

# Disclosure Brochure for Third Party Programs

**MetLife Securities**  
A MetLife Company

## Disclosure Brochure for Third Party Programs

February 27, 2012

This brochure provides information about the qualifications and business practices of MetLife Securities, Inc. If you have any questions about the contents of this brochure, please contact us at 800-638-8378. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about MetLife Securities, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

MetLife Securities, Inc. is an investment adviser and a securities broker-dealer registered with the SEC. Please note, registration does not imply a certain level of skill or training.

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## ITEM 2. MATERIAL CHANGES

Pursuant to SEC rules, this Item summarizes the specific material changes that have been made to this MetLife Securities, Inc. ("MSI," "the Firm," "we," "our," or "us") Form ADV disclosure brochure ("Firm Brochure") since its last annual update of the Firm's Brochure on 3/31/2011.

When required or appropriate, we will also provide clients interim summary updates of material changes to our Firm Brochure.

Clients may ask for a copy of our current Firm Brochure, which includes all material changes since the previous Firm Brochure, or a summary of material changes to the previous Firm Brochure at any time, without charge by contacting 1-800-638-8378.

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The following is a summary of material changes:

### **Item 9. Disciplinary Information**

In November 2011, MSI reached a settlement with the Financial Industry Regulatory Authority (FINRA) regarding the maintenance and destruction of confidential client documents. Under the terms of the agreement, MSI agreed to pay a fine of \$35,000.

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## ITEM 4. ADVISORY BUSINESS

### Description of Advisory Firm

MSI is a Delaware corporation and is registered as an investment adviser ("IA") with the SEC. MSI has conducted its advisory business since 1984. Its principal place of business is 1095 Avenue of the Americas, New York, NY 10036. MSI is also registered as a broker-dealer ("BD") with the SEC and various states. As a BD and IA, MSI is regulated by the SEC, other agencies of the United States of America, the Financial Industry Regulatory Authority ("FINRA"), as well as applicable states. Since MSI is not registered as a broker-dealer or investment adviser outside of the U.S, MSI, its investment adviser representatives ("IARs") and financial planners are generally not authorized to provide advisory services to persons permanently domiciled outside of the U.S.

MSI is a wholly owned direct subsidiary of MetLife Inc. ("MetLife"). MSI, together with other affiliates (see Item 10 – Other Financial Industry Activities and Affiliations -- for additional information), provides a wide array of financial products and services to its clients. When appropriate, MSI's representatives may recommend the purchase of one or more such products or services to assist clients in pursuing their savings, insurance, investment or other financial objectives. Typically, the products or services recommended will consist of or include products or services sponsored, issued, sold, distributed, advised, or serviced by MSI or its affiliates.

In addition to the advisory services described in detail in this Brochure, MSI also offers other advisory services. If you want more information about the other advisory services available through MSI, ask your IAR.

### Overview of the advisory services offered by MSI

The Firm makes available to you a number of proprietary and nonproprietary investment advisory programs and services. This Firm Brochure provides you with information about the Third Party Programs which include Co-Adviser/Adviser Programs and Solicitor Programs, as defined below, that are available through the Firm and the services the Firm provides in connection with these programs. If you wish to learn about other investment advisory programs and services that the Firm offers, you may contact the Firm or your Firm's IAR to receive a similar Form ADV disclosure brochure for those programs and services.

## THIRD PARTY PROGRAMS

### Overview of the Third Party Programs

The Firm offers clients the ability to participate in various Third Party Programs. All Third Party Programs listed below are sponsored by unaffiliated third party investment advisers ("Third Party Advisers").

For each Third Party Program you choose to apply for, in addition to this Firm Brochure, you will receive from your IAR a Form ADV disclosure brochure for the Third Party Adviser ("Third Party Brochure") along with any other disclosures and application forms required by the Third Party Adviser (collectively "Third Party Program Documents"). You should carefully read and understand the Third Party Brochure and the investment management agreement for your selected Third Party Program. These documents contain important information, including, the benefits, features, risks, costs, fees, and charges associated with the Third Party Program, and the various Investment Options available under the program.

