunity to have your portfolio professionally managed by outside money managers. Your Advisor will assist you with finding the right TPMM for you. TPMM services typically include portfolio analysis, asset allocation modeling and analysis, trading execution, performance monitoring and reporting and other services. In most cases, the TPMM you choose will have discretion to execute transactions on your behalf.

TPMMs can be characterized as either a sub-advised program or solicitor program. In a sub-advised TPMM program, we are a co-fiduciary with the TPMM. What this means is that we, along with the TPMM, are jointly responsible for the ongoing management of the account. Your Advisor is responsible for assisting you with completing the investor profile questionnaire. While each TPMM may have a different name for their questionnaire, your responses will assist your Advisor with understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other personal information. Based on the answers that you provide to your Advisor, he or she will assist you in determining which TPMM model or portfolio strategy is appropriate for you. As part of establishing a new account, you will receive both our disclosure brochure as well as the TPMM's disclosure brochure.

In a solicitor TPMM program, your Advisor will introduce you to a TPMM that will handle all aspects of managing your account. In a solicitor TPMM program, we are simply recommending you to the TPMM. Our recommendation is based on your investment objectives, goals and financial situation. We do not serve as an investment advisor

who manages your assets in the particular program. Therefore, we do not provide investment advice on solicitor TPMMs. All fees paid to us and your Advisor are in the form of a solicitor fee (or cash referral fee). The TPMM will be responsible for assessing the suitability of their products against your risk profile.

Since each TPMM is uniquely structured with different investment products, please ensure that you carefully review all documents provided to you on behalf of the TPMM. These include, but are not limited to:

- The TPMM's Form ADV Part 2A or Disclosure Brochure for specific program descriptions. The TPMM's disclosure document will describe their method of analysis, investment strategies, fee deduction method, fee schedules, refund policies, minimum account sizes, custody of your assets, termination procedures, and proxy voting policies.
- The TPMM's Client Agreement as well as any other agreement entered into regarding a TPMM program, for specific contractual terms (including fees, billing methods, administrative and other fees, etc.).
- Any additional disclosure or offering documents provided by the TPMM in connection with investment products.

## Financial Plans

Financial planning typically involves providing a variety of services to individuals or families regarding the management of their financial resources based upon an analysis of their individual needs. Generally, financial planning services involve preparing a financial program for a client based on the client's financial circumstances and objectives. The information provided as part of this service would normally cover present and anticipated assets and liabilities, including insurance, savings, investments, and anticipated retirement or other employee benefits.

The advice that is provided to you by your Advisor may include general recommendations for a course of activity, or specific actions, to be taken by you.

Traditional financial planning involves meeting with you to determine your financial goals and objectives. We then develop and deliver to you a written financial plan. The written financial plan will not include specific securities advice. At that point, our advisory relationship is typically concluded.

## Initial Client Meeting

The purpose of this meeting is to discuss with you specific areas of concern and potential planning areas. During this meeting, your Advisor will work with you to determine whether or not a financial plan is appropriate for your specific circumstance.

As part of your initial meeting, or as a separate meeting, your Advisor will review all necessary documents for him/her to develop a financial plan for you. These documents may include, among other things, brokerage statements, income tax statements, a current will, other financial plans, business agreements, retirement information, etc.

## Developing a Financial Plan

Based on the information that your Advisor gathers about your specific circumstance, a financial plan will be developed for you. Your Advisor may use various computer software tools to assist them in creating the financial plan. While our Advisors will not provide tax or legal advice, with written permission from you, they may speak with your attorney and/or tax professional.

Financial plans may consist of:

**Financial Position** – Financial position review encompasses a review of your current financial position, including a review of your current cash flow. This type of review typically involves reviewing your net worth, cash flow, budget, debt, and investment accounts.

Retirement Planning – Retirement planning typically consists of analyzing your current or expected future retirement needs. Based on your current level of retirement savings, additional retirement accounts (such as an IRA or Roth IRA) may be recommended, or additional contributions to your existing company retirement plan may be recommended.

If you have a company retirement plan that falls under ERISA (such as a 401(k), defined benefit plan, etc.), your Advisor may provide education on your company retirement account but not specific investment advice. The education that they provide to you will be limited to:

- General principles for investing, overall asset allocation strategies, and general information about the options currently available in your plan.
- Your Advisor may consider the amount of assets you hold in your company retirement plan in order to determine and recommend an overall investment strategy for you.
- Your Advisor may not provide you with specific investment advice regarding investments held within your company retirement plan. This includes recommending that you invest a certain percentage into an investment option held within your company plan.

Insurance Analysis – Insurance analysis typically consists of analyzing your current or expected insurance needs. Based on your specific circumstances, such as, number of dependents and the age of the members in your household, your Advisor may suggest the need to increase or decrease the amount of insurance you currently have. Certain states do not allow us to charge you a separate management fee to review your insurance needs.

Education Planning – Your Advisor may review your current or future needs as it relates to paying for education expenses for you or your dependents. This type of review typically analyzes the amount of money you are saving for education expenses.

