



*VestAdvisor*<sup>®</sup>

**PROGRAM DISCLOSURE BROCHURE**

SEC File No. 801 - 29892

H.D. Vest Advisory Services<sup>SM</sup>

Revised September 2012

This program disclosure brochure provides information about the qualifications and business practices of H.D. Vest Advisory Services, Inc. ("HDVAS") which uses the trade name H.D. Vest Advisory Services<sup>SM</sup>. If you have any questions about the contents of this brochure, please contact us at (972) 870-6000. This information has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about H.D. Vest Advisory Services<sup>SM</sup> is also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

You should review this brochure and consider its contents before investing in the *VestAdvisor* Program.

Securities offered through H.D. Vest Investment Services<sup>SM</sup>, Member: SIPC  
Advisory services offered through H.D. Vest Advisory Services<sup>SM</sup>  
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## **Item 2: Summary of Material Changes**

### **Summary of Material Changes Relating to Your *VestAdvisor*<sup>®</sup> Account**

The following is a summary of material changes since the last updated *VestAdvisor* Program Disclosure Brochure dated March 2012. (“Disclosure Brochure”). (Please see the “Important Definitions” section for an explanation of defined terms.)

- 1) The Code of Ethics has been modified to clarify which parts of the Code of Ethics apply to “Supervised” and “Access” persons, as defined therein. The full version is now located within the “Additional Information” section of the Disclosure Brochure and can be obtained by contacting your Advisory Consultant or the HDVAS Compliance department at (866) 218-8206, option 1, x4790.
- 2) HDVAS has selected a new vendor to produce the Quarterly Performance Reports and facilitate the quarterly billing process. Beginning third quarter of 2012, HDVAS has contracted with Black Diamond Performance Reporting, LLC to assume these responsibilities. As a result, there will be a change to the content and format of the reports and to the performance calculation and billing.

Under the new process, in the event you use margin to borrow against the Eligible Assets in your Account, HDVAS will deduct the margin debit balance from the market value of Eligible Assets thus reducing the Program Fee. Regarding fixed income, HDVAS will continue to use an accrual accounting method for billing and performance reporting, which includes interest payments that have been accrued but not yet paid within the period. Regarding mutual funds and equities, HDVAS will now use a cash accounting method for billing and performance reporting, which excludes dividends that have been declared but not yet paid within the period. These methods differ in terms of the timing of when transactions (i.e. dividends and interest payments) are credited to your Account. The timing difference may result in an increase or decrease in the performance of your Account or the amount billed to your Account.

- 3) HDVAS has created *VestAdvisor Select*<sup>®</sup> which is an optional feature within *VestAdvisor* that grants both HDVAS and your Advisory Consultant discretion pursuant to a Limited Trading Authorization. This authorization allows us to trade mutual funds, Exchange Traded Funds (ETFs) and Exchange Traded Notes (ETNs) without receiving specific permission from you before the trades occur. *VestAdvisor Select* launched September 2012. *VestAdvisor Select* recommended model portfolios are designed by the HDVAS Senior Portfolio Manager to meet a range of investment objectives and risk tolerances. The Advisory Consultant will work with the Client to determine the appropriate model portfolio to fit the Client’s situation. The Advisory Consultant and/or Client may make changes to the model portfolio from a more limited menu of investment options (i.e., not all Eligible Assets are available through the *VestAdvisor Select* feature). *VestAdvisor Select* also offers periodic automatic rebalancing of Accounts and cash management features to manage new investments and generate cash as needed to pay Program Fees or provide you liquidity upon request. The Disclosure Brochure contains additional important information about the services, conflicts of interest, fees and expenses associated with *VestAdvisor Select*.

### **Item 3: TABLE OF CONTENTS**

<b>ITEM 1: Cover Page</b>	
<b>ITEM 2: Summary of Material Changes.....</b>	<b><u>1</u></b>
<b>ITEM 3: Table of Contents.....</b>	<b><u>2</u></b>
Important Definitions.....	<u>3</u>
<b>ITEM 4: Services, Fees and Compensation.....</b>	<b><u>5</u></b>
H.D. Vest Advisory Services.....	<u>5</u>
Assets Under Management.....	<u>5</u>
The <i>VestAdvisor</i> Program.....	<u>5</u>
<b>Services.....</b>	<b><u>7</u></b>
Program Services.....	<u>7</u>
Rebalancing.....	<u>8</u>
Quarterly Performance Report.....	<u>9</u>
<b>Fees and Compensation.....</b>	<b><u>10</u></b>
Program Fees.....	<u>10</u>
Eligible Asset Compensation and 12b-1 Fees.....	<u>11</u>
Sweep Compensation.....	<u>12</u>
Expense Sharing Arrangements (Educational Partners).....	<u>13</u>
Transaction Charges.....	<u>13</u>
Termination of Agreement.....	<u>14</u>
<b>ITEM 5: Account Requirements and Types of Clients.....</b>	<b><u>14</u></b>
<b>ITEM 6: Portfolio Manager Selection and Evaluation - Eligible Asset Selection and Evaluation.....</b>	<b><u>14</u></b>
Eligible Asset Selection.....	<u>14</u>
Asset Selection and Evaluation.....	<u>15</u>
Monitoring Accounts.....	<u>17</u>
Risk of Loss.....	<u>18</u>
Services Tailored to Individual Client Needs.....	<u>18</u>
Client Restrictions.....	<u>18</u>
Performance-Based Fees and Side-by-Side Management.....	<u>18</u>
Voting Client Securities.....	<u>18</u>
<b>ITEM 7: Client Information Provided to Portfolio Managers and Advisory Consultants.....</b>	<b><u>18</u></b>
<b>ITEM 8: Client Contact with Portfolio Managers – Client Contact with Advisory Consultant.....</b>	<b><u>18</u></b>
<b>ITEM 9: Additional Information.....</b>	<b><u>19</u></b>
Disciplinary Information.....	<u>19</u>
Other Financial Industry Activities and Affiliations.....	<u>19</u>
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	<u>19</u>
Review of Accounts.....	<u>21</u>
Client Referrals and Other Compensation.....	<u>21</u>
Brokerage Practices.....	<u>21</u>
Financial Information.....	<u>22</u>
<b>Conflicts of Interest.....</b>	<b><u>22</u></b>
Eligible Asset Compensation and 12b-1 Fees.....	<u>22</u>
Sweep Compensation.....	<u>23</u>
Expense Sharing Arrangements (Educational Partners).....	<u>23</u>
<i>VestAdvisor Select</i> Due Diligence Process (Educational Partners).....	<u>23</u>
<b>Other Disclosures.....</b>	<b><u>23</u></b>
Appendix 1.....	<u>25</u>

## IMPORTANT DEFINITIONS

**“12b-1 Fee”** is a marketing, distribution and/or client servicing fee paid out of the mutual fund assets. Though not paid directly by shareholders, these fees increase the expenses shareholders pay and therefore reduce investment returns. Please see the “Eligible Asset Compensation and 12b-1 Fees” section in this Disclosure Brochure for additional information.

**“Access Person”** is a Supervised Person including directors, officers, employees and Investment Adviser Representatives (“IARs”) who has access to nonpublic information regarding clients’ purchase or sale of securities, is involved in making securities recommendations to clients or who has timely access to such recommendations that are nonpublic.

**“Account(s)”** means your *VestAdvisor* account(s).

**“Advisory Consultant”** means the HDVAS Investment Advisory Representative assigned to your Account.

**“Advisory Services Agreement”** means the written agreement required to participate in *VestAdvisor* which governs the terms and conditions of the Program and associated services, as it may be amended from time to time.

**“Advisory Share” or “Advisory Share Class”** means a special share class of a mutual fund designed for fee-based investment advisory products which does not have a sales load and has eliminated the 12b-1 Fee, and therefore generally has lower expenses than other share classes of the same fund.

**“Black Diamond”** means Black Diamond Performance Reporting, LLC, the entity HDVAS has contracted with to provide the Quarterly Performance Report and to facilitate client billing.

**“Brochure Supplement”** means the Form ADV Part 2B Supplement Disclosure Document that describes your Advisory Consultant’s background, credentials and other material information.

**“Cash Sweep Disclosure Statement”** means the disclosure document provided at account opening or upon request describing available account sweep alternatives into which free credit balances will be swept on a daily basis.

**“Client,” “you,” and “your”** means the person(s) or organization(s) that contract with us for Program services.

**“Client Profile Questionnaire” or the “Profile”** means the questionnaire that collects information about you and your investment objective, risk tolerance and financial situation, and which is required to open an Account.

**“Code of Ethics”** means the code adopted by HDVAS setting out the ethical principles of the Firm.

**“Disclosure Brochure”** means this document, the *VestAdvisor* Program Disclosure Brochure, which provides important information about the *VestAdvisor* Program.

**“Educational Partners”** means the mutual fund companies or their affiliates that have an agreement with HDVIS to provide additional payments to help defray the educational, training, record-keeping and other costs associated with offering products to clients.

**“Eligible Assets” or “Eligible”** means investments HDVAS determines are eligible to be purchased, sold and held in a *VestAdvisor* Account, currently including approved mutual funds, stocks, bonds, options, closed-end funds and Exchange-Traded Funds (ETFs) and Exchange-Traded Notes (ETNs). With respect to *VestAdvisor Select*, **“Eligible Assets” or “Eligible”** means investments HDVAS determines are eligible to be purchased, sold and held in a *VestAdvisor Select* Account, currently including mutual funds, ETFs and ETNs on the Eligible Asset list. The list of Eligible Assets for *VestAdvisor Select* is a limited subset of the Eligible Assets for *VestAdvisor*. Eligible Assets are included within the quarterly performance calculation and generally are included in the fee billing.

**“Federal Deposit Insurance Corporation” or “FDIC”** means the independent agency of the federal government that insures deposits in bank and thrift institutions up to applicable limits (more information available at [www.fdic.gov](http://www.fdic.gov)).

**“First Clearing”** means First Clearing, LLC, the clearing broker-dealer that provides custodial and execution services for the Program pursuant to a clearing agreement with HDVIS.

**“FINRA”** means the Financial Industry Regulatory Authority, a self-regulatory organization that regulates broker-dealers (more information available at [www.finra.org](http://www.finra.org)).

**“General Account Agreement and Disclosure Document”** refers to the HDVIS brokerage account agreement and disclosure provided to the Client at account opening that provides material information about the terms of your Account.

**“HDVAS,” “we,” “us”** or the **“Firm”** means H.D. Vest Advisory Services, an investment adviser registered with the U.S. Securities and Exchange Commission, a wholly-owned subsidiary of H.D. Vest, Inc.

**“HDVIS”** means H.D. Vest Investment Securities, Inc. (d/b/a H.D. Vest Investment Services), a broker-dealer registered with the U.S. Securities and Exchange Commission, and a wholly-owned subsidiary of H.D. Vest, Inc. HDVIS is an affiliate under common control with HDVAS, and serves as the introducing broker-dealer to First Clearing with respect to your Account.

**“Ineligible Assets”** means investments that HDVAS has determined are not available for purchase in a *VestAdvisor* Account. Ineligible Assets will not be included in the fee billing and will not be included in the account performance reports. With respect to *VestAdvisor Select*, **“Ineligible Assets”** means investments that HDVAS has determined are not available for purchase nor can they be held in a *VestAdvisor Select* Account. Currently this includes stocks, bonds, options, annuities, limited partnership interests and mutual funds that cannot be purchased at net asset value. In addition, mutual funds, ETFs and ETNs that are not on the Eligible Asset list are also Ineligible Assets. All assets in a *VestAdvisor Select* Account are Eligible Assets, and therefore are included in the fee billing calculation and on the account performance reports.