You should be aware that any description or summary of any particular Third Party Program or Third Party Adviser in this Firm Brochure is provided to you for informational purposes only and is not intended to replace or summarize any information or disclosure in the Third Party Program Documents or the Third Party Brochure. You should only rely on the Third Party Program Documents along with any product prospectus, offering documents or other materials provided by the issuer of the Investment Option(s) when making investment decisions.

Unless otherwise noted, any defined term used in a Third Party Program description below applies only to that particular Third Party Program. Your participation in a Third Party Program is also subject to the Third Party Adviser's discretion and approval.

There are two categories of Third Party Programs:

- a) **Co-Adviser/Adviser Programs** – the Firm has entered into agreements with various Third Party Advisers as listed below. These programs are available to individuals and institutions and the Firm will act as a co-adviser, or in some instances, sole adviser to you with the Third Party Adviser that is sponsoring the Third Party Program. Depending on the Co-Adviser/Adviser Program, Third Party Advisers may also make available to clients certain unaffiliated investment advisers who, instead of the Third Party Adviser, will manage client assets in the Account. Please see below for a more detailed description.
- b) **Solicitor Programs** - the Firm has entered into solicitor agreements with various Third Party Advisers. The Firm may refer individuals, business entities and certain fiduciaries to these Third Party Advisers, so that they, if they so choose, may open an investment advisory account ("Account") under the Third Party Adviser's Solicitor Program. The Third Party Advisers are solely responsible for establishing and maintaining the Solicitor Programs and for investing client assets in their Accounts. Depending on the Solicitor Program, Third Party Advisers may also make available to clients certain unaffiliated investment advisers who, instead of the Third Party Adviser, will manage client assets in the Account.

### Total Assets Under Management (AUM)

As of 12/31/2011, the Firm has \$63.7 million AUM in total in the Co-Adviser/Adviser Programs. The Firm does not manage client assets in the Co-Adviser/Adviser Programs on a discretionary basis.

The Firm does not manage assets in the Solicitor Programs. Therefore, the Firm does not have any AUM under the Solicitor Programs.

### Co-Adviser/Adviser Programs

The following is a list of Co-Adviser/Adviser Programs available through the Firm:

- MORNINGSTAR MANAGED MUTUAL FUND PROGRAMS
- LOCKWOOD PROGRAMS - *Lockwood Separate Managed Account ("SMA"), Lockwood Sponsored Program, Lockwood Investment Strategies, Lockwood Asset Allocation Portfolios*

- SEI PROGRAMS - *Mutual Fund Strategies, Distribution Focused Strategies, Managed Account Program, Integrated Managed Account Program* ("IMAP"), *Goals-Based Mutual Fund Strategies, Goals-Based Integrated Managed Account*
- MANAGERS CHOICE PROGRAM
- LORING WARD ADVISORY SERVICES PROGRAMS - *Structured Investing Portfolio Services, Structured Investing Advantage*

### **General overview of the services offered by the Third Party Adviser**

Depending on the Co-Adviser/Adviser Program, the Third Party Adviser may do one or more of the following: construct model portfolios with various investment objectives; select and monitor mutual funds, exchange traded funds ("ETFs"), money managers and/or other securities as permitted, for inclusion in the program; and/or allocate, manage and in some programs rebalance client assets in accordance with the model portfolio selected by the client. The client should review the Third Party Brochure for the client's chosen Co-adviser/Adviser Program for more information about the Third Party Adviser's role.

Following the approval of the client's application and assuming that the client has met all of the Co-Adviser/Adviser Program's funding requirements, the Third Party Adviser allocates the client's funds in accordance with the selected model portfolio. The client should understand that there is no assurance that their investment objectives will be achieved by participating in the Program.

### **Overview of the services offered by the Firm**

An IAR will work with the client to select an appropriate Co-Adviser/Adviser Program based on a number of factors, including but not limited to client's financial needs, preferences and cost. Once a Co-Adviser/Adviser Program has been selected by the client, the IAR will utilize a fact gathering worksheet such as an investor profile questionnaire or client profiling kit, provided by the Third Party Adviser to gather information about the client. This information will be input into investment tools or other software provided by the Third Party Adviser to prepare an investment proposal. The investment proposal recommends a model portfolio to the client for the Co-Adviser/Adviser Program.