Tax Efficient Investing Strategies – As part of the consulting services, your Advisor may not provide you with tax advice. However, your Advisor may assist you in designing an investment strategy to maximize the tax efficiency of your portfolio.

#### Advice Provided

The financial plan will provide you with recommendations and advice tailored to your specific financial goals, objectives, and situation. You are under no obligation to act on the advice that is given to you. If you choose to act on any of the advice given to you, you are under no obligation to open any accounts with us, and you may, in fact, open accounts with firms that are not affiliated with us.

#### Delivering the Plan

Your Advisor will deliver and explain the financial plan or a letter recapping the advice that is being provided to you.

#### Consulting Services

Consulting services, while similar to traditional financial planning, provide you with several distinct services. These include the ability for your Advisor to provide a broader range of financial advice and services, including the ability to provide specific security recommendations. The services are offered to you over a longer period of time (up to one year).

#### Consulting Services Term

Consulting services allow our Advisors to provide continuous advice to you for the duration of the consulting service contract. The contract is in effect for one year from the time you initially sign the contract. The contract may be terminated earlier at the request of you or us. If you wish to continue the consulting arrangement after the contract expires, you will need to execute a new contract with another one year term.

In addition to general consulting services, you may also receive education and advice on your retirement accounts that fall under the Employee Retirement Income Security Act (ERISA) and that are held with other firms. An example of this type of account is an employer sponsored 401(k) plan. In this scenario, your advisor will act as a 3(21) Fiduciary. This means that your advisor is required to be prudent and act in your best interest when making recommendations and providing advice.

#### Initial Client Meeting

The purpose of this meeting is to discuss your current and future goals and objectives. During this meeting, your Advisor will explain the consulting process, set reasonable expectations with you, and discuss any initial concerns that you may have.

As part of your initial meeting, or as a separate meeting, your Advisor will review all necessary documents for him/her to develop a course of action for you. These documents may include, among others, brokerage statements, income tax statements, current will, other financial plans, businesses agreements, retirement information, etc.

#### Subsequent Review Meetings

Based on the services provided to you, your Advisor will schedule subsequent meetings to discuss the status of recommended actions. These meetings may occur in a number of ways, including over the telephone, in person, or via e-mail.

#### Advice Provided

The consulting services your Advisor provides will include recommendations and advice tailored to your specific financial goals, objectives and situation. You are under no obligation to act on the advice that is given to you. If you choose to act on any of the advice given to you, you are under no obligation to open any accounts with us, and you may, in fact, open accounts with firms that are not affiliated with us.

#### Fee Invoice

On a quarterly, semi-annual or annual basis, you will receive an invoice from your Advisor. The invoice will describe the services that were provided to you and the cost of the service or advice.

## ITEM 5 – FEES AND COMPENSATION

The Firm and/or your Advisor are compensated in several ways. We want to ensure that you understand how we as a Firm and our Advisors are compensated as well as other costs associated with your account. Here are a few important facts about the fees and costs associated with your account:

#### Assets Under Management (AUM)

Your Advisor will earn compensation for managing these accounts by charging you an advisory fee. This fee is called an assets under management (AUM) fee. Essentially, this means that on a quarterly basis, we will charge you a fee that is calculated as a percentage of the market value of the assets held within your advisory account.

#### Negotiable Fees

While we have a maximum fee that can be charged to manage your account, you and your Advisor may negotiate a lower fee. Because our fees are negotiated between you and your Advisor, individual clients will pay different fees for receiving the same or similar advisory services.



## You Pay Your Advisory Fees in Advance

Unless specifically stated below, our AUM fees are assessed on a quarterly basis in advance. This means that you are charged for the following calendar quarter's advice and not for past advice. Fees are generally automatically deducted from your advisory account. You may also pay your advisory fees by check. If you terminate your account prior to the end of a quarter, we will refund any advisory fees owed to you on a prorated basis. The prorated fee is based on the number of days remaining in the quarter.

## Advisory Programs May Be More Expensive

The advisory fees you pay to us are for the investment advisory services that we provide to assist you with selecting the right mix of investments. Because most advisory programs purchase investments that have their own internal or management fees (such as mutual funds), the total cost of the program may be more than if you were to buy the securities individually.

## Additional Compensation

These programs may invest in companies, such as our Strategic Partners, that also provide us with additional revenue. Regardless of this additional compensation, these products do not cost you more by purchasing them from us versus another firm. Our Strategic Partner program is described in more detail on page 14.

Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12(b)-1 fees. These fees are paid to us, with a portion passed on to your Advisor. Because of the additional compensation that these payments represent, there is a financial incentive for your Advisor to recommend funds that pay 12(b)-1 fees over funds that have no fees or lower fees. To help mitigate this conflict of interest, we monitor the sales activity of our Advisors to ensure that products and services they offer to you are appropriate for your specific situation.