**“Limited Trading Authorization”** means written authority given by the Client to HDVAS and/or the Advisory Consultant authorizing HDVAS and/or the Advisory Consultant to execute trades in certain securities on a discretionary basis without receiving specific permission from the Client before the trades occur.

**“Margin Disclosure Document”** means the disclosure document which provides detailed information about the use of margin borrowing to investors who seek a margin account.

**“Program”** see *“VestAdvisor”* below.

**“Program Fee”** means the fee charged to Client by HDVAS for Program services.

**“Quarterly Performance Report”** means the quarterly report which provides *VestAdvisor* Clients important information about their investment portfolio and the investment performance of their Account.

**“Related Accounts”** means Program accounts grouped together for purposes of qualification, reduced pricing and, where requested, consolidated reporting, of advisory programs offered by or through HDVAS.

**“SEC”** means the U.S. Securities and Exchange Commission (more information available at [www.sec.gov](http://www.sec.gov)).

**“Senior Portfolio Manager”** means the person employed by HDVAS to provide support to Advisory Consultants with respect to the investment advisory programs offered by HDVAS, and to conduct due diligence and develop model portfolios in connection with *VestAdvisor Select*.

**“SIPC”** means the Securities Investor Protection Corporation, a federally mandated, non-profit corporation that administers the federal program that protects brokerage account investors against loss in the event of a broker-dealer member’s insolvency and liquidation by replacing missing securities and cash up to a maximum of \$500,000 per client, including a maximum of \$250,000 on claims for cash. SIPC does not protect against losses from market fluctuations. (More information available at [www.sipc.org](http://www.sipc.org))

**“Supervised Persons”** means directors, officers (or other person occupying a similar status or performing similar functions), employees, investment adviser representatives or other persons who provide investment advice on behalf of the investment adviser and are subject to the supervision and control of HDVAS.

**“Time Weighted Return”** or **“TWRR”** means the methodology used by Black Diamond to calculate performance using a true daily time-weighted rate of return as a primary performance return methodology, which measures how an account was managed and is unaffected by external cash flows.

**“Value of the Account”** means the calculation of the market value of the Eligible Assets held in the Account which is used to determine the Program Fee.

**“VestAdvisor”** or the **“Program”** means the investment advisory wrap fee program discussed in this Disclosure Brochure.

**“VestAdvisor Select”** means an optional feature within *VestAdvisor* that provides model portfolios and additional features and services for *VestAdvisor* accounts, and authorizes discretionary trading pursuant to a Limited Trading Authorization.

## **Item 4: Services, Fees and Compensation**

Pursuant to SEC Rule 204-3 promulgated under the Investment Advisers Act of 1940, HDVAS presents this Disclosure Brochure which provides the required Form ADV Part 2 disclosures as well as a description of the ***VestAdvisor*** Program.

### **H.D. Vest Advisory Services<sup>SM</sup>**

HDVAS was established in 1987 and is a wholly-owned subsidiary of H.D. Vest, Inc. HDVAS is an indirect subsidiary of HDV Holdings, LLC, a company controlled by a group of private equity firms led by Parthenon Capital Partners. HDVAS is an affiliate of HDVIS, which is a broker-dealer registered with the SEC, and a FINRA member firm. HDVAS was created to offer ongoing consultative investment management services through investment advisory programs designed to help our clients meet their financial objectives.

In addition to the ***VestAdvisor*** Program, HDVAS offers a number of programs that are designed to help clients meet their investment objectives and goals. They include:

- Separately Managed Account Programs
- Mutual Fund Advisory Programs
- Advisory Consultant Directed Programs
- Financial Planning

Each of these programs provides a different menu of services with different expense and fee structures. Descriptions of the services and fees for other programs are provided in other disclosure documents related to the specific programs, copies of which are available to you upon request.

### **Assets Under Management**

As of September 2012, HDVAS managed approximately \$1.4 billion of client assets on a discretionary basis, and \$5.3 billion of client assets on a non-discretionary basis.

### **The *VestAdvisor* Program**

***VestAdvisor*** is an investment advisory wrap-fee program designed for individuals and businesses with investment accounts with an average of \$25,000 or more, although exceptions to the minimum qualifications may be made in the sole discretion of HDVAS.

To participate in the Program, HDVAS Advisory Consultants will gather information regarding your financial situation and assist you in completing the Client Profile Questionnaire, which is a form HDVAS and your Advisory Consultant use, along with other information you provide, to help identify your investment objectives and risk tolerance. If you want to open a ***VestAdvisor*** Account, you will complete and execute the Advisory Services Agreement and receive a copy of this Disclosure Brochure and the Advisory Consultant's Brochure Supplement.

HDVAS and your Advisory Consultant rely on the information you provide to us, and accordingly it is important that you keep that information current. You have an ongoing obligation to update the Client Profile Questionnaire and notify your Advisory Consultant if there are any changes to your financial situation or the information provided, including information relevant to your investment objectives or risk tolerance. You must also inform your Advisory Consultant if there is other information not reflected on the Client Profile Questionnaire that is relevant to assessing your financial situation, investment objectives or risk tolerance (for example, anticipated large expenditures in the future or short-term cash needs).

In September 2012, HDVAS began to offer ***VestAdvisor Select***, which is an optional feature within ***VestAdvisor***. This feature allows you and your Advisory Consultant to leverage HDVAS's portfolio and cash management services. Details of these services are described below.

***VestAdvisor Select*** is an optional feature which differs from ***VestAdvisor*** in some important respects that are discussed below. Most of this document discloses information that is applicable generally to ***VestAdvisor***; however, there are certain items that relate exclusively to the ***VestAdvisor Select*** feature which are separately identified in certain sections of this Disclosure Brochure, including but not limited to "Program Services," "Eligible Assets" and "Asset Selection."

It is important that you be aware of these differences, and understand the Program features you have selected. Below is a chart to help you understand the primary differences between ***VestAdvisor*** and ***VestAdvisor Select***.

### **VestAdvisor and VestAdvisor Select Comparison**

	<i>VestAdvisor</i>	<i>VestAdvisor Select</i>
<b>Primary Responsibility for Selecting Investments</b>	Advisory Consultant recommends investments; Client makes all investment decisions (narrow exceptions for Limited Trading Authorization)	HDVAS Senior Portfolio Manager creates recommended model portfolios. Advisory Consultant and/or Client can use recommended portfolio or make substitutions to create customized model portfolio within parameters set by HDVAS
<b>Ongoing Due Diligence</b>	Advisory Consultant and/or Client	HDVAS conducts ongoing due diligence on funds in the HDVAS recommended model portfolio; Advisory Consultant conducts ongoing due diligence on substitutions in customized portfolios
<b>Use of Model Portfolios</b>	Optional	Required
<b>Model Maintenance: Strategic Shifts in Asset Allocation (i.e., same investments, different asset class weighting)</b>	Model portfolio not required; to the extent Advisory Consultant utilizes a model s/he would recommend changes to Client as necessary	HDVAS responsible for strategic shifts in asset allocation in HDVAS recommended model portfolios. If the model portfolio is customized, the Advisory Consultant is responsible for strategic shifts in asset allocation
<b>Model Maintenance: Change in Investments</b>	Model portfolio not required; to the extent Advisory Consultant utilizes a model s/he would recommend changes to Client as necessary	HDVAS responsible for changes to HDVAS model portfolios AND customized model portfolios that hold an Eligible Asset which HDVAS is replacing; Advisory Consultant responsible for changes to customized model portfolios that hold customized Eligible Assets.
<b>Discretionary Trading</b>	Discretionary trading not generally available (may be available on a limited basis as specifically approved in writing by HDVAS and Client)	HDVAS and Advisory Consultant have discretionary authority pursuant to written Limited Trading Authorization
<b>Eligible Assets</b>	Broad list of Eligible Assets including stocks, bonds, ETFs, ETNs and mutual funds on the <i>VestAdvisor</i> eligible mutual funds list	A subset of the <i>VestAdvisor</i> eligible mutual funds list generally limited to Advisory Share Classes, and ETFs and ETNs specifically included on <i>VestAdvisor Select</i> Eligible Assets list
<b>Ineligible Assets</b>	Can be held in the Account at the discretion of HDVAS but are not managed and are not included in Account performance or calculation of the Program Fee	Cannot be held in the Account and will be sold on a discretionary basis pursuant to written Limited Trading Authorization
<b>Use of Educational Partner mutual funds</b>	Advisory Consultant recommends investments and may recommend Educational Partner funds	HDVAS will use Educational Partner funds in HDVAS recommended model portfolios to the extent one of those products meets the due diligence process; Advisory Consultants may recommend Educational Partner funds as substitutions in customized model portfolios
<b>Use of Advisory Share Class (no 12b-1 Fees)</b>	Advisory Consultant can recommend a non-Advisory Share Class (which pays a 12b-1 Fee) even if an Advisory Share Class of the same fund is available	Eligible mutual funds are restricted to Advisory Share Classes
<b>Cash Management</b>	Advisory Consultant will recommend investments for new assets and sale of assets to generate cash for fees or other liquidity needs (in absence of discretion)	HDVAS invests new assets and sells or liquidates assets on a discretionary basis to generate cash for fees or other liquidity needs
<b>Payment of Transaction Charges</b>	Client or Advisory Consultant	HDVAS pays ticket charges for standard rebalancing, raising cash for distribution or fees and recommended Eligible Asset replacement. Client or Advisory Consultant responsible for sale of transferred assets upon establishment of Account, Client-initiated transactions and related to customization of model portfolios
<b>Automatic Rebalancing</b>	Not available	Accounts are reviewed quarterly and automatically rebalanced if needed (with limited exceptions – see “Rebalancing” section below)

## Services

### **Program Services for *VestAdvisor* and *VestAdvisor Select***

Your Advisory Consultant will assist you in selecting investments consistent with your investment objectives. As disclosed in the “Portfolio Manager Selection and Evaluation” section of this brochure, Client portfolios are only allocated among Eligible Assets.

#### **Summary of services provided by HDVAS Advisory Consultants for *VestAdvisor* and *VestAdvisor Select* may include:**

- Educating investors on the features of a fee-based investment management strategy;
- Gathering data to be used in the preparation and implementation of the investment portfolio;
- Assisting you in the completion of the Client Profile Questionnaire;
- Presenting portfolio recommendations and/or asset allocations based on the information provided by you;
- Completing all other paperwork required to implement an investment recommendation;
- Facilitating Account transactions;
- Conducting Account reviews (no less than annually);
- Answering your questions regarding your Account or the Program;
- Explaining investment decisions and why rebalancing may be necessary;
- Delivering the Quarterly Performance Report;
- Periodic review of your investment objectives, trading activity, and portfolio;
- Evaluating the suitability of the Eligible Asset mix.

#### **Summary of services provided by HDVAS for *VestAdvisor* and *VestAdvisor Select* may include:**

- Opening the Account upon receipt of the required paperwork;
- Providing Quarterly Performance Reports;
- Calculating and collecting the Program Fee;
- Facilitating disbursement requests and performing administrative functions;
- Maintaining the registrations of HDVAS and all Advisory Consultants with the SEC and appropriate state securities regulators;
- Preparing and updating required registration forms and this Disclosure Brochure;
- Supervising investment activities of Advisory Consultants conducted through HDVAS;
- Arranging for the execution of trades and custody of assets in your Account.

#### **Additional services provided by HDVAS specifically for the *VestAdvisor Select* feature include:**

- HDVAS’s Senior Portfolio Manager conducting due diligence and developing recommended model portfolios for a variety of risk tolerances and objectives;
- Reviewing and implementing the Client’s model portfolio and investment product selection based on the information contained in the Client Profile Questionnaire or, where applicable, a customized portfolio allocation maintained by the Advisory Consultant;
- Selecting investment products to be utilized within HDVAS recommended model portfolios based on investment philosophy and other relevant criteria;
- Conducting investment management tasks, including monitoring and rebalancing portfolios to keep them within deviation limits from target allocations;
- Selling assets on a discretionary basis to generate cash for fees or other liquidity needs.