The client may accept or reject the IAR's recommendation concerning participation in one or more of the Co-Adviser/Adviser Programs or the IAR's model portfolio recommendation. The IAR will educate the client about the features, advantages, disadvantages, risks and costs associated with the Co-Adviser/Adviser Program the client selects. The IAR will also assist the client in completing the application and paperwork required by the Co-Adviser/Adviser Program and initiate the steps necessary for the client to participate therein. The IAR will also answer basic questions regarding the Co-Adviser/Adviser Program. The IAR will forward to the Firm all account opening documentation and information, including any reasonable investment restrictions requested by the client. The Firm will then forward such documentation to the Third Party Adviser for review and approval. The Third Party Adviser is solely responsible for reviewing, accepting or rejecting and observing any reasonable investment restrictions imposed by the client.

The Firm will contact clients at least annually to inquire whether anything has changed in client's financial circumstances or investment objectives that might affect the manner in which the client's Account assets should be managed. This annual contact is designed to determine whether the Co-Adviser/Adviser Program (s) and the client's model portfolio(s) are still appropriate and consistent with the client's financial circumstances and investment objectives. In addition, if the client has granted the Third Party Adviser investment discretion under an applicable Co-Adviser/Adviser Program, the client has the ability to add or modify any previously accepted investment restrictions imposed on the Third Party Adviser. The IAR also is available on an ongoing basis to discuss the client's participation in the Co-Adviser/Adviser Program(s) or the client's investments in general. The Firm will forward any updated information it receives from the client to the Third Party Adviser for review and assist the client in making any appropriate changes to the client's Account, if necessary.

The Firm does not serve as a broker-dealer for the client's Co-Adviser/Adviser Program account, and hence, does not effect trades in connection with the securities held in client's account.

For more information on the roles and responsibilities of the Firm and the Third Party Adviser, please review the investment management agreement ("Program Agreement") and the Third Party Brochure. The Program Agreement is a tri-party agreement between the client, the Firm and Third Party Adviser which must be executed prior to investing in any of the Co-Adviser/Adviser Programs. However, where the Firm acts as a sole adviser, the Program Agreement is only between the client and the Firm.

### **Co-Adviser/Adviser Program Termination**

The Program Agreement will continue in effect until terminated by either the client, the Firm, or the Third Party Adviser. Generally, termination requests must be made in writing to the other party or parties. Clients may terminate an Account by submitting a written request to the Firm.

Upon termination by the client, the Third Party Adviser will direct the Custodian to deliver cash and securities held in the clients program account as instructed by the client. If the client's account is liquidated as a result of a termination for any reason, proceeds will be payable to the client upon settlement of all transactions in the account.

In the event a Co-Adviser/Adviser Program or Account is terminated by the Firm or Third Party Adviser, clients will be notified and will need to contact their Investment Adviser Representative to make other arrangements.

### **SOLICITOR PROGRAMS**

#### **General overview of the services offered by the Third Party Adviser**

Depending on the Solicitor Program, the Third Party Adviser may provide one or more of the following services: construct model portfolios (each is a "Portfolio") with various investment objectives; select and monitor mutual funds, exchange traded funds, money managers and/or other securities ("Investment Options"), for inclusion in the Solicitor Program; and/or allocate, manage and in some Solicitor Programs, rebalance client assets in

accordance with the Portfolio selected by the client. Following the Third Party Adviser's approval of the client's application to open an Account with the Third Party Adviser, such client will be a client of the Third Party Adviser. The Third Party Adviser will allocate the client's funds in accordance with client's selected Portfolio, and client's assets in the account will be managed and monitored by the Third Party Adviser.

#### **Overview of the services offered by the Firm**

An IAR will assist the client in selecting an appropriate Solicitor Program based on a number of factors, including but not limited to the client's financial needs and condition, preferences and cost. The IAR will provide information about the features, risks and costs associated with participating in a Solicitor Program generally, or a particular Solicitor Program in which the client wishes to participate, and answer any general questions that the client may have about the Solicitor Programs. Once the client has chosen a Solicitor Program, the IAR will utilize a fact gathering worksheet such as investor profile questionnaire or client profiling kit, provided by the Third Party Adviser to gather information about the client. This information will be input into investment tools or other software provided by the Third Party Adviser to prepare an investment proposal. The investment proposal recommends to the client a Portfolio and the applicable Investment Options for the Portfolio for the selected Solicitor Program.