## Fee Schedules May Change

In general, we may change our standard fee schedules at any time by providing you with 30 days advance notice.

## Quarterly Performance Reports

As we mentioned in Item 4 of this brochure, you will be sent a quarterly report listing the performance of your account as well as the advisory fee that was deducted from your account for the quarter.

## Tiered Fee Schedules

In general, and unless specifically stated below, we charge fees on a tiered fee structure. This means that your advisory account can be charged multiple percentages depending on the amount of assets held within the account. For example, if you have a Prime account with \$750,000, and assuming you were being charged the maximum fee schedule, your annual fee would be calculated as follows:

- First \$250,000 would be charged at 2.75%
- From \$250,001 – \$500,000 would be charged at 2.50%
- From \$500,001 – \$750,000 would be charged at 2.00%

## Additional Fees and/or Expenses

Products such as certain mutual funds and variable annuities are required to be held by you for a period of time. If you sell a security that is subject to a required holding period, the issuer will assess a fee. These fees commonly referred to as contingent deferred sales charges (CDSCs) or surrender charges are described in detail within the product's prospectus. Please read the prospectus or statement of additional information carefully so that you fully understand any fees you may incur when selling a security.

In addition to your advisory fee, your accounts may include additional costs. These costs may include, but are not limited to, account maintenance fees, transaction costs, wire transfer fees, costs associated with exchanging currencies, and return check fees.

#### Advisory Fee Schedules

Prime Fee Schedule	
Account Size	Maximum Annual Fee
\$0 - \$250,000	2.75%
\$250,001 – \$500,000	2.50%
\$500,001 – \$1,000,000	2.00%
\$1,000,001 – \$2,500,000	1.75%
\$2,500,000 – \$5,000,000	1.50%
\$5,000,001 – Over	1.25%

In addition to the AUM fee, if you close a Prime account within the first year, you will pay a separate administration fee of \$200.

Preferred Fee Schedule	
Account Size	Maximum Annual Fee
\$0 - \$250,000	2.50%
\$250,001 – \$500,000	2.25%
\$500,001 – \$1,000,000	1.75%
\$1,000,001 – \$2,500,000	1.50%
\$2,500,000 – \$5,000,000	1.25%
\$5,000,001 – Over	1.00%

You will also be responsible for any transaction costs associated with purchasing securities in a Preferred account. With the exception of ERISA accounts, we mark up the transaction costs that our clearing firm charges us. This additional revenue represents a potential conflict of interest due to the fact that we have an incentive to establish a Preferred account. To help mitigate this conflict, we monitor our advisory accounts. Please refer to your executed advisory services agreement for the transaction costs associated with your account.

In addition to the assets under management fee, if you close a Preferred account within the first year, you will pay a separate administration fee of \$200.

SmartSelect Fee Schedule	
Account Size	Maximum Annual Fee
\$0 - \$500,000	2.25%
\$500,001 - \$1,000,000	1.75%
\$1,000,001 +	1.50%

In addition to the assets under management fee, you will pay a separate administrative fee of \$100 if you close a SmartSelect account.



MF/ETF Program	
Account Value	Maximum Annual Fee
\$0 - \$250,000	2.75%
\$250,001 - \$500,000	2.50%
\$500,001 - \$750,000	2.00%
\$750,001 - \$1,000,000	1.75%
Over \$1,000,000	1.50%

MAP Fee Schedule	
Account Size	Maximum Fixed Income Fee
\$0 - \$500,000	2.45%
\$500,001 - \$1,000,000	2.00%
\$1,000,001 - \$2,000,000	1.50%
\$2,000,001 - \$5,000,000	1.25%
\$5,000,000 +	1.00%

MAP Fee Schedule	
Account Size	Maximum Equity Fee
\$0 - \$500,000	2.90%
\$500,001 - \$1,000,000	2.70%
\$1,000,001 - \$2,000,000	2.00%
\$2,000,001 - \$5,000,000	1.75%
\$5,000,000+	1.50%

#### xMA Standard Fee Schedule

Portfolio Value				
	From		To	Maximum Annual %
First	\$0	–	\$250,000	2.75%
Next	\$250,001	–	\$500,000	2.50%
Next	\$500,001	–	\$750,000	2.00%
Next	\$750,001	–	\$750,000	1.75%
Over	\$1,000,001+	–	Over	1.50%

#### Financial Planning Fees

Because financial planning can range in complexity, we do not have a fee schedule for financial planning services. During your initial or subsequent meetings with your Advisor, you will discuss an appropriate fee for the services provided to you. Some of the factors used to determine the appropriate fee are the time needed to create a customized plan as well as the complexity of the plan. Your Advisor will charge you either a flat fee or an hourly fee for financial planning work done on your behalf. A flat fee is a specific dollar amount that you will pay for financial planning services. An hourly fee is a fee that is based on an hourly rate (as negotiated between you and your Advisor) multiplied by the number of hours that your Advisor needs to create your plan.