### **Program Services Specifically related to *VestAdvisor***

*VestAdvisor* is, in general, a non-discretionary program, meaning that you retain ultimate decision-making authority for each transaction in the Account and must pre-approve all trades. Your Advisory Consultant will provide investment recommendations and other services based on your investment objectives, risk tolerance and financial situation. You control the ultimate decisions in the account – you have the option of accepting these recommendations or making different investment decisions.

In some cases you may decide to give your Advisory Consultant a written Limited Trading Authorization to rebalance or substitute mutual funds, ETFs and ETNs and in some circumstances a more broad selection of securities without receiving specific permission from you before the trades occur. Clients selecting these options must complete the corresponding Limited Trading Authorization form. Not all Advisory Consultants are eligible to manage *VestAdvisor* Accounts pursuant to a Limited Trading Authorization.



### **Program Services Specifically related to *VestAdvisor Select***

*VestAdvisor Select* is an optional feature within *VestAdvisor* which allows you and your Advisory Consultant to leverage HDVAS's portfolio and cash management services. The feature grants both HDVAS and your Advisory Consultant discretion pursuant to a Limited Trading Authorization. This authorization allows us to trade mutual funds, ETFs and ETNs without receiving specific permission from you before the trades occur.

One of the key requirements of *VestAdvisor Select* is that every Account must have an established model portfolio, and that the Account be periodically rebalanced to realign with the model portfolio's objective. A model portfolio is an investment blueprint for your Account that identifies the specific combination of asset classes for your Account as well as the recommended weighting of each asset class. Rebalancing is a series of buy and sell transactions in your Account to realign your Account back to your stated model portfolio objective. The model for your Account is selected based on the information you provide on the Client Profile Questionnaire. The *VestAdvisor Select* feature has several options when developing a model portfolio.

HDVAS's Senior Portfolio Manager creates and manages the HDVAS recommended model portfolios based on ongoing due diligence to accommodate a range of financial objectives; however, you and/or your Advisory Consultant may choose to alter the HDVAS recommended model. If you and/or your Advisory Consultant choose to alter the HDVAS recommended model portfolio the model will be considered a customized model and you and/or your Advisory Consultant are responsible for monitoring those assets that have been customized. . It is important to note that the Senior Portfolio Manager does not conduct mutual fund due diligence on all Eligible Assets for *VestAdvisor Select*. The Senior Portfolio Manager conducts due diligence only on those Eligible Assets selected for HDVAS's recommended model portfolios. Please refer to the "Portfolio Manager Selection and Evaluation" section in this Disclosure Brochure for more information on the differences between HDVAS and your Advisory Consultant with respect to the evaluation and selection of assets.

Regardless of customization, your model portfolio must be within specifically defined limits established by HDVAS. HDVAS has established model portfolio limits for each investment objective that consist of a minimum and maximum weighting on each asset class within that objective. For example, if your objective is conservative income, the fixed income asset class may be limited to a minimum of 60% and maximum of 90% of the overall portfolio. HDVAS has sole discretion to modify the limits at any time without prior notice to the Client. Please ask your Advisory Consultant if you want more information about the asset class limits and specific asset allocation applicable to your model portfolio.

Ineligible Assets for *VestAdvisor Select* include all securities other than Eligible mutual funds, ETFs and ETNs. Upon implementing *VestAdvisor Select*, any Ineligible Assets in your Account will be sold on a discretionary basis pursuant to the written Limited Trading Authorization. In addition, some Eligible mutual funds, ETFs and ETNs may be liquidated in order to implement the specific model portfolio selected for your Account. The liquidation of existing investments will generally take place within 3 business days but may take up to 10 business days of when the *VestAdvisor Select* feature is added to the Account. Selling existing investments will cause the Client to realize any unrealized investment gain or loss on the investment, which will have tax consequences in taxable accounts. HDVAS does not provide tax advice – please consult your tax advisor to ensure that implementation of the model portfolio does not result in unforeseen tax consequences. Clients must complete the corresponding Limited Trading Authorization form, and by granting HDVAS discretionary trading authority Client consents to the sale of existing positions in the Account.

### **Rebalancing**

The *VestAdvisor Select* feature provides periodic, automatic rebalancing in your Account. This means that if market fluctuations cause your Account to deviate more than a pre-determined amount set by HDVAS from your model portfolio, a series of trades will be executed to realign your Account back to your stated model portfolio objective. The standard rebalancing (*i.e.*, rebalancing to the existing model portfolio) occurs quarterly from the inception date of the *VestAdvisor Select* feature; however, you and/or your Advisory Consultant may elect to forgo a scheduled rebalance once every 6 months. Automatic rebalancing is offered for all Accounts (including customized model portfolios) that have the *VestAdvisor Select* feature, and normally can take up to three (3) business days to complete for all eligible Accounts. Rebalancing may be delayed up to two weeks if there has been a liquidating transaction to generate cash within the past two weeks, so that the cash needed for liquidity is not reinvested. In addition, there are various reasons such as pending unexecuted transactions, the need to sell ineligible assets, the need to deploy large cash deposits or transferred investments, a margin balance on the Account, or an unsuccessful automated rebalance that may require manual intervention to successfully rebalance your Account. If manual intervention is required, rebalancing may take longer than the normal three (3) business days. In Accounts that have not implemented the *VestAdvisor Select* feature, rebalancing is not automatic, and will occur as determined by your Advisory Consultant in his or her judgment according to his or her particular approach to asset management. The rebalancing process typically involves selling existing investments as part of a rebalance or the switch of mutual funds or ETFs, and will therefore cause the Client to realize any unrealized investment gain or loss on the investment, which will have tax consequences in taxable accounts.

HDVAS has created an automated rebalancing tool to assist with this service. The tool is designed to initiate a rebalance when an Account deviates more than a predetermined amount away from the model portfolio. The standard rebalancing is based on deviations within an asset class as opposed to the value of individual securities (*i.e.*, an individual security may have changed significantly in value but a rebalancing would not be triggered if the asset class as a whole remains within the parameters set by HDVAS). HDVAS can modify the

deviation standards that trigger rebalancing or the frequency of rebalancing (*e.g.*, from quarterly to annual) at any time in its sole discretion without prior notice to the Client. HDVAS can also discontinue the rebalancing feature at any time in its sole discretion without prior notice to the client.

If the Senior Portfolio Manager determines that a strategic rebalancing is needed (*i.e.*, a change to the existing model portfolio in terms of asset allocation or investments within the portfolio), the rebalancing process for all affected Accounts may take up to fifteen (15) calendar days to complete. The order in which Accounts will be rebalanced is discretionary based on the Senior Portfolio Manager's judgment regarding the impact the rebalancing will have on various model portfolios. In general, in making that determination the Senior Portfolio Manager will consider a number of factors including the number of Accounts affected (larger aggregate positions may be broken down and spread over a longer time period), and criteria such as: (1) global-biased models will generally be prioritized over U.S.-biased models; and (2) within the global and U.S.-biased models, the standard model generally will be rebalanced first, with the tax-sensitive models next and alternative models last. The Senior Portfolio Manager ultimately decides the order of rebalancing, and may implement the rebalancing in any reasonable manner if there is a reason, in his or her discretion, to deviate from the general approach described above.

If your model portfolio has been partially or fully customized (*i.e.*, changes were made to the asset allocations or investment selections in HDVAS model portfolio), this will affect the way rebalancing is implemented for your **VestAdvisor Select** Account. In particular, because customized models do not necessarily follow an identical investment philosophy as the HDVAS model portfolios, strategic changes to the asset allocations within the HDVAS model portfolios will not automatically be applied to customized model portfolios. For example, if the Senior Portfolio Manager decided to increase the percentage of an HDVAS model invested in the Large-Cap Domestic asset class, the change would be implemented automatically for HDVAS model portfolios. For customized models, the change would not automatically be applied – the Advisory Consultant would decide whether to implement a similar (or any other) change, and if so would notify HDVAS to execute the appropriate changes to the customized model. In addition, for investment substitutions (involving a change of investments within a model), changes to funds or ETFs implemented by the Senior Portfolio Manager within the HDVAS model portfolio will automatically be implemented for any model (even customized models) that contain that fund or ETF. With respect to funds or ETFs selected by the Advisory Consultant for a customized model, the Advisory Consultant would determine when or if a substitution was warranted and notify HDVAS to make the change.

#### **Account Information**

To ensure that you remain informed about your Account, you will receive frequent information regarding the transactions and investments in your Account. You should promptly review all account statements and trade confirmations to ensure that your Account is being handled in accordance with your instructions and immediately inform HDVAS in writing of any discrepancies.

If you have questions or need additional information regarding your Account, you can always contact your Advisory Consultant or HDVAS. Because your Advisory Consultant is most familiar with your financial situation and other important considerations, we recommend that you contact your Advisory Consultant prior to contacting HDVAS.

HDVAS Accounts are held through HDVIS, an affiliated broker-dealer, which in turn introduces assets to, and clears transactions on a fully-disclosed basis through, First Clearing. HDVIS directs all transactions related to the Program to First Clearing for execution and confirmation.

#### **Quarterly Performance Report**

HDVAS also provides additional Account reporting, including the Quarterly Performance Report. HDVAS will provide your Quarterly Performance Report to your Advisory Consultant who will then provide it to you. The Quarterly Performance Report provides specific detailed performance information including:

- Allocation Summary
- Portfolio Performance Summary
- Time Weighted Return
- Portfolio Appraisal
- Portfolio Overview

The pricing and performance figures are believed to be accurate but are not guaranteed. The size and timing of contributions and withdrawals are factored into the performance calculations on a time-weighted basis using the Modified Dietz Method, a method of calculating portfolio performance based on the timing of cash flows into and out of the portfolio. Returns shown are after fees are deducted (*i.e.*, net of fees), and include the impact of dividends or capital gains in the calculations. Regarding fixed income, HDVAS uses an accrual accounting method for billing and performance reporting for interest payments that have been accrued but not yet paid within the period. Regarding mutual funds and equities, HDVAS uses a cash accounting method for billing and performance reporting for dividends that have been declared but not yet paid within the period. These methods differ only in the timing of when transactions (*i.e.*, dividends and interest payments) are credited to your Account. The timing difference may result in an increase or decrease in the performance of your Account or the amount billed to your Account.

In addition to the Quarterly Performance Reports, First Clearing delivers monthly statements to you at the address of record on your account when there is trading activity in the Account during the month. An Account with no trading will receive a statement from First Clearing on a quarterly basis. The First Clearing Account statement is the official record of the holdings and value of investments held in the Account.

Quarterly Performance Reports, First Clearing Account statements and trade confirmations are provided to keep you informed of the Account performance and activity and to ensure that the Account is being handled in accordance with your instructions. ***You have an obligation to review all reports and statements on a timely basis, and to notify HDVAS immediately if you believe that any investment or activity in the Account was not authorized, or is inconsistent with your investment objectives or instructions. Please contact your Advisory Consultant or HDVAS if you do not receive your Quarterly Performance Reports and/or your monthly/quarterly account statements. Transactions that are not challenged within ten (10) calendar days of confirmation will be deemed accurate and accepted for all purposes.***

## Fees and Compensation

### **VestAdvisor Program Fee**

You pay an annual Program Fee for ***VestAdvisor***. The Program Fee is negotiable subject to the maximum annual fee listed in the table below. HDVAS and your Advisory Consultant price their services based on the total compensation they expect to receive from the Account, including 12b-1 Fees and expense sharing and networking payments from certain mutual funds and Educational Partners. Clients should make sure that they fully understand the services provided by HDVAS and the Advisory Consultant, and all fees and compensation associated with the Account. The Program Fee is negotiable and should be discussed with your Advisory Consultant before participating in the Program. For more information on 12b-1 Fees, please refer to the “Eligible Asset Compensation and 12b-1 Fees” section of this brochure.