Where permitted by the Third Party Adviser, the Firm, through the IAR, may assist the client to make modifications to the recommendations made by the Third Party Adviser through the proposal system. Such modification may include the selection of additional or alternative money managers and/or portfolio strategists to the ones recommended by the Third Party Adviser's proposal system and the ability to select a different portfolio/investment option that was recommended by the Third Party Adviser's proposal system. The client will be advised by the IAR if the IAR has the flexibility to offer client such limited service, and client should be aware that such limited services are not offered on behalf of the Third Party Adviser of such Solicitor Program.

The client is free to accept or reject the IAR's recommendation concerning participation in a Solicitor Program or the Portfolio and the Investment Options recommended by the Third Party Adviser through the investment proposal.

The IAR will also assist the client in completing the application and any other paperwork required by the Third Party Adviser and provide the client with any applicable Third Party Program Documents, including the Third Party Brochure, for the selected Solicitor Program. The IAR will also provide the client with a solicitor disclosure statement ("Solicitor Disclosure Statement"), required by the Investment Advisers Act of 1940, as amended, which explains, among other things, the relationship between the Third Party Adviser and the Firm, a description of the services provided by the Firm under the Solicitor Program selected by the client, and the compensation arrangement among the Third Party Adviser, the Firm and the IAR under the Solicitor Program.

The Firm will forward all of the Account application and information, including any reasonable investment restrictions that the client may have requested to be imposed on the Third Party Adviser with respect to its management of the client's

Account, to the Third Party Adviser for review and approval. The Third Party Adviser is solely responsible for deciding whether to accept the client's application to participate in its Solicitor Program and for accepting or rejecting and observing any reasonable investment restrictions that the client may impose.

Once the Account is opened and depending on the Solicitor Program, either the Firm, through the IAR, or the Third Party Adviser will attempt to contact the client at least annually to discuss client's participation in the Solicitor Program. This contact is designed to inquire whether anything has changed in the financial circumstances or investment objectives of the client that might affect the manner in which the Account assets should be managed by the Third Party Adviser. If the client had granted the Third Party Adviser with investment discretion under an applicable Solicitor Program, the client will have the ability to add or modify any previously accepted investment restrictions imposed on the Third Party Adviser. The IAR also is available on an ongoing basis to discuss client's participation in the Solicitor Program. If the Firm is responsible for contacting the client, the Firm through its IAR, will contact the client and will forward any updated information it receives from the client to the Third Party Adviser for review. If the Third Party Adviser is responsible for contacting the client, the client will be notified directly by a representative of the Third Party Adviser.

The Firm does not serve as a broker-dealer for client's Account under the Solicitor Program and does not effect trades in connection with the securities held in the Account. Please refer to the Third Party Program Documents for details on the Account's custodian and the brokerage arrangement and services associated with the client's Account.

#### **Solicitor Program Termination**

If a client wishes to close an Account under a Solicitor Program or to terminate the relationship with a Third Party Adviser, client should contact the Third Party Adviser of the selected Solicitor Program and refer to the Third Party Program Documents for the specific Solicitor Program, for all applicable terms and conditions.

At any time, clients have the ability to request that the Firm, and the Firm also has the ability to cease providing clients with Firm services, as described in this Firm Brochure upon written notice to the other party and to the Third Party Adviser.

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

#### **Co-Adviser/Adviser Programs**

The specific manner in which advisory fees are charged by the Firm for each Co-Adviser/Adviser Program listed in Item 4 above is established in a written agreement between the client and the Firm. Please refer to the applicable Third Party Brochure and the investment management agreement between the client and the Third Party Adviser for details on how such Third Party Adviser charges fees to the client under the Co-Adviser/Adviser Program.

Where the fees charged under any of the Co-Adviser/Adviser Programs are for advisory, execution and other services, clients should understand that such bundled or "wrap" fees may cost more or less than purchasing such services separately, assuming the services can be purchased separately.