The fee may be collected by your Advisor either at the time that the financial planning contract is signed or when he or she delivers the final plan to you. In either case, all checks should be made payable to the Firm and not your Advisor. You pay your financial planning fee when you sign the financial planning agreement either 100 percent of the total fee up-front, or half of the fee at the time the financial planning agreement is signed, and then pay the remaining half of the total fee when your financial plan is provided to you by your Advisor.

## Consulting Service Fees

As with financial planning, we do not have a standard fee schedule for consulting services. During your initial or subsequent meetings with your Advisor, you will discuss an appropriate fee for the service. Some of the factors used to determine the appropriate fee are the time needed to review your situation as well as the complexity of your situation. Your fee may be either a flat amount or based on an hourly rate. A flat fee is a specific dollar amount that you will pay for consulting services. An hourly fee is a fee that is based on an hourly rate (as negotiated between you and your Advisor) multiplied by the number of hours that your Advisor needs to spend on your situation.

On a quarterly, semi-annual or annual basis, you receive an invoice from your Advisor describing the services provided to you and the cost of the services or advice. Your consulting fee is paid for in arrears. This means that your fees pay for advisory services that you received in the prior quarter, six months or 12 months.

The consulting fee may be paid for you by check, or in limited circumstances, by deducting the fee from your bank account by completing an ACH Request Form. In either case, the fee should be made payable to the Firm and not your Advisor.

## Strategic Partners

Although we make a large number of products available to you, we concentrate our marketing and training efforts on investments offered by a number of companies (Strategic Partners). Strategic Partners are selected, in part, based on whether they offer competitive products, their technology, their customer service and their training capabilities. Strategic Partners may attend or sponsor education and training meetings for our Advisors. Strategic Partners have more opportunities than other companies to market and educate our representatives on investments and the products they offer. Our Strategic Partners are categorized into two tiers: Elite and Participating. Elite Strategic Partners have more opportunities than Participating Strategic Partners to market and to educate our representatives about their products. For a current list of our Strategic Partners, broken down by Elite and Participating, please go to our public website at [www.multifinancial.com](http://www.multifinancial.com). We may, from time to time, update our list of Strategic Partners.

## What Strategic Partners Pay to the Firm

It is important to know that although Strategic Partners pay extra compensation to the Firm and our affiliated firms, you do not pay more to purchase Strategic Partner products through us than you would pay to purchase those products through another firm and your Advisor does not receive additional compensation for selling a Strategic Partner product. Nevertheless, this additional compensation to the Firm does create an incentive for us to promote Strategic Partner products over other products.

The additional amounts Strategic Partners pay us will vary from one Strategic Partner to another. In general, Strategic Partners compensate us in the following ways:

1. As a fixed dollar amount;
2. As a percentage of product sales (up to a maximum of one-quarter of one percent – which would be \$25 on a \$10,000 investment);
3. As a percentage of our customer assets invested in the products (up to a maximum of one-tenth of one percent – which would be \$10 on a \$10,000 investment); or
4. As some combination of these.

## Benefits to Your Advisor

Your Advisor does not receive additional compensation for selling a Strategic Partner product, they may receive additional benefits from our Strategic Partner program. When you purchase a mutual fund of a Strategic Partner in a Pershing brokerage account, we may absorb the nominal ticket charge for each transaction of up to \$30, which would normally be paid by your registered representative. Generally, the mutual fund families that participate in the Strategic Partner program subsidize some of these ticket charges. The type of transaction and dollar amount required in a Strategic Partner mutual fund purchase that may qualify for a ticket charge waiver varies depending on the particular Strategic Partner. In general, the ticket charge will be waived for the purchase of certain mutual funds of: an Elite Strategic Partner in an amount of \$2,500 or more; and a Participating Strategic Partner in the amount of \$15,000 or more (or \$5,000 in the case of American Funds' purchases). Every mutual fund offered by us may be purchased without a ticket charge by processing the

transaction with a check and application sent directly to the mutual fund company. We believe that these ticket charge waivers do not compromise the advice your representative provides to you.

Additionally, your Advisor indirectly benefits when Strategic Partner payments are used to support costs relating to product review, marketing or training.

#### List of Strategic Partners

##### Mutual Funds

Our mutual fund Strategic Partners are categorized into two tiers:

- Mutual Fund Elite: Ticket charges are waived for purchases of \$2,500 or more
- Mutual Fund Participating: Ticket charges are waived for purchases of \$15,000 or more

Elite Strategic Partners generally pay us a higher level of compensation, based on the criteria above, than Participating Partners.

The following table lists our Strategic Partners in both tiers.