The Program Fee is assessed quarterly in advance. Compensation that you pay HDVAS and its affiliates is outlined in the fee schedule in the Advisory Services Agreement and the General Account Agreement and Disclosure Document. The Program Fee is automatically deducted from your Account, and therefore you will not receive separate invoices for the Program Fee. The Program Fee will be identified as “Advisory Fee” under the Account Detail section of your First Clearing Account statement. The Program Fee is charged only one quarter in advance, therefore there is no long-term commitment or contractual obligation to continue the ***VestAdvisor*** Program.

The Advisory Consultant recommending ***VestAdvisor*** receives compensation as a result of your participation in the Program. The amount of this compensation may be more or less than what the Advisory Consultant would receive if you participated in other HDVAS programs or paid separately for investment advice and brokerage and other services. ***The Advisory Consultant may have a financial incentive to recommend VestAdvisor over other programs and services. (See also “Conflicts of Interest”.)***

The Program Fee is a tiered or incremental fee based on the amount of assets you have in the Program and Related Accounts. The following table represents the *maximum* Program Fee:

<b><u>VestAdvisor</u></b>	<b><u>Max. Annual Fee</u></b>
First \$50,000	2.30%
Next \$50,000	2.20%
Next \$400,000	2.00%
Next \$500,000	1.50%
Over \$1,000,000	1.00%

The initial Program Fee is calculated as of the date that the Account is accepted into the Program and covers the remainder of the calendar quarter. Subsequently, the Program Fee is billed in advance on a quarterly basis and is calculated based on the market value of the Eligible Assets held in the Account on the last business day of the prior calendar quarter. HDVAS will retain a portion of the Program Fee between 0% and 1.15% of the Value of the Account, and the remaining portion of the fee is paid to your Advisory Consultant.

For the purposes of calculating the Program Fee, the Value of the Account is calculated as the sum of the long and short market value of all Eligible Assets held in the Account, plus accrued interest, minus any margin balances. For mutual funds, we will use the fund’s net asset value, as computed by the fund company. First Clearing prices eligible assets based on information we believe to be reliable. If any prices are unavailable or believed to be unreliable, we will determine prices in good faith to reflect our understanding of fair market value.

The Program Fee will not be adjusted during the quarter for changes in value (appreciation or depreciation) of the Eligible Assets held in the Account. However, the Account will be charged or refunded a supplemental pro-rated Program Fee on a monthly basis if there are significant net additions or net withdrawals in the Account during a month. Any additions or withdrawals have a pro-rated fee

applied for the days remaining within the quarter and all fees are netted within the month. This pro-rated adjustment will only occur if the net addition or withdrawal would generate an incremental Program Fee or refund of at least \$100. A pro-rated Program Fee will be assessed or credited in the month following the net addition or net withdrawal.

Related Accounts within the **VestAdvisor** Program may be linked together upon Client request to reduce the Program Fee. Where requested by you. All accounts with **VestAdvisor** or **VestAdvisor Select** are also eligible for consolidated reporting; however, **VestAdvisor** Accounts that have elected the **VestAdvisor Select** feature cannot be consolidated for reporting purposes with accounts that do not have that optional feature. To be eligible for linking, you must affirmatively notify HDVAS of the Accounts that are proposed to be linked and provide HDVAS written information on any forms designated by HDVAS for purposes of linking the accounts. Related Accounts are limited to immediate family members or as accepted by HDVAS in its sole discretion. Each Related Account should individually and separately meet the respective advisory program requirements; however, exceptions may be made in the sole discretion of HDVAS.

The Program Fee does not include certain dealer markups or markdowns on odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic), transaction charges or any other fees required by law.

The **VestAdvisor** Program includes account management, certain brokerage services, reporting, custody and administrative services. In other non-wrap fee programs, you may be charged separately for these services. The Program Fee is negotiated between you and the Advisory Consultant, subject to the HDVAS maximum Program Fee as described in this Disclosure Brochure. In addition to the Program Fee, which is deducted directly from the Account, HDVAS and its affiliates will indirectly earn compensation from other sources, including fees and expense sharing paid by First Clearing, Educational Partners, or sponsors of other Eligible Assets held in the Account. The Program Fee and other compensation earned by HDVAS and its affiliates are used to offset the costs of the Program, and to compensate HDVAS and your Advisory Consultant. A portion of the Program Fee is used to cover expenses associated with trading in the Account, custody of assets and the other services described in this Disclosure Brochure.

Depending upon the amount of the Program Fee, the level of activity in the Account, the value of custodial and other services provided, and other factors, the Program Fee may exceed the aggregate cost of these services if they were obtained separately. Accordingly, you should be aware that the Program Fee may be more or less expensive than if you selected separate brokerage services, in the absence of the additional wrap fee program services provided. You should consider the importance and value of these advisory services to you when comparing various options for obtaining advice, reporting and execution services. The combination of custodial, advisory, reporting, administrative and brokerage services may not be available separately or may require multiple accounts, documentation and fees. You should also consider the amount of anticipated trading activity when selecting among programs and assessing the overall cost. Advisory programs typically assume a normal level of trading activity in the Account. Therefore, if there are prolonged periods of inactivity or an asset allocation with significant cash or cash equivalents, these would usually result in higher overall expenses than if commissions were paid separately for each transaction outside a fee-based advisory program.

#### **Eligible Asset Compensation and 12b-1 Fees**

The **VestAdvisor** Program uses Eligible Assets including mutual funds, closed-end funds, ETFs, ETNs, stocks, bonds, options and sweep investments. **VestAdvisor Select** uses a more limited subset of Eligible Assets including Advisory Share Class mutual funds, ETFs, ETNs and sweep investments only. Eligible Assets are purchased with no sales charges, but clients will pay their proportionate share of ongoing mutual fund, closed end fund, ETF or money market management and administrative fees. HDVAS will disclose a fund's expenses upon request and these fees are also disclosed in the applicable product prospectus and/or statement of additional information of the fund. Clients who transfer securities into the Program would bear the expense of any contingent or deferred sales loads incurred upon selling the product.

Within **VestAdvisor**, no-load funds, load-waived class A share funds and Advisory Share Classes are used. Although there are no sales charges, some of these funds pay a marketing, distribution and/or client servicing fee to HDVIS, commonly referred to as a 12b-1 Fee. 12b-1 Fees are paid out of fund assets, and thus they increase the expenses you pay as a fund shareholder. You do not pay these fees directly; they are deducted from the total assets in the fund and therefore reduce investment returns. The amount of the 12b-1 Fee is determined by the mutual fund company and is disclosed in the mutual fund's prospectus. Funds that pay a 12b-1 Fee are not allowed in **VestAdvisor Select** portfolios.

The 12b-1 Fees are paid based on the assets held in the fund (including your investment) and generally range between 0% to as much as 1% annually. Some fund families offer different classes of the same fund, some of which may include a 12b-1 Fee while others do not. ***In selecting funds for the Account, mutual funds that pay a 12b-1 Fee can be used, even if the fund company offers a share class of the same mutual fund that does not pay a 12b-1 Fee and/or has a lower expense ratio.*** This increases the compensation to HDVIS and the Advisory Consultant by the amount of the applicable 12b-1 Fee and also affects the expenses indirectly paid by you. For example, if you agreed to an annual wrap program fee of 1.25% (detailed in the Program's agreement) and the mutual funds selected for your Account all paid 12b-1 Fees of 0.25%, the total annual compensation earned by HDVIS, HDVAS and the Advisory Consultant would be 1.50% (not including potential expense sharing or other additional fees).

HDVAS and the Advisory Consultant take into consideration the payment of 12b-1 Fees and payments from Educational Partners when establishing the fees associated with the **VestAdvisor** Program. If the Advisory Consultant were required to use share classes of mutual funds without 12b-1 Fees whenever such a share class was available, this would reduce the total compensation associated with the Program and the result would likely be that HDVAS would raise the Program Fee it charges and/or replace the 12b-1 Fee compensation in other ways such as imposing (or raising) transaction charges associated with trading activity. Information about 12b-1 Fees is contained in the prospectus of the individual mutual funds. You may also contact your Advisory Consultant with questions about 12b-1 Fees or how they affect the investments or the compensation earned by HDVIS, HDVAS and your Advisory Consultant.

HDVAS is expanding its mutual fund product offerings to include special share classes designed for fee-based investment advisory products (the institutional and Advisory Share Classes may also be called I, W, S, Y, F or Z shares). The availability of Advisory Share Classes is determined by the fund manufacturer, clearing firm (First Clearing) and/or HDVAS. In general, what differentiates Advisory Shares from traditional mutual fund shares used in fee-based accounts (commission- or load-waived class A shares) is that Advisory Shares have reduced or eliminated the 12b-1 Fees paid to firms that sell the fund, and may also have lower ongoing expenses. Accordingly, Advisory Share Classes generally have lower costs associated with them, and HDVAS and its affiliates earn less compensation from Advisory Shares as compared with other share classes of the same fund.

As these Advisory Share Classes become available, your Advisory Consultant may use them in your recommended portfolio, and/or recommend a conversion of your existing mutual fund positions to Advisory Share Classes. Typically, this process involves an adjustment to your fee agreement to increase the **VestAdvisor** program fee to offset the reduction in revenue to HDVAS and your Advisory Consultant. This would increase the fees charged directly by HDVAS, but you would benefit from lower expenses charged by the mutual funds. Although utilizing Advisory Shares may result in you paying more or less total overall expenses, it results in a clearer delineation between fees charged for mutual fund management, servicing and distribution, and fees charged for the services you receive from HDVAS and your Advisory Consultant. Depending on the negotiated **VestAdvisor** fee arrangement and the amount of existing non-Advisory Shares in your Account, conversion to Advisory Share Classes may or may not be advantageous for you in terms of the overall expenses you will pay. You should discuss with your Advisory Consultant the fees and expenses associated with your mutual fund investments and the **VestAdvisor** program to determine the right approach for your Account. No changes will be made to your current negotiated **VestAdvisor** fee agreement unless you expressly authorize a change in writing.

When an Advisory Consultant has Limited Trading Authorization and Client funds have been converted to Advisory Share Classes, HDVAS will in its sole discretion pay the Advisory Consultant a marketing allowance in consideration for the time your Advisory Consultant would need to complete new agreements and fee schedules and/or to offset the loss or reduction in compensation from the loss of 12b-1 Fees. HDVAS will review this marketing allowance on an annual basis.

### **Sweep Compensation**

One of the features of your Account is a “sweep” feature which automatically transfers uninvested cash balances to an account or investment where those balances can earn interest or dividends. This sweep may be the Bank Deposit Sweep (“BDS”) or a money market mutual fund sweep for Accounts governed by ERISA. You can elect whether to participate in the BDS and/or periodically invest cash balances directly in available money market mutual funds or other products offered as direct investments outside of the sweep program by providing instructions to your Advisory Consultant. Additional information about sweep options is available in the Cash Sweep Disclosure Statement provided with your related brokerage account.

The BDS is an interest-bearing bank deposit account held with three Wells Fargo bank subsidiaries that pays interest on your swept funds and provides FDIC insurance up to \$750,000 (\$250,000 per account spread among three banks). By participating in the BDS, HDVAS and/or its affiliates receive additional compensation based on client holdings. Please see the Cash Sweep Disclosure Statement for more information.