Additionally, clients may purchase securities without participating in a Co-Adviser/Adviser Program, and therefore, will not have to pay the advisory fee described below. Thus, it may be more cost efficient for clients to purchase the securities outside of the Co-Adviser/Adviser Program. However, clients will not receive the services provided under the Co-Adviser/Adviser Program if they choose to do so. The advisory fee a client pays may be higher than those charged by the Firm for other advisory programs offered through the Firm, or higher than those charged by other sponsors of comparable programs.

In addition to the advisory fees described below, the client may incur additional fees and expenses to participate in the Co-Adviser/Adviser Programs. For instance, if the Co-Adviser/Adviser Program invests client assets in securities such as ETFs, mutual funds or closed-end funds, clients will be subject to the fees and expenses of such securities which are generally established by each fund's board of directors and are subject to change. These include administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Clients should read such securities prospectus, Statement of Additional Information, offering statements and/or other offering documents, if any, for a complete explanation of applicable fees and expenses.

The client should review the specific Third Party Brochure for a description of all fees and charges that Third Party Advisers may assess for their respective Co-Adviser/Adviser Programs.

To the extent that assets used for participation in a Co-Adviser/Adviser Program come from the redemption of non-program investments, the client should consider the cost, if any, of sales charges previously paid or to be paid upon redemption, which would be in addition to the advisory fees on those assets. Clients should be aware that such redemptions might have tax consequences that should be discussed with an independent tax advisor.

The following section contains a general description of the compensation received by the Firm and the Third Party Advisers. Please note, where the Firm acts as a co-adviser or adviser, the name of the program is specifically referenced.

#### **MORNINGSTAR MANAGED MUTUAL FUND PROGRAMS**

The total advisory fee that the client pays to participate in one of the Morningstar Managed Mutual Fund Programs is comprised of Morningstar's fee ("Morningstar Fee") and MSI's fee ("MSI Fee") and collectively with Morningstar Fee, the "Program Fee").

The Morningstar Fee includes Morningstar's advisory fee and fees for clearing, custody and brokerage-related services for client's account. The Morningstar Fee and any other applicable charges, for each program, are described in Morningstar's Third Party Brochure and is set solely by Morningstar.

The MSI Fee covers the advisory services that the Firm provides to the client under the Morningstar Programs pursuant to the agreement between the Firm and the client. The MSI Fee is generally between .25% and 1.10% and is negotiable. In the Firm's sole discretion, the Firm may lower the MSI Fee for certain client Accounts based on factors including but not limited to account size and client's affiliation with the Firm.

The initial Program Fee is billed directly by a third party custodian ("Custodian") shortly after the end of the calendar quarter. The initial Program Fee is calculated by the Custodian from the date that the account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in arrears at the end of each quarter based on the quarter-ending value of the assets as calculated by the Custodian. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. Morningstar will forward the MSI Fee to the Firm each quarter.

Clients may make additional contributions to, or withdraw assets from their Accounts in any amount at any time, subject to the usual and customary settlement procedures. If an Account is terminated during a quarter, such as by the client making a full withdrawal of program assets, the fees due for advisory services provided from the end of the prior quarter to the day of termination will be assessed prior to the distribution of Account assets.

There may be other fees and expenses associated with the Morningstar Programs other than those disclosed in this Brochure. For a more complete description of all fees and charges under the Morningstar Programs, please read the Morningstar Disclosure Brochure.

#### **THE LOCKWOOD PROGRAMS**

The following Lockwood Programs are available through the Firm: *Lockwood Separate Managed Account ("SMA")*, *Lockwood Sponsored Program*, *Lockwood Investment Strategies*, and *Lockwood Asset Allocation Portfolios*.

The total advisory fee that the client pays to participate in a Lockwood Program is comprised of Lockwood's fee ("Lockwood Fee") and MSI's fee ("MSI Fee") and collectively with Lockwood Fee, the "Program Fee".

The Lockwood Fee includes Lockwood's advisory fee, and fees for clearing, custody and brokerage-related services for client's account. In the case of SMA and Lockwood Investment Strategies, the Lockwood Fee also includes fees for each asset manager selected by the client under those Lockwood Programs. The Lockwood Fee and any other applicable fees and charges for each program are described in Lockwood's Third Party Brochure and is set solely by Lockwood.