Mutual Fund Elite	Mutual Fund Participating
AllianceBernstein Investments, Inc.	American Funds Distributors, Inc.*
DWS Investments Distributors, Inc.	BlackRock Advisors, LLC
Eaton Vance Distributors, Inc.	Fidelity Investments
Franklin Templeton Distributors, Inc.	Goldman Sachs Asset Management L.P.
ING affiliated entities offering life insurance and annuities, include: <ul style="list-style-type: none"> <li>• ING USA Annuity and Life Insurance Company</li> <li>• ReliaStar Life of Denver Insurance Company</li> <li>• Security Life of Denver Insurance Company</li> <li>• Directed Services, LLC</li> </ul>	Hartford affiliated entities offering life insurance, annuities and funds, including: <ul style="list-style-type: none"> <li>• Hartford Investment Financial Services Company, LLC</li> <li>• Hartford Life and Annuity Insurance Company</li> <li>• Hartford Life Insurance Company</li> </ul>
ING Funds Distributor, LLC	Invesco AIM Distributors
John Hancock affiliated entities, including: <ul style="list-style-type: none"> <li>• John Hancock Life Insurance Company (USA)</li> <li>• John Hancock Life Insurance Company (NY)</li> <li>• John Hancock Distributors, LLC</li> <li>• John Hancock Funds, LLC</li> </ul>	JP Morgan Investment Management, Inc. & Security Capital Research and Management, Inc.
OppenheimerFunds Distributor, Inc.	Lord, Abbet & Co. LLC
Pacific Life affiliated entities offering life insurance, annuities and funds, including: <ul style="list-style-type: none"> <li>• Pacific Life &amp; Annuity Company</li> <li>• Pacific Life Insurance Company</li> <li>• Pacific Select Distributors, Inc.</li> </ul>	Pacific Investment Management Company, LLC
Pioneer Investment Management USA, Inc.	Russell Financial Services, Inc.
Putnam Retail Management Limited Partnership	
Prudential Financial Companies: <ul style="list-style-type: none"> <li>• Prudential Annuities Distributors, Inc.</li> <li>• Prudential Mutual Fund Services, LLC</li> </ul>	

\*For American Funds, ticket charges are waived for purchases of \$5,000 or more.

## Variable Annuities

Our variable annuity Strategic Partners are categorized into two tiers:

Variable Annuity Elite	Variable Annuity Participating
Jackson National Life Distributors, LLC	Allianz Global Investors Distributors, LLC
Pacific Life affiliated entities offering life insurance, annuities and funds, including: <ul style="list-style-type: none"><li>• Pacific Life &amp; Annuity Company</li><li>• Pacific Life Insurance Company</li><li>• Pacific Select Distributors, Inc.</li></ul>	Allianz Life Financial Services
Prudential Financial Companies <ul style="list-style-type: none"><li>• Prudential Annuities Distributors, Inc.</li><li>• Prudential Mutual Fund Services, LLC</li></ul>	AXA Distributors, LLC
SunAmerica Annuity and Life Assurance Company <ul style="list-style-type: none"><li>• SunAmerica Annuity and Life Assurance Company</li><li>• First SunAmerica Life Insurance Company (NY Entity)</li></ul>	ING affiliated entities offering life insurance and annuities, including: <ul style="list-style-type: none"><li>• ING USA Annuity and Life Insurance Company</li></ul>
Sun Life Financial Distributors, Inc.	Nationwide Life Insurance Company
	Transamerica Capital, Inc.

Note that only a certain number of variable annuities are available for purchase through an advisory account. For a list of variable annuities available for purchase through an advisory account, consult your Advisor.

## Other Compensation and Reimbursements

We also receive compensation from certain third-party money managers (TPMM) that are not Strategic Partners. These TPMMs compensate us in the same manner as described above. Similar to our Strategic Partner program, our Advisors do not receive additional compensation for recommending a TPMM that provides us with this additional payment. Nevertheless, this additional compensation creates a possible conflict of interest because it creates an incentive for us to promote these TPMMs over other TPMMs.

These TPMMs are categorized into two tiers:

- Lending Partners
- Supporting Partners

Leading partners generally pay us a higher level of compensation than supporting partners.

The following table lists our TPMM partners in both tiers.

### Leading Partners

WBI Investments  
Loring Ward  
Curian

### Supporting Partners

The Elements Group

## Training and Education Compensation

The Firm and our Advisors may receive additional compensation from mutual fund and insurance companies that are not related to the amount of assets held in accounts. This money is paid to offset up to 100 percent of the cost of training and education of our Advisors and employees. In some instances, mutual fund and insurance companies may pay a flat fee in order to participate in our training and educational meetings. These meetings or events provide our Advisors with comprehensive information on products, sales materials, customer support services, industry trends and sales techniques.

Some of the training and educational meetings may include seminars that you are invited to attend. If you attend a training or educational meeting with your Advisor and a product sponsor is present, you should assume that the product sponsor has paid for all or a portion of the costs of the meeting or event.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not participate in any programs that charge performance-based fees.

## ITEM 7 – TYPES OF CLIENTS

We provide advisory services to a broad and diversified client base. While most of our clients are individuals, we also provide advisory services to the following clients:

- Banks or Thrift Institutions
- Pension and Profit Sharing Plans
- Trusts, Estates, or Charitable Organizations
- Corporations and Other Business Entities

Our advisory accounts all require a minimum opening deposit. Depending on the specific program, the opening deposit may vary between \$25,000 – \$250,000. The minimum account opening balance required for each program is described in more detail in Item 4 of this Brochure.