The money market mutual fund sweep is an investment product which provides a return on your swept funds. Money market mutual funds are not FDIC insured but are covered by SIPC, which protects against the custodial risk (not a decline in market value) when a brokerage firm fails by replacing missing securities and cash up to a limit of \$500,000 of which \$250,000 may be cash. HDVIS receives 12b-1 Fee compensation from the money market mutual funds ranging from 0% to 0.50% as determined by the fund company and set forth in the fund’s prospectus.

A money market mutual fund generally seeks to achieve a competitive rate of return (less fees and expenses) consistent with the fund’s investment objectives, which can be found in the fund’s prospectus. The rate of return will, however, be impacted by the fees imposed by the particular class of shares designated for the money market sweep. Rates will vary over time and may be higher or lower than the rate paid on other sweep options (including BDS) or other money market mutual funds. However, certain sweep options pay HDVIS a 12b-1 Fee, which increases the compensation earned by HDVIS, and also indirectly increases the fees paid by the Client, which can negatively affect your return. HDVAS may select a money market mutual fund that pays the Firm or its affiliates a 12b-1 Fee even if alternatives are available that do not pay such a fee. HDVAS may also earn more by designating the

BDS as the sweep option for *VestAdvisor* accounts. Accordingly, HDVAS has a conflict in selecting the sweep options available for the Program. Clients who have retirement accounts governed under ERISA will receive a refund of 12b-1 Fees. Funds that have a 12b-1 Fee are not allowed in *VestAdvisor Select* model portfolios.

The rates of return for sweep options vary over time. Current rates can be obtained from your Advisory Consultant. There is no guarantee that the yield on any particular cash sweep will remain higher than others over any given period. The rate of return on any sweep option may be lower than that of similar investments offered outside the BDS or money market mutual fund sweep.

**Mutual funds are sold pursuant to a prospectus which contains important information about the funds. You should consider your investment objectives, risk, charges and expenses carefully before investing. For this and other information, contact your Advisory Consultant for a free prospectus. You should read the prospectus carefully before investing.**

**An investment in a money market mutual fund is not insured or guaranteed by the FDIC or any other governmental agency. Although money market mutual funds seek to preserve the value of your investment at \$1.00 per share it is possible to lose money by investing in a money market mutual fund.**

#### **Expense Sharing Arrangements (Educational Partners)**

Within the universe of mutual funds used in *VestAdvisor*, a select group of companies (Educational Partners) have agreements with HDVIS to provide payments to help defray the educational, training, record-keeping and other costs associated with offering these products to clients. These payments, which are in addition to the fees and expenses disclosed in the fund prospectus fee table, are calculated as a percentage of assets under management, a percentage of initial sales, or a combination of assets and sales. The amount paid by Educational Partners can be up to 0.20% on assets under management and 0.10% to 0.25% on sales. For example, for every \$10,000 investment, HDVIS would receive up to \$25 in additional compensation on the sale, and up to \$20 annually as long as the assets stay invested. HDVIS also receives additional lump sum payments from Educational Partners, which could be significant in amount.

Over the course of managing the Client relationship, HDVAS and the Advisory Consultant are likely to recommend and use Eligible Assets offered by Educational Partners. Although the expense sharing payments received from Educational Partners are not shared with the Advisory Consultant and are not directly tied to the expenses applied to your Account, a conflict of interest exists for HDVAS in the selection and recommendation of Eligible Assets sponsored by Educational Partners. In addition, Advisory Consultants may, consistent with FINRA rules, separately receive from product sponsors reimbursement for marketing expenses, client functions and attendance at due diligence, training and education meetings sponsored by HDVAS, HDVIS or the product sponsors. For more information, you should ask your Advisory Consultant which product sponsors, if any, provided expense reimbursement or additional compensation to the Advisory Consultant.

The following Educational Partners paid HDVIS additional payments during the past year:

American Funds	DWS	John Hancock Funds	Putnam Investments
Columbia Management	Franklin Templeton Investments	MFS Investment Management	RS Funds & Guardian Investor
Davis Selected Advisers	The Hartford Funds	Nuveen Investments	Virtus Investment Partners
Delaware Investments	Invesco	Oppenheimer Funds	Wells Fargo Advantage Funds
Dreyfus	Ivy Funds	Pioneer Investments	

As discussed below, HDVAS has determined that, where appropriate based on the Senior Portfolio Manager's due diligence, eligibility and selection criteria, the HDVAS recommended model portfolios within *VestAdvisor Select* will include funds sponsored by Educational Partners. HDVAS believes that the Client benefits from the enhanced access and due diligence the Senior Portfolio Manager is able to conduct on these fund managers and funds due to the Firm's relationship with the Educational Partners; however, this creates a conflict of interest due to the additional compensation HDVIS receives from these funds. See the "Portfolio Manager Selection and Evaluation," section below.

#### **Transaction Charges**

Transaction, clearing and custodial fee charges may be assessed by First Clearing as noted in the Transaction, Clearing, and Custodial Fees Table in Appendix 1. These fees and charges are separate from any Program Fee. You are responsible for these charges and fees, unless the Advisory Consultant agrees to pay charges described in the "Transaction, Clearing and Custodial Fee" table in Appendix 1. The election (as between Client and Advisory Consultant) is made by checking the appropriate box in the Client Profile Questionnaire. You are also responsible for transaction charges assessed following termination of the Advisory Services Agreement. First Clearing's fees and charges are provided in the Transaction, Clearing, and Custodial Fees Table.

Ineligible Assets are excluded from advisory services, and, therefore, you will pay separately for the execution costs associated with transactions in Ineligible Assets. Ineligible Assets are not included in Quarterly Performance Reports.

Transaction charges for Accounts with the **VestAdvisor Select** feature incurred as a result of normal quarterly rebalancing of Accounts, as part of cash management services to raise cash for distributions or fees, or as a result of fund replacements initiated by HDVAS are generally paid by HDVAS. HDVAS also will pay for transaction charges for purchases and partial sales associated with deployment of the model portfolio at initial Account setup. Transaction charges to sell Ineligible Assets and for full liquidation of assets not in the model portfolio are generally not paid by HDVAS. Following the initial deployment of the model portfolio, transaction charges incurred as a result of changes to customized models, including customized fund replacements, or as a result of Advisor or Client initiated transactions are generally not paid by HDVAS. The Advisory Services Agreement will specify whether the Advisor or Client is responsible for transaction charges not covered by HDVAS.

***By entering into the Advisory Services Agreement, Client consents to HDVIS, HDVAS and the Advisory Consultant retaining their respective share of any other fees or payments that are made to HDVAS or HDVIS in connection with the use of specific Eligible Assets.*** These fees include but are not limited to 12b-1 Fees, sweep fees, transaction charges, networking fees and expense sharing paid by Educational Partners and other product sponsors.

#### **Termination of Agreement**

You may terminate the Advisory Services Agreement within five (5) days of signing without incurring a Program Fee. While the Program Fee will be waived during this period, you will incur any gain or loss in your Account for any period it was invested, so you may not receive back your entire investment even if the Advisory Services Agreement is cancelled within this five (5) day period.

Clients who want to terminate the Program should notify their Advisory Consultant or HDVAS in writing. Quarterly management fees are paid in advance; therefore, HDVAS will provide a pro rata refund of the prepaid fees if the contract is terminated prior to the end of the quarter.

At the end of the quarter, HDVAS will review and may terminate accounts that no longer meet the program's minimum qualifications although exceptions to the minimum qualifications may be made in the sole discretion of HDVAS.

Generally, if you terminate the Advisory Services Agreement, the Account will be converted to a commission-based brokerage account, for which you are obligated to pay commissions for each transaction. If you terminate the Advisory Services Agreement after the Account has been invested, you have the option of: (1) liquidating all or some of the Eligible Assets held in the account; or (2) requesting an "in kind" transfer of Eligible Assets to another account. HDVAS is not responsible at any time for market losses during the liquidation process. Certain mutual fund companies have separate and independent restrictions regarding the liquidation or transfer of particular mutual fund share classes (e.g., Advisory Share Classes discussed in this document). You may be required to convert these funds to a retail share class or liquidate the funds and/or incur redemption fees. Liquidating existing investments may result in significant tax consequences. Please see the fund's prospectus and consult your tax advisor for additional details.

Instructions to terminate or liquidate **VestAdvisor** accounts can take up to two business days to process once notification is received by HDVAS. Depending on the Eligible Assets held in the Account, liquidation may take longer. The Firm is not responsible for Account losses, including any losses due to market fluctuations, occurring from the time of your request to liquidate until liquidation is completed. Best efforts will be made to process the termination in an efficient and timely manner. Factors that may affect the orderly and efficient liquidation of an Account include Account and position size, types of investment, liquidity of the security and market makers' abilities.

### **Item 5: Account Requirements and Types of Clients**

**VestAdvisor** is designed for individuals, pension and profit sharing plans, charitable organizations, corporations or other businesses with investment portfolios valued at \$25,000 or more, although exceptions may be made in the sole discretion of HDVAS. HDVAS reserves the right to terminate the advisory relationship if the market value of assets in the Account falls below the minimum level.

### **Item 6: Portfolio Manager Selection and Evaluation – Eligible Asset Selection and Evaluation**

#### **Eligible Assets for VestAdvisor and VestAdvisor Select**

Assets for your Account are recommended or selected based on your investment objective and risk profile as contained in the Client Profile Questionnaire and other information you provide your Advisory Consultant. This section discloses the details regarding assets that are Eligible for the Program.

HDVAS maintains a list of Eligible Assets for the ***VestAdvisor*** Program and ***VestAdvisor Select*** feature. The Eligible Assets for the ***VestAdvisor Select*** feature are a limited subset of the Eligible Assets for ***VestAdvisor***. The lists change periodically and HDVAS has sole discretion to add or remove an asset from these lists. You should consult with your Advisory Consultant if you have questions regarding the Eligible Assets in your Account.

Eligible Assets offered through HDVAS are not guaranteed by the FDIC or any other governmental agency, and may lose value. However, the bank deposit sweep alternative is FDIC insured up to applicable limits. Please see the Cash Sweep Disclosure Statement for more information.

#### **Eligible Assets Specifically for *VestAdvisor***

Most types of securities are eligible for purchase in a ***VestAdvisor*** Account including, but not limited to, common and preferred stocks, ETFs, ETNs, unit investment trusts, corporate and government bonds, certificates of deposit, options and certain mutual funds whose shares can be purchased at net asset value. Certain investments excluded from the Program include annuities, limited partnership interests and mutual funds that cannot be purchased at net asset value.

While new-issue bank certificates of deposit (CDs) are Eligible Assets, the yield of new-issue CDs takes into account a sales concession in order to compensate the firms which sell the CDs. Within advisory accounts, HDVAS does not receive this sales concession which is retained by the underwriter. Although we may not receive the sales concession, the overall yield on the CD to the Client is still impacted. Since HDVAS charges a Program Fee on all Eligible Assets within an Account, you are effectively charged both the sales concession (retained by the underwriter) and the Program Fee on the CD. These charges reduce the overall yield on the CD and, in some cases, may result in a negative return. You should be aware that you can obtain the same CDs without being subject to the Program Fee if it were purchased in a non-advisory brokerage account or directly from the bank. However, assets purchased outside of your Account will not be monitored or supervised by HDVAS as part of the Program.

You may hold and sell Ineligible Assets in your ***VestAdvisor*** Account, but may be restricted from making additional purchases of Ineligible Assets in the Account. The Firm retains discretion to determine which Ineligible Assets can be held in the Account, and to revise or amend its determination at any time as it deems appropriate. Ineligible Assets are excluded for purposes of calculating the Account's performance and Program Fee. Unless they are waived or subject to another arrangement, you will incur fees for transactions related to Ineligible Assets pursuant to the General Account Agreement and Disclosure Document.