The MSI Fee covers the advisory services that the Firm provides to the client under the specific Lockwood program, pursuant to the agreement between the Firm and the client. The MSI Fee under all Lockwood programs is generally between .25% and 1.50% and is negotiable. In the Firm's sole discretion, the Firm may lower the MSI Fee for certain client accounts based on factors including but not limited to account size and client's affiliation with the Firm.

The initial Program Fee is billed directly by a third party custodian ("Custodian") shortly after the account is opened. The initial Program Fee is calculated by the Custodian from the date that the account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in advance for the next calendar quarter based on the value of the assets as calculated by the Custodian at the end of the prior calendar quarter. The Custodian is also responsible for deducting

all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. Lockwood will forward the MSI Fee to the Firm each quarter.

Once the account has been opened, any lump sum contribution to the account in the calendar quarter that equals to, or is greater than, \$5,000 will be subject to the Program Fee. The Program Fee for such lump sum contribution will be calculated on a prorated basis based on the number of days remaining in the quarter on the day that such lump sum contribution is made and will be billed the following quarter.

Clients may withdraw assets from their Account at any time, subject to the usual and customary settlement procedures. If an Account is terminated, Lockwood will calculate and refund to clients a pro rata portion of any pre-paid, but unearned fee for the current quarter. The amount refunded to clients will be based on the number of days remaining in the quarter after the date of termination. There are no refunds for partial withdrawals.

There may be other fees and expenses associated with the Lockwood Programs other than those disclosed in this Brochure. For a more complete description of all fees and charges under the Lockwood Programs, please read the Lockwood Disclosure Brochure.

#### **THE SEI PROGRAMS**

The following SEI Programs are available through the Firm: *Mutual Fund Strategies, Distribution Focused Strategies, Managed Account Program, Integrated Managed Account Program ("IMAP"), Goals-Based Mutual Fund Strategies, and Goal-Based Integrated Managed Account.*

#### **SEI Mutual Fund Strategies and Goals-Based Mutual Fund Strategies Programs**

The total advisory fee that the client pays to participate in SEI's Mutual Fund Strategies and Goals-Based Mutual Fund Strategies programs is comprised solely of MSI's advisory fee ("MSI Fee").

The MSI Fee covers the advisory services that the Firm provides to the client under the SEI Mutual Fund Strategies and Goals-Based Mutual Fund Strategies Programs, pursuant to the agreement between the Firm and the client. The MSI Fee is generally between .25% and 2.00% and is negotiable. In the Firm's sole discretion, the Firm may lower the MSI Fee for certain client accounts based on factors including, but not limited to, account size and client's affiliation with the Firm.

SEI does not receive an advisory fee directly from clients who participate in the SEI's Mutual Fund Strategies and Goals-Based Mutual Fund Strategies programs. Instead, SEI receives management and administrative fees from its proprietary mutual funds comprising the model portfolios based on the assets under management in each mutual fund. The purchase of mutual funds is subject to fees and expenses that are described in each fund's prospectus and that are in addition to the MSI Fee paid to the Firm under the program. These include investment advisory, administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Clients in SEI's Mutual Fund Strategies and Goals-Based Mutual Fund Strategies programs pay their pro rata share of such fees and expenses. Mutual fund fees are established by each mutual fund's Board of Directors and are subject to change.

#### **SEI Managed Account Program, Integrated Managed Account Program, Goals-Based Integrated Managed Account Program, and Distribution Focused Strategies Program**

The total advisory fee that the client pays to participate in the SEI's Managed Account Program, Integrated Managed Account, Goals-Based Integrated Managed Account Program and Distribution Focused Strategies Program may be comprised of SEI's fee ("SEI Fee") and MSI's fee ("MSI Fee" and collectively with SEI Fee, the "Program Fee") The total advisory fee that the client pays to participate in the SEI Programs may be comprised of SEI's fee ("SEI Fee") and TSS's fee ("TSS Fee" and collectively with SEI Fee, the "Program Fee") or be comprised solely of TSS's fee ("TSS Fee").

The MSI Fee covers the advisory services that the Firm provides to the client under the SEI Managed Account, Integrated Managed Account Programs and Distribution Focused Strategies Program, pursuant to the agreement between the Firm and the client. The MSI Fee is generally between .25% and 1.50% and is negotiable. In MSI's sole discretion, the Firm may lower the MSI Fee for certain client accounts based on factors including but not limited to account size and client's affiliation with the Firm.