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

Most of the advisory services we provide involve the purchase (or liquidation) of securities. All investing involves some level of risk. In many cases, the risk may include the potential to lose your entire principal value. All securities sold have disclosure documents that discuss these risks. This disclosure document is commonly referred to as a prospectus, but may be called something else depending on the type of security you have purchased. In any case, it is extremely important that you read these documents in their entirety. If you have any additional questions regarding your investments, please speak with your Advisor immediately.

Our Advisors may use various methods to determine an appropriate investment strategy for your portfolio. During your initial and subsequent meetings with your Advisor, they will discuss the methods they used. The analysis performed may include the following:

### Technical Analysis

This type of analysis utilizes statistics to determine trends in security prices. Technical analysis tends to focus on factors such as trading volume, demand, and security price fluctuations. This type of analysis is also commonly referred to as chart analysis due to the fact that this analysis tends to review various historical charts and graphs.

### Fundamental Analysis

This type of analysis concentrates on earnings, a company's financial statements, and the quality of a company's management. These quantitative factors are then used to attempt to determine the financial strength of a company.

### Asset Allocation

Asset allocation investment strategies attempt to optimize the risk and reward of your portfolio by investing among several asset classes.

## Timing Service

While not a standard analysis method used by our Advisors, some Advisors may offer advisory services that attempt to time mutual funds and variable annuities. This essentially means they try to purchase or sell immediately preceding an increase or decrease in the securities price. This type of investing can substantially increase the amount of your brokerage transaction costs due to the frequency that transactions are occurring. Also, many mutual funds or variable annuities specifically prohibit excessive buying and selling within their fund in a short period of time. We monitor our accounts for excessive trading activity to ensure that you are aware of and comfortable with the level of trading as well as to ensure that the investments are appropriate for you.

## Concentrated Investment Strategies

Certain investment strategies may be concentrated in a specific sector or industry. If you invest in a portfolio or strategy that is made up of a concentrated position, sector or industry, your portfolio will be more likely to sharply increase or decrease in value with changes in the markets. Concentrated strategies are more volatile because the risk associated with each company represents a large percentage of your overall portfolio value.

## ITEM 9 – DISCIPLINARY INFORMATION

January 2004 through November 2004, Multi-Financial failed to establish a supervisory system or written supervisory procedures reasonably designed to enable Multi-Financial to prevent the charging of excessive commissions on mutual fund liquidations in violation of NASD Conduct Rules 2110 and 3010. The NASD further determined that in violation of NASD Conduct Rules 2110 and 3011 and MSRB Rule g-41, Multi-Financial failed to implement Multi-Financial's anti-money laundering procedures: i) relating to the processing of FINCEN requests for information from February 18, 2003 to January 2004 and for the month of May 2004; and ii) relating to checking the OFAC list in relation to new accounts for the period July 2003 through May 2004. Additionally, Multi-Financial was censured and required to pay a fine in the amount of \$17,500.

On June 7, 2004, the State of Idaho, Department of Finance, Securities Bureau, entered an order against Multi-Financial and one of its representatives, in which Multi-Financial and one of its representatives agreed to pay a fine in the amount of \$3,000 and investigative costs in the amount of \$2,000. Pursuant to the Order, Multi-Financial also agreed to offer rescission to four investors in exchange for the tender of their EAG Shares (the total amount of rescission offered was estimated to be approximately \$119,000).

On May 30, 2006, Multi-Financial, without admitting or denying the NASD's findings, executed an Acceptance, Waiver and Consent in which the NASD found that Multi-Financial for the period January 2004 through November 2004, failed to establish a supervisory system or written supervisory procedures reasonably designed to enable Multi-Financial to prevent the charging of excessive commissions on mutual fund liquidations in violation of NASD Conduct Rules 2110 and 3010. The NASD further determined that in violation of NASD Conduct Rules 2110 and 3011 and MSRB Rule g-41, Multi-Financial failed to implement Multi-Financial's anti-money laundering procedures: i) relating to the processing of FINCEN requests for information from February 18, 2003 to January 2004 and for the month of May 2004; and ii) relating to checking the OFAC list in relation to new accounts for the period July 2003 through May 2004. Additionally, Multi-Financial was censured and required to pay a fine in the amount of \$17,500.

On July 27, 2006, Multi-Financial, without admitting or denying the NASD's findings, executed an Acceptance, Waiver and Consent in which the NASD found that Multi-Financial, along with three of its then affiliated firms, maintained a strategic partners program (the SP Program) where each firm received directed brokerage commissions from mutual funds to pay for participation in the SP Program, which violated NASD Rules 2830(K) (I) and 2110. Multi-Financial was also censured and required to pay a fine in the amount of \$1,228,000.