#### **Eligible Assets Specifically for *VestAdvisor Select***

Clients who have chosen the ***VestAdvisor Select*** feature are limited to purchasing Eligible mutual funds, ETFs and ETNs only. Certain investments – including stocks, bonds, options, annuities, limited partnership interests and any mutual funds or ETFs that are not specifically included on the ***VestAdvisor Select*** Eligible Asset list as determined by the Senior Portfolio Manager – are not allowed in the Program if the ***VestAdvisor Select*** feature is selected. The ***VestAdvisor Select*** Eligible Asset list excludes any mutual fund that does not have an Advisory Share Class.

You may not hold Ineligible Assets in your Account if you have elected the ***VestAdvisor Select*** feature. It is important to note that the Senior Portfolio Manager does not conduct due diligence on all of the Eligible assets for ***VestAdvisor Select***. The Senior Portfolio Manager performs ongoing due diligence only on those Eligible Assets selected for HDVAS recommended model portfolios. (*i.e.*, not on customized or substituted assets within a portfolio)

#### **Asset Selection and Evaluation**

While the selection of investments is a highly individualized process, investments are generally recommended or selected by HDVAS and your Advisory Consultant based on the information you provide in the Client Profile Questionnaire. There is a wide variety of styles, methodologies and resources that are considered and used to evaluate and select the investments that are appropriate for your investment objectives. The following sections describe, in general, the methodologies used to recommend or select investments for your account.

#### **Asset Selection and Evaluation for *VestAdvisor***

***VestAdvisor*** accounts (without the ***VestAdvisor Select*** feature) are managed by your Advisory Consultant. Your Advisory Consultant will make recommendations and assist you in determining the appropriate investment portfolio. Advisory Consultants recommend Eligible Assets consistent with your investment objective set forth in the Client Profile Questionnaire. Recommendations are made on the basis of research the Advisory Consultant deems to be reliable. Sources for research your Advisory Consultant may use include: Morningstar, product sponsor materials and additional information published or provided by HDVAS or third parties. Advisory Consultants utilize a wide variety of information and methodologies to formulate recommendations with respect to investment portfolios. You should discuss your Advisory Consultant's investment process to ensure that is consistent with your investment objectives.



### **Asset Selection and Evaluation Specifically for VestAdvisor Select**

The *VestAdvisor Select* investment process begins with a recommended model portfolio design based on the research and due diligence of the Senior Portfolio Manager. The model portfolio contains an allocation among various asset classes and recommended investments based on the Senior Portfolio Manager's due diligence. The Advisory Consultant and/or Client can use the recommended model portfolio as designed by the Senior Portfolio Manager, or customize the model portfolio by changing the asset allocations and/or substituting different investments from the Eligible Asset list within a range of permissible allocations as determined by HDVAS. This means that your Advisory Consultant, HDVAS or a combination of both will be responsible for selecting and monitoring the assets in your Account.

1) Assets selected by your Advisory Consultant - You or your Advisory Consultant can customize the HDVAS recommended portfolio by substituting among the Eligible Assets consistent with your investment objective set forth in the Client Profile Questionnaire. Substituted asset selections are made on the basis of research the Advisory Consultant deems to be reliable. Advisory Consultants use a wide variety of investing styles and strategies in selecting investments. Sources for research your Advisory Consultant may use include: Morningstar, product sponsor materials and additional information provided by HDVAS or third parties.

2) HDVAS Model Portfolios created by the Senior Portfolio Manager - HDVAS model portfolios are created based on the research the Senior Portfolio Manager deems to be reliable. Sources for research used may include: Morningstar, product sponsor materials and additional information provided by third parties.

HDVAS has developed an investment philosophy which helps to guide the investment selection and due diligence process. The HDVAS investment philosophy is modeled around a globally diversified investment approach. HDVAS seeks to reduce volatility through diversification techniques based on Modern Portfolio Theory. Recommended and selected model portfolios are designed to align with likely income and capital appreciation goals across a set of models. These model portfolios span a range of risk profiles from relatively conservative to relatively aggressive, and are implemented by changing the strategic mix of asset classes including fixed income, domestic equities, international equities, publicly traded real estate, commodities, and alternative investments. In developing model portfolios, HDVAS considers various factors including but not limited to expected return, expected risk, expected correlations, investor bias, relative capitalization weights, and long term expectations of return opportunities. Cash allocated to a strategic model portfolio generally is to provide for operational cash needs and not a reflection of a directional market call. Model portfolios generally remain fully invested through the entire market cycle, and all model portfolios are subject to market risk including a risk of loss of principal. Recommended model portfolios are intended to be held over a full market cycle and are not adjusted to pursue short term, tactical market timing, momentum or technical trading strategies. When HDVAS considers a mutual fund we also assess the mutual fund manager, which is a person or group of persons responsible for the overall management of a mutual fund. Our manager selection generally favors investment strategies that are based on fundamental analysis although certain managers may utilize quantitative and other statistical techniques in screening investment opportunities. Selected managers are monitored on an ongoing basis, and changes may be recommended if HDVAS believes a manager's process or results are no longer consistent with the portfolio. Manager selection and monitoring includes significant subjective evaluation, and may result in continued inclusion of underperforming managers if underperformance is deemed to be a transitory function of market performance.

As part of the investment selection and due diligence process, HDVAS will limit its initial search for new or replacement mutual funds to Eligible Assets offered by Educational Partners. Therefore, the presumption is that the HDVAS recommended Model Portfolios will be comprised entirely of Educational Partner funds to the extent one or more of those funds have an Advisory Share Class and otherwise meet the Senior Portfolio Manager's criteria. As more fully described in the "Expense Sharing Arrangements (Educational Partners)" disclosure in the "Services, Fees and Compensation" section of this Disclosure Brochure, HDVIS has agreements with Educational Partners to provide HDVIS with payments to help defray the educational, training, record-keeping and other costs associated with bringing these products to Clients. A conflict of interest exists in the recommendation of Eligible Assets sponsored by Educational Partners since these products result in additional compensation for HDVIS. See the "Conflicts of Interest" section of this Disclosure Brochure for more information. In Addition, Educational Partners may invite Advisory Consultants and HDVAS portfolio management staff to attend due diligence conferences to meet portfolio managers, portfolio analysts, and other key Educational Partner staff in order to learn about Eligible Assets, investment processes and portfolio management techniques. Educational Partners generally pay all expenses associated with travel, lodging and business meals for HDVAS staff.

If an Eligible Asset that is appropriate for the identified needs and objectives within the portfolio cannot be located following a review of Eligible Assets available through Educational Partners, HDVAS will then expand the search to include non-Educational Partner Eligible Assets. In general, if you are not comfortable with the use of Educational Partner funds in your model portfolio and the resulting conflict of interest, you should notify your Advisory Consultant of this preference and should not choose the *VestAdvisor Select* feature.

While the selection of investments is a highly individualized process, specific Eligible Assets are generally recommended or selected by the Senior Portfolio Manager based on criteria such as:

- **Size** – The Eligible Assets must be large enough to transact high-volume business efficiently, retain talented, professional managers and respond effectively to a changing market environment.
- **Investment categories** – The Eligible Assets are categorized into asset classes such as Large-Cap Domestic, Small-Cap Domestic, International Equities, Emerging Markets Equities, Fixed Income and Real Estate. Eligible Assets may be further categorized for analysis based on sub-asset classes and/or the manager's style of investment, federal tax-exempt status or other characteristics.
- **Purity and consistency within the category** – The Eligible Assets should remain primarily invested in the asset class or category that is consistent with its investment objective. Purity and consistency of investment within the category is considered to properly evaluate returns, assess risk and effectively manage an investment strategy for you. Eligible Assets that have a history of remaining consistent with the investment category to which they are assigned are favored over those that do not.
- **Verifiable track record** – For managed assets (e.g., most mutual funds and some ETFs), Eligible Assets that employ managers with a proven track record are favored. Most of those selected have at least one manager with three years of documented investment experience within the category assigned.
- **Competitive performance** – Although past performance is not a guarantee of future results, competitive performance track record is a criterion used for evaluation. Performance when compared against a peer group and relevant benchmark must be competitive. Consistency in competitive performance during both up and down markets is also considered.
- **Expenses** – HDVAS does not always select the lowest cost product, but management fees and operating expenses must be reasonable when compared to other Eligible Assets in the same category.

#### **Monitoring Accounts for VestAdvisor and VestAdvisor Select**

HDVAS and/or your Advisory Consultant will monitor your Account. Monitoring your Account involves a periodic review of the assets in your Account to ensure they are aligned with your stated investment objectives.

#### **Monitoring Accounts Specifically for VestAdvisor**

Your Account is monitored by your Advisory Consultant on a periodic basis (at least annually) to ensure that your portfolio remains aligned with the current investment selections and consistent with your investment objective set forth in the Client Profile Questionnaire. If you and/or your Advisory Consultant determine that an Eligible Asset no longer meets your needs, the Advisory Consultant will recommend a replacement and all investment decisions will be made by you (except as specifically authorized by you in a written Limited Trading Authorization).

Sources of information used to monitor your Account may include: Morningstar, product sponsor materials and additional information provided by HDVAS or third parties.

#### **Monitoring Account(s) Specifically for VestAdvisor Select**

**VestAdvisor Select** Accounts may be managed by your Advisory Consultant, HDVAS, or a combination of both. This means that your Advisory Consultant and/or HDVAS will be responsible for monitoring the assets in your Account.

1) **Your Advisory Consultant:** Assets selected by your Advisory Consultant are monitored on a periodic basis (at least annually) to ensure that your portfolio remains aligned with your investment objective set forth in the Client Profile Questionnaire. If you and/or your Advisory Consultant determine that an Eligible Asset no longer meets your needs, you and/or your Advisory Consultant will find a replacement. The **VestAdvisor Select** feature allows your Advisory Consultant to exercise discretion and replace the mutual fund, ETF or ETN without obtaining your prior permission so long as it is eligible and within a range of permissible asset allocations.

Sources of information used to monitor your Account may include: Morningstar, product sponsor materials and additional information published by HDVAS or third parties.

2) **HDVAS**: Assets included in the HDVAS recommended portfolios are monitored and automatically rebalanced on a quarterly basis to ensure that your portfolio remains aligned with your model portfolio objective. If HDVAS determines that an Eligible Asset no longer meets the model portfolio objective, HDVAS will find a replacement. The **VestAdvisor Select** feature allows HDVAS to exercise discretion to replace the mutual fund, ETF or ETN without obtaining your prior permission.

Examples of circumstances which might be considered in deciding to replace a mutual fund include, but are not limited to the following:

- Loss of one or more of the fund's key investment management personnel;
- Material deviation from the fund's stated investment philosophy;
- Poor investment performance over a period of time;
- Mutual fund is closed to new investors; or
- Material change in the selection criteria outlined above.

Sources of information used to monitor your Account may include: Morningstar, product sponsor materials and additional information published by HDVAS or third parties.

### **Risk of Loss**

All investments involve risk, including risk of loss, and are made at your risk exclusively. Neither HDVAS nor your Advisory Consultant guarantees any investment or its returns.

### **Services Tailored to Individual Client Needs**

The **VestAdvisor** Program is designed to help you meet your investment goals and needs as communicated to your Advisory Consultant. Your Advisory Consultant's investment recommendations are based on an analysis of your investment objective and risk tolerance as noted in your Client Profile Questionnaire and other information you provide. A description of these services is provided above in the "Services, Fees and Compensation" section.