The SEI Fee includes SEI's advisory fee, fees for clearing, custody and brokerage-related services for client's account, and, in the case of IMAP and MAP, fees for each SEI program manager. The SEI Fee for each program is described in SEI's Third Party Brochure and is set solely by SEI.

#### **All SEI Programs**

The initial Program Fee is billed directly by SEI Trust, who acts as the custodian ("Custodian") and is an affiliate of SEI Investments shortly after the end of the calendar quarter. The initial Program Fee is calculated by the Custodian from the date that the account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in arrears at the end of each quarter based on the quarter-ending value of the assets as calculated by the Custodian. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. SEI will forward the MSI Fee to the Firm each quarter.

Clients may make additional contributions or withdraw assets in their accounts in any amount at any time, subject to the usual and customary settlement procedures. If an account is terminated during a quarter, such as by the client making a full withdrawal of program assets, the fees due for advisory services provided from the end of the prior quarter to the day of termination will be assessed prior to the distribution of account assets.

There may be other fees and expenses associated with the SEI Programs other than those disclosed in this Brochure. For a more complete description of all fees and charges under the SEI Programs, please read the SEI Disclosure Brochure.

#### **MANAGERS CHOICE PROGRAM**

The total advisory fee that the client pays to participate in the Manager Choice Program is comprised of only the Firm's advisory fee ("MSI Fee"). The MSI Fee covers the advisory services that the Firm provides to the client under the Managers Choice Program pursuant to the agreement between the Firm and



the client. The MSI Fee is generally between .25% and 1.50% and is negotiable. In Firm's sole discretion, the Firm may lower the MSI Fee for certain client accounts based on factors including but not limited to account size and client's affiliation with the Firm. To the extent there are any fees that may be charged by Manager Investment Group, LLC ("MIG"), such fees will be disclosed in MIG's Disclosure Brochure.

MIG does not receive an advisory fee directly from clients who participate in the Managers Choice Program. Instead, MIG receives management and administrative fees from its proprietary mutual funds comprising the model portfolios based on the assets under management in each mutual fund. The purchase of mutual funds is subject to fees and expenses that are described in each fund's prospectus and that are in addition to the MSI Fee paid to the Firm under the program. These include investment advisory, administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Clients in The Managers Choice Program pay their pro rata share of such fees and expenses. Mutual fund fees are established by each mutual fund's Board of Directors and are subject to change.

The initial Program Fee is billed directly by a third party custodian ("Custodian") shortly after the end of the calendar quarter. The initial Program Fee is calculated by the Custodian from the date that the account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in arrears at the end of each quarter based on the quarter-ending value of the assets as calculated by the Custodian. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. MIG will forward the MSI Fee to the Firm each quarter.

Clients may make additional contributions or withdraw assets in their accounts in any amount at any time, subject to the usual and customary settlement procedures. If an account is terminated during a quarter, such as by the client making a full withdrawal of program assets, the fees due for advisory services provided from the end of the prior quarter to the day of termination will be assessed prior to the distribution of account assets.

There may be other fees and expenses associated with the Managers Choice Program, other than those disclosed in this Brochure. For a more complete description of all fees and charges under the Manager Choice Program, please read MIG's Disclosure Brochure.

#### **LORING WARD ADVISORY SERVICES PROGRAMS**

The Firm offers the following programs from Loring Ward Advisory Services: *Structured Investing Portfolio Services* and *Structured Investing Advantage Program*.

##### **Structured Investing Portfolio Service**

The total advisory fee that the client pays to participate in the Structured Investing Portfolio Services Program, may be comprised of Loring Ward's fee ("Loring Ward Fee") and MSI's fee ("MSI Fee" and collectively with Loring Ward Fee, the "Program Fee").

The MSI Fee covers the advisory services that the Firm provides to the client under the Structured Investing Portfolio Services program, pursuant to the agreement between the Firm and the

client. The MSI Fee is generally between .25% and 1.10% and is negotiable. In the Firm's sole discretion, the Firm may lower the MSI Fee for certain client accounts based on factors including, but not limited to, account size and client's affiliation with the Firm.

The Loring Ward Fee includes Loring Ward's advisory fee for advisory related services for the client's account. The