On September 21, 2007, Multi-Financial, without admitting or denying the findings, executed an Acceptance, Waiver and Consent in which FINRA found that Multi-Financial failed to report trace transactions in trace-eligible securities executed on a business day during trace system hours within 45 minutes following the time



of execution and Multi-Financial's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws, regulation and FINRA Rules 2110, 3010, and 6230(A) concerning reporting of transactions in trace-eligible securities. Additionally, Multi-Financial was censured, required to pay a fine in the amount of \$10,000, and required to revise its written supervisory procedures with respect to reporting of transactions in trace-eligible securities within 30 business days of acceptance of this Acceptance, Waiver and Consent by the NAC.

On October 30, 2007, Multi-Financial, without admitting or denying FINRA's findings, executed an Acceptance, Waiver and Consent in which FINRA found that Multi-Financial failed to have adequate supervisory systems and procedures to detect unapproved private securities transactions by a former registered representative who raised approximately \$1,154,000 from 14 individuals in exchange for promissory notes [in violation of FINRA Rules 3010 and 2110]. Additionally, Multi-Financial was censured and required to pay a fine in the amount of \$12,000.

On January 27, 2009, a Stipulation and Consent [Order] was entered into against Multi-Financial, in which Multi-Financial, without admitting or denying the State of New York Insurance Department's findings, that Multi-Financial failed to timely provide information regarding securities administrative actions as required on its insurance renewal applications dated June 16, 2006 and May 2, 2007. Additionally, Multi-Financial was required to pay a \$10,000 penalty and to take all necessary steps to prevent the reoccurrence of similar violations.

On March 23, 2009, Multi-Financial, without admitting or denying FINRA's findings, executed an Acceptance, Waiver and Consent in which FINRA found that Multi-Financial failed to accurately complete its 2003 breakpoint self-assessment in that it underreported the number of missed breakpoints in violation of FINRA Conduct Rule 2110. FINRA also alleged that in 2003 the firm failed to accurately complete a trade-by-trade review of transactions for missed breakpoints for Multi-Financial and Vestax, a broker-dealer acquired by Multi-Financial in 2004. Additionally, Multi-Financial was censured and required to pay a fine in the amount of \$150,000.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Corporate Structure

Multi-Financial Securities Corporation is part of Cetera Financial Group, Inc., a network of independent broker-dealers. Multi-Financial is registered as a broker-dealer with the SEC, FINRA, and with all 50 states and the District of Columbia. Multi-Financial is also an investment adviser registered with the SEC. Certain affiliated companies of Multi-Financial are also general insurance agencies.

Multi-Financial is wholly owned by Cetera Financial Group, Inc., which is wholly owned by Cetera Financial Holdings, Inc. Cetera Financial Holdings, Inc. is principally owned by Lightyear Fund II, L.P., a private equity investment fund advised by Lightyear Capital LLC. Lightyear Capital is a New York based private equity firm, formed in 2000, that specializes in investing in financial service companies. For a more detailed description of Lightyear Capital, please visit [www.lycap.com](http://www.lycap.com).

### Other Affiliations

We have an agreement with Advisors Asset Management, Inc. whereby we receive a payment based on the number of fixed income trades placed through them. These payments may pose a conflict of interest for Multi-Financial to have fixed income trades placed with Advisors Asset Management, Inc. We mitigate this conflict of interest by allowing our Advisors to place fixed income trades through several vendors.

Our Advisors may operate their own independent companies outside of Multi-Financial. These unaffiliated companies may include other investment advisory firms, accounting/tax practices, insurance services and legal services, among others.

We may also enter into certain arrangements to offer brokerage and advisory services to the clients of independent unaffiliated financial institutions (credit unions, credit union service organizations, banks and

savings banks). A portion of the client advisory fee will be paid by us to the financial institution pursuant to a fee sharing arrangement as long as the client agreement is in effect. The financial institution does not provide any advisory services to the client.

## ITEM 11 – CODE OF ETHICS

We are committed to providing brokerage services and/or investment advice with the utmost professionalism and integrity.

To help us avoid potential conflicts we have developed a Code of Ethics designed to protect our professional reputation and comply with federal or other applicable securities laws. Our Code of Ethics may be summarized as follows:

### Personal Investing by Your Advisor

Your Advisor may purchase or sell the same security as you. This type of trading activity creates a conflict between your Advisor and you because your Advisor's transaction may receive a better price than your transaction. To help mitigate this potential conflict, we routinely review our Advisor's personal trading activity. Our Code of Ethics also places restrictions on your Advisor's personal trading activities. This prohibition includes a prohibition on trading based on non-public information. We also prohibit your Advisor from purchasing or selling securities in his/her own account prior to placing your order to purchase or sell a security for your account.

Also, your Advisor may not purchase securities in an initial public offering or participate in a private placement without our written approval.

### Personal Holdings and Transaction Reporting

Your Advisor submits quarterly reports of the security transactions purchased and/or sold in their personal accounts during the prior quarter. On an annual basis, your Advisor submits a report to us with all securities that they currently own. Certain investments are not required to be reported to us by your Advisor, such as mutual funds holdings and securities issued by the Government of the United States. A list of securities and investments that are not required to be reported is located within our complete Code of Ethics.