### **Client Restrictions**

You may request restrictions to your Account in consultation with your Advisory Consultant any time during the management of the Account. The Advisory Consultant or HDVAS may decline or terminate the Account if your elected restrictions are too prohibitive.

### **Performance-Based Fees and Side-by-Side Management**

HDVAS does not charge performance-based fees (i.e., fees which depend on the performance of the account) in any of its advisory programs. HDVAS does not engage in side-by-side management where the investment decisions made for your Account might be impacted by investment decisions with respect to other assets we advise or manage.

### **Voting Client Securities**

You retain the right to vote proxies and handle notices of legal proceedings such as class actions and bankruptcies. Neither your Advisory Consultant nor HDVAS provides advice regarding proxies or legal proceedings for Eligible Assets held in the Account, but will forward any notices and materials to you.

## **Item 7: Client Information Provided To Portfolio Managers – Client Information Provided To Advisory Consultant**

You must complete a Client Profile Questionnaire that outlines your investment objectives, financial circumstances and risk tolerance. We will notify you in writing, at least annually, typically on your First Clearing brokerage account statement, to update your Profile and indicate if there have been any changes in your financial situation, investment objectives or instructions; and you agree to inform us promptly in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. You must also inform the Advisory Consultant if there is other information not reflected on the Client Profile Questionnaire that is relevant to assessing your investment objectives or risk tolerance.

## **Item 8: Client Contact with Portfolio Managers- Client Contact with Advisory Consultant**

There are no restrictions on your ability to contact your Advisory Consultant or HDVAS regarding the Account. Because your Advisory Consultant is the most familiar with your financial situation and other important considerations, it is recommended that you contact your Advisory Consultant prior to contacting HDVAS.

You will also receive detailed Quarterly Performance Reports which describe Account positions and performance as described in the "Services, Fees and Compensation" section. In addition to these Quarterly Performance Reports, First Clearing delivers monthly

statements to you when there is Account trading activity during the month; an Account with no monthly trading activity receives quarterly statements.

## **Item 9: Additional Information**

### **Disciplinary Information**

HDVAS is an investment adviser registered with the SEC. In the past 10 years, HDVAS has not been involved in any material disciplinary events as an investment adviser.

To obtain information about HDVAS's disciplinary history, or to verify HDVAS has not been involved in any material disciplinary event, you may visit: <http://www.adviserinfo.sec.gov/>

For more information on any broker/dealer related disciplinary events of HDVIS or First Clearing you may visit: <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/>

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

HDVAS is a national investment advisory firm providing advisory and other financial services to individuals, pension and profit sharing plans, charitable organizations, corporations or other businesses. Companies affiliated with and/or under the same control with HDVAS include H.D. Vest, Inc., the parent company of HDVAS, HDVIS and H.D. Vest Insurance Agency, LLC "HDVIA". HDVAS may recommend that clients use HDVIS or HDVIA to implement investment strategies. HDVIS, a registered broker-dealer and member of FINRA and SIPC, provides brokerage services to HDVAS clients.

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

#### **Code of Ethics**

*Clients of H.D. Vest Advisory Services ("H.D. Vest") are entitled to expect high ethical standards of conduct in all of their dealings with us. H.D. Vest strives to foster a culture that supports our ability to meet our clients' expectations. To assist us in minimizing potential conflicts and prevent inappropriate activity, we have developed a Code of Ethics ("COE").*

#### **Definitions**

*A "Supervised Person" means directors, officers (or other person occupying a similar status or performing similar functions), employees, investment adviser representatives or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of H.D. Vest.*

*An "Access Person" is a Supervised Person including directors, officers, employees and Investment Adviser Representatives ("IARs") who has access to nonpublic information regarding clients' purchase or sale of securities, is involved in making securities recommendations to clients or who has timely access to such recommendations that are nonpublic.*

*All Access Persons must adhere to this COE. Portions of the COE, identified throughout this document, extend to Supervised Persons such as officers and directors that do not have access to non-public information regarding client's purchase or sale of securities, is involved in making securities recommendations to clients or who has timely access to such recommendations that are nonpublic. In addition, portions of the COE also extend to the trading activity of the Access Person's immediate family (relative by blood or marriage living in the Access Person's household or any account in which the Access Person has a direct or indirect beneficial interest, such as a trust).*

#### **Standards of Conduct**

*The following principals will be the foundation on which H.D. Vest will build our reputation for being committed to ethical activities.*

- **Integrity:** Strong adherence to a strict code of moral values is the foundation of ethical behavior. The position of trust we are placed in mandates that we perform our duty according to the strictest codes of honesty and integrity.
- **Competence:** This is a measure of a person's ability to perform a duty. The duties we are required to perform include satisfying our clients' needs and complying with all applicable laws and procedures. It is our desire to see that in fulfilling these obligations, we employ and continually strive to achieve the utmost competence and good faith. Where necessary, this includes acquiring additional training to ensure competency and proficiency.
- **Professionalism:** Crucial to proper business conduct is the ability to act in a professional manner. The professionalism presented to clients and the public speaks more loudly than any statement that can be made. Professionalism should provide those around us with a positive experience, which includes disclosing compensation that is received. It is unprofessional to engage in any conduct which reflects adversely upon ourselves, our colleagues, H.D. Vest, or the profession.

- **Fiduciary Duty:** This capacity requires that when conducting business and dealing with clients, it is always the clients' best interests that are served first. It is paramount that conflicts are disclosed and every effort is made to direct conflict situations to conclusions that benefit clients, based on their suitability.
- **Objectivity:** When making decisions and providing advice, it is fundamental that we do so without distorting the facts by personal prejudices or feelings. Every effort should be made to ensure that decisions made and conclusions drawn are free from emotional influences.

The principles listed above should govern conduct of all Supervised Persons, although more specific guidelines on conduct are outlined below or in the relevant rules and regulations, and in the H.D. Vest Compliance Manual(s).

Access Persons are not permitted, in connection with the purchase or sale, directly or indirectly, of a security held or to be acquired by a client:

- To defraud such client in any manner;
- To mislead such client, including by making a statement that omits material facts;
- To engage in any act, practice or course of conduct which operates or would operate as a fraud or deceit upon such client;
- To engage in any manipulative practice with respect to such client; or
- To engage in any manipulative practice with respect to securities, including price manipulation.

Access Persons are required to comply with all applicable city, state, and federal securities laws and the H.D. Vest Compliance Manual(s).

### **Personal Securities Transactions**

Access Persons agree to abide by the rules set forth in the applicable compliance manual(s) regarding personal trading.

Access Persons must report all personal securities holdings to their designated supervisor at the time they become an Access Person and at least once per year thereafter. Reporting personal securities holdings may be accomplished by ensuring the designated supervisor receives a duplicate copy of the statement of any accounts in which the Access Person has a beneficial interest. An Access Person is presumed to be a beneficial owner of securities that are held by his or her immediate family members sharing the Access Person's household. The statement must be current as of a date not more than 45 days prior to submission. Access Persons are required to have statements of personal securities transactions submitted to their designated supervisor no later than 30 days after the end of each calendar quarter (April 30, July 30, October 30, and January 30).

There are two exceptions to personal securities transactions covered by the COE:

1. Transactions effected pursuant to an automatic investment plan.
2. Securities held in accounts over which the Access Person had no direct or indirect influence or control.

### **Securities Covered by the COE**

"Security" means any stock, bond, future, investment contract or any other instrument that is considered a security under the Investment Advisers Act of 1940, including:

- Options on securities, on indexes, and on currencies;
- All kinds of limited partnerships;
- Foreign unit trusts and foreign mutual funds; and
- Private investment funds, hedge funds, and investment clubs.

There are five exceptions for Securities covered by the COE:

- Direct obligations of the U. S. Government;
- Money market instruments;
- Shares of money market funds;
- Shares of mutual funds (unless the adviser or a control affiliate acts as the adviser or principal underwriter for the fund); and
- Units of a UIT if the UIT is invested exclusively in unaffiliated mutual funds.

*Per Rule 204A-1, Access Persons are required to obtain written pre-approval prior to investing in Initial Public Offerings (“IPOs”) or limited partnerships.*

### **Insider Trading**

*Supervised Persons shall not effect securities transactions in a particular security while in possession of material, non-public information, generally known as Insider Trading.*

### **Conflicts of Interest**

*As a fiduciary, H.D. Vest has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. Compliance with this duty can be achieved by trying to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict that does arise with respect to any client. Access Persons must try to avoid situations that have the appearance of conflict or impropriety.*

*H.D. Vest utilizes the Form ADV Part II (“Disclosure Document”) to disclose general conflicts of interest to clients.*

### **Confidentiality**

*Supervised Persons are reminded of their responsibility under Regulation S-P and firm policies to ensure the confidentiality of all client information, including personal, information, client account holdings and recommendations, for current and former clients, is protected.*

### **Reporting Violations**

*Supervised Persons are required to report suspected violations of the COE to the Chief Compliance Officer (“CCO”). Reports of suspected violations may be directed through the Supervised Persons supervisor, who is required to report all suspected violations to the CCO. All reports of suspected violations of the COE will be investigated by the CCO or an appropriate designee. Any confirmed violation of the COE will be documented and reported to management of H.D. Vest by the CCO.*

### **H.D. Vest Obligation to Protect Supervised Persons Who Report Violations**

*H.D. Vest respects the integrity of those who report possible violations of the COE and feels an obligation to protect reporters from possible retaliation. Instances of retaliation are considered a violation of the COE and could result in the same disciplinary sanctions as any other violation. H.D. Vest will take all measures available to protect the identity of persons who report possible violations of the COE. Should it be determined by H.D. Vest that a person is reporting violations of the COE as a form of harassment against a Supervised Person, the reporter may be found to have violated the COE and will be subject to sanctions.*

### **Additional Guidance**

*The H.D. Vest CCO or a representative of the Compliance department is available to Supervised Persons for guidance on application of the COE to specific situations. From time to time, the CCO may determine that continuing education for all Supervised Persons or a specific group of Supervised Persons may be necessary which will be incorporated in H.D. Vest’s annual needs analysis and continuing education training plan.*

### **Review of Accounts**

Account transactions are reviewed on a daily, monthly, quarterly or annual basis, as applicable, to review not only the broad allocation, but also adherence to any criteria and guidelines on security selection, concentration, diversification and certain restrictions that may apply. These reviews are performed by compliance and sales supervision personnel who provide these services to HDVAS and its affiliates, including HDVIS. The compliance and sales supervision personnel are both assisted by various data processing exception reports. They rely on these exception reports and do not review every individual transaction or position on an ongoing basis. Advisory Consultants also conduct periodic reviews of the Account with you to determine if and when rebalancing or reallocation is needed.

Additionally, an Account review should be completed by your Advisory Consultant at least annually.

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

HDVAS does not provide compensation for referrals to the Program.

### **Brokerage Practices**

Even though we may be permitted by contract and by law to do so, as a matter of policy, we do not execute principal trades and agency cross transactions in the **VestAdvisor** Program.

We may receive additional brokerage execution compensation for executing securities transactions for **VestAdvisor** Clients. First Clearing may also receive additional compensation in the form of order-flow payments from options trades. In addition, First Clearing may receive compensation from one or more of the firms it routes equity orders to as a fee for providing execution services

to those firms. However, the orders routed to these firms are not contingent on pre-existing arrangements. Please refer to the “Services, Fees and Compensation” section for a discussion of additional fees that you may incur.

HDVAS and its affiliates have a Best Execution Committee that reviews trading activity and the vendors and systems we use to process transactions, among other things. Client orders are treated with the same priority and procedural flow as non-advisory brokerage customer trades.

The securities traded for Clients may be traded in one or more marketplaces, or may employ an alternative trading system (“ATS”) to execute fixed-income transactions. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements, First Clearing may use its discretion in selecting these marketplaces or ATSs to enter or execute Client orders.

Client orders for over-the-counter equities and listed equity securities are routed to execution venues as appropriate, with best execution being the highest priority. A number of factors are considered when determining where to send Client orders, including execution speed and price, price improvement opportunities, the availability of efficient and reliable order-handling systems, the level of service provided, and the cost of executing orders. First Clearing strives to execute all held orders at prices equal to or better than the displayed national best bid/offer price, up to the displayed size, at the time of execution. Not-held orders are worked for best price by the trading desk. First Clearing may utilize non-affiliated third party Authorized Participants (“APs”) when transacting large blocks of ETFs. APs are typically large institutions like market makers or specialists who can create ETFs by trading the underlying securities.

As a result of the “over-the-counter” nature of fixed income securities, the available trading methods differ from that of equity securities. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements, we may use our discretion in selecting the appropriate broker/dealers with which to execute fixed income Client orders. First Clearing considers a number of factors when determining where to execute orders, including the product type, the liquidity of the security, market makers abilities and the size of the order.

For both equity and fixed income securities, H.D Vest regularly reviews transactions for quality of execution, and takes action, as appropriate, for Client price improvement and to fulfill our best execution obligations.

### **Financial Information**

HDVAS has no financial condition that is likely to impair our ability to meet our contractual commitments to you.

## **Conflicts of Interest**

HDVAS endeavors to provide ***VestAdvisor*** to Clients at a cost that is reasonable in relation to the services provided. In evaluating an investment in ***VestAdvisor***, you should be aware that HDVAS and its affiliates earn compensation from a number of sources related to your Account in addition to the Program Fee. The choice of Eligible Assets affects the compensation HDVAS, its affiliates and Advisory Consultants earn as a result of your investments, and thus poses various conflicts of interest. This section of the Disclosure Brochure is intended to describe four significant conflicts of interest you should consider in making an investment decision. You should refer to the “Services, Fees and Compensation” section for additional information on the compensation HDVAS and Advisory Consultants may receive. If you have any questions about compensation or conflicts of interest, please contact your Advisory Consultant, or the HDVAS Compliance Department at (866) 218-8206, option 1, x4790.

### **1) Eligible Asset Compensation and 12b-1 Fees**

As discussed in the “Services, Fees and Compensation” section, mutual funds can differ significantly in terms of the expenses you pay as a shareholder, and in terms of the compensation HDVAS and its affiliates earn as a result of your investment. For example, not all mutual funds pay additional compensation in the form of a 12b-1 Fee, and the amount of the 12b-1 Fee can differ between funds. 12b-1 Fees are paid out of fund assets, and thus they increase the expenses you pay as a fund shareholder and can negatively affect your investment return. Even within the same fund, some fund families offer multiple share classes, some of which may pay HDVIS or its affiliates a 12b-1 Fee while others do not.

In selecting investments for your Account, the Advisory Consultant is likely to utilize mutual funds that pay a 12b-1 Fee, even if the fund company offers a share class of the same mutual fund that does not pay a fee, and/or has a lower expense ratio. This results in additional compensation for HDVIS and the Advisory Consultant, and thus presents a conflict of interest. Please consult the specific fund prospectus for more information, and ask your Advisory Consultant if you have any questions about 12b-1 Fees, or how they affect your investments or the compensation earned by HDVIS and your Advisory Consultant. Funds that pay a 12b-1 Fee are not allowed in Accounts that have elected to use the ***VestAdvisor Select*** Program feature.

## **2) Sweep Compensation**

As discussed in the “Services, Fees and Compensation” section, Program Accounts have a sweep account to automatically invest free credit balances. This may be the BDS or money market mutual fund sweep for ERISA Accounts. Clients may elect whether to participate in the BDS and/or periodically invest cash balances directly in available money market mutual funds or other products offered as direct investments outside of the sweep program by providing instructions to your Advisory Consultant.

By participating in the BDS, HDVAS and/or its affiliates receive additional compensation based on Client holdings. The Firm and its affiliates may receive 12b-1 Fee compensation from the money market mutual fund sweep ranging from 0% to 0.50% as determined by the fund company and set forth in the fund’s prospectus. This fee may negatively impact your return. Funds that have a 12b-1 Fee are not allowed in ***VestAdvisor Select*** accounts.

There are fees and charges associated with different sweep vehicles. A portion of these fees and benefits may be shared with HDVAS, its affiliates and your Advisory Consultant. Because of these fees and benefits, we have a financial incentive to select the particular sweep vehicles included in the Program. The rates of return for sweep options vary over time. Current rates can be obtained from your Advisory Consultant. There is no guarantee that the yield on any particular cash sweep will remain higher than others over any given period. The rate of return on any sweep vehicle may be lower than that of similar investments offered outside the BDS or money market mutual fund sweep. Please see the Cash Sweep Disclosure Statement for more information.

## **3) Expense Sharing Arrangements (Educational Partners)**

The Firm’s affiliate, HDVIS, receives payments from Educational Partners in exchange for providing these Educational Partners opportunities for enhanced access to HDVIS’ and HDVAS’s sales force during training events, conference calls and meetings. Educational Partners also receive heightened visibility through the distribution of sales literature, newsletters and training materials accessible through H.D. Vest intranet pages. Educational Partners pay HDVIS amounts that are in addition to the sales charges and expenses disclosed in the fee tables found in the product prospectus. Although these payments are not shared with the Advisory Consultant and are not directly tied to the expenses applied to your Account, a conflict of interest exists in the recommendation of Eligible Assets sponsored by Educational Partners since these products result in additional compensation for HDVIS.

## **4) VestAdvisor Select Due Diligence Process (Use of Educational Partner Funds)**

As part of the investment selection and due diligence process for ***VestAdvisor Select***, HDVAS will limit its initial search for new or replacement mutual fund’s to Eligible Assets offered by Educational Partners. Therefore, the presumption is that the HDVAS recommended Model Portfolios will be comprised entirely of Educational Partner funds to the extent one or more of those funds have an Advisory Share Class and otherwise meet the Senior Portfolio Manager’s criteria. As more fully described in the “Expense Sharing Arrangements (Educational Partners)” disclosure in the “Services, Fees and Compensation” section of this Disclosure Brochure, HDVIS has agreements with Educational Partners to provide HDVIS with payments to help defray the educational, training, record-keeping and other costs associated with bringing these products to Clients. A conflict of interest exists in the recommendation of Eligible Assets sponsored by Educational Partners since these products result in additional compensation for HDVIS. In addition, Educational Partners may invite HDVAS Advisory Consultants and portfolio management staff to attend due diligence conferences to meet portfolio managers, portfolio analysts, and other key Educational Partner staff in order to learn about Eligible Assets, investment processes and portfolio management techniques. Educational Partners generally pay all expenses associated with travel, lodging and business meals for HDVAS staff.

If an Eligible Asset that is appropriate for the identified needs and objectives within the portfolio cannot be located following a review of Eligible Assets available through Educational Partners, HDVAS will then expand the search to include non-Educational Partner Eligible Assets. In general, if you are not comfortable with the use of Educational Partner funds in your model portfolio and the resulting conflict of interest, you should not choose the ***VestAdvisor Select*** feature.



### **Other Disclosures**

Your Advisory Consultant is an independent contractor of HDVAS solely for the purpose of providing investment advisory services as described in this Disclosure Brochure. In addition to the investment advisory services provided through HDVAS or securities brokerage services through HDVIS, he or she may provide legal, tax, accounting, audit, payroll or other products or services that are not affiliated with HDVAS. HDVAS does not endorse or supervise any of your Advisory Consultant's activities conducted outside of HDVAS. The responsibilities of HDVAS and its affiliates relate specifically to offering approved securities and investment advisory services. Some of these outside services may present a conflict of interest with services provided by HDVAS or its affiliates, and to the extent that is the case by entering into the Advisory Services Agreement you acknowledge and agree that you have considered any such conflicts, and have decided to proceed despite their existence. Please ask your Advisory Consultant and refer to his or her Brochure Supplement for more detailed information.

Any securities investments recommended by your Advisory Consultant must be made through HDVAS or its affiliates, and all checks related to a **VestAdvisor** account should be made out to "First Clearing, LLC." You should immediately contact the HDVAS Compliance Department if you are asked by your Advisory Consultant to make any investments outside of HDVAS or its affiliates, or if you are asked to make an investment payment to your Advisory Consultant's outside business or any other third party.

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### **Jaco Jordaan, CFA<sup>®</sup>, CFP<sup>®</sup>, ChFC<sup>®</sup>, Senior Portfolio Manager**

**Education:** Mr. Jordaan, born in 1974, holds a Bachelor's Degree in Business Administration from the University of Texas at Austin and a Master of Science Degree in financial analysis from the College for Financial Planning. He also holds a Series 7 Securities License and a Series 66 Advisory License.

**Business Background:** Mr. Jordaan is the Senior Portfolio Manager for H.D. Vest Advisory Services. He rejoined H.D. Vest in 2007 and is responsible for the asset allocation and portfolio management functions. Mr. Jordaan previously was a portfolio manager and vice president with PNC Wealth Management where he developed, implemented and managed portfolios for high-net-worth clients, trusts and endowments. He performed independent research and evaluation of both individual securities and mutual funds. Prior to PNC Wealth Management, Mr. Jordaan was with H.D. Vest Financial Services for seven years, where he held positions in Customer Service, Financial Planning and Recruiting.

## Appendix 1

### Transaction, Clearing, and Custodial Fees

	<b><u>Transaction-Related Charges</u></b>	
<b>Mutual Funds</b>	Mutual Funds – Except Non-Transaction Fee Funds	\$9.50
	Exchanges (same fund family) – Non-NTF Funds	\$4
<b>Equities, Fixed</b>	Equities	\$18
<b>Income, and Unit</b>	Exchange Traded Funds (ETF)	\$18
<b>Investment Trusts</b>	Options	\$16 + 1.50/contract
	Foreign Securities	\$75
	Corporate Listed Bonds	\$16
	Corporate Over The Counter Bonds	\$20
	Municipal, Treasury, Government Agency and Zero Coupon Bonds	\$20
	Mortgage-Backed Securities or CMOs	\$30
	CDs, Commercial Paper and Bankers Acceptances	\$20
	Unit Investment Trusts	\$20

	<b><u>Clearing and Custodial Fees</u></b>	
<b>IRA Accounts</b>	Termination Fee	\$95
<b>Brokerage Fees</b>	<sup>1</sup> SEC Fees	Cost
	Express Mail	\$15
	Outgoing Wire Transfer	\$25
	Return Deposit Item	\$10 per returned item
	Deposit of Cancelled, Stopped or Escheated Certificates	\$50
	Checking Account Fees	Check re-orders – no charge for standard checks. <sup>2</sup>
	Outgoing Full Account Transfer (non-retirement accounts)	\$95
	Margin Debit Balance Interest	FCC Base Rate plus up to 3.625%
	Cash Debit Balance Interest	FCC Base Rate plus 3.625%
	Limited Partnerships/Private Placements – Hold	\$200 origination, \$100 per position per year (\$500 max per account per year)
<b>Security Registration</b>	Physical Certificate in Client name or third-party name	\$250 (minimum) for standard delivery; \$500 (minimum) for rush delivery (3-5 days)
	Physical Certificate due to corporate reorganization	No Fee

<sup>1</sup>SEC fee charged on all liquidations of equity and option securities.

<sup>2</sup>For Business - \$112 + tax for 252, 3-to-a-page business style checks with 200 deposit slips. A binder and endorsements are included. Reorders for checks **only** are \$63.50 + tax. Order styles are available by request.