You may request our Code of Ethics at any time by contacting your Advisor.

## ITEM 12 – BROKERAGE PRACTICES

### Selection of Brokers

Most of our Advisors are also registered with our broker-dealer as registered representatives, which allows them to perform brokerage services for you by executing specific security transactions. Our Advisors may also be licensed insurance agents appointed with various insurance companies. In their capacity as licensed insurance agents, they may offer securities and insurance products and receive normal and customary commissions as a result of such transactions, which presents a conflict of interest because they have an interest in making commissions on sales that may be adverse to your interests. To mitigate this conflict of interest, we routinely review our advisory accounts to ensure that the advisory services and products being recommended are consistent with your stated goals and objectives.

We offer a Net New Assets incentive program for our Advisors, which rewards Advisors a percentage of our administrative fees based on the amount of new assets they bring into our firm-sponsored advisory programs. This presents a conflict of interest because they have an interest in receiving a percentage of administrative fees based upon sales that may be adverse to your interests. To mitigate this conflict of interest, we routinely review our advisory accounts to ensure that the advisory services and products being recommended are consistent with your stated goals and objectives.



## ITEM 13 – REVIEW OF ACCOUNTS

We review your account in several ways. Our account reviews include:

**Annual Client Reviews** – On at least an annual basis, your Advisor will discuss your advisory accounts with you. In general, this includes any firm-sponsored Programs and certain third-party money manager programs. The purpose of this review is to determine what, if any, adjustments need to be made to your portfolio.

**Supervision** – Your Advisor's designated supervisor reviews the advisory services provided to client accounts of any Advisor who he or she supervises. If this review raises any issues associated with your account, they will investigate the issue to determine if any further action is needed or warranted.

**Home Office Oversight** – We also conduct periodic reviews of your account at the home office and, if appropriate, we will contact the designated supervisor to determine if further action is needed or warranted.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

We may have individuals who are not affiliated with us introduce prospective clients to us. The individuals (called Solicitors) are paid a fee that is based on the advisory fee that you pay. If you are introduced to us through a Solicitor, we will provide you with a separate written disclosure statement indicating that a referral fee is being paid to an individual who is unaffiliated with our Firm. Please refer to Item 5 of this brochure for additional information on our sources of revenue.

## ITEM 15 – CUSTODY

For certain types of client accounts we are considered to have custody of your funds, and in certain instances, your securities, even though Pershing LLC, our clearing firm, maintains those assets as the qualified custodian. Pershing will send you account statements, which you should carefully review. In addition to the account statements Pershing sends you, we will send you a Quarterly Performance Report, which among other things, lists your account holdings and performance. You should compare our report to the account statements you receive from Pershing. In the event of any discrepancy between our report and any statement you receive from Pershing regarding the same investment, you should rely on the statement from Pershing.

Pershing's mailing address is:

Pershing LLC  
One Pershing Plaza  
Jersey City, NJ 07399

Pursuant to an adoption agreement for firm sponsored advisory programs between PrimeVest Financial Services, Inc. (PrimeVest), an affiliate of Multi-Financial, and you, PrimeVest may charge IRA or other retirement accounts maintenance or termination fees that PrimeVest or its agent, in turn, distributes to Multi-Financial. Other costs that may be assessed to you that are not part of the Program Fee include, but are not limited to, electronic fund and wire transfers and IRA custodial fees.

## ITEM 16 – INVESTMENT DISCRETION

As discussed in more detail in Item 4 of this brochure, in certain programs you may authorize your Advisor to have investment discretion over your account. An Advisor must receive written approval from us prior to offering investment discretion services to you. If we approve an Advisor to offer investment discretion to clients, they must also obtain written authorization from you prior to exercising such discretionary authority over your account. As discussed in more detail in Item 4, you may place reasonable restrictions on the management of your account, whether it is discretionary or non-discretionary, including restrictions on the type of securities that can be purchased in your account.

Our Advisors are prohibited from having the ability to withdraw funds and/or securities from your account without your express permission.

## ITEM 17 – VOTING CLIENT SECURITIES (I.E., PROXY VOTING)

For all the advisory services and programs offered through our Firm, neither we, nor our Advisors, have any authority to vote proxies on your behalf. You are solely responsible for receiving and voting proxies for the securities that you maintain within your account.

For TPMM Accounts – Depending on the TPMM's proxy voting policies and procedures, the TPMM may require that you appoint them as your agent and attorney-in-fact with discretion to vote proxies on your behalf. Please carefully review the TPMM's disclosure brochure to understand their proxy voting policies and procedures.

## ITEM 18 – FINANCIAL INFORMATION

We do not take prepayment of more than \$1,200 in fees, six months or more in advance or have a financial condition that could impair our ability to meet our contractual obligations. Therefore, we are not required to provide our audited balance sheets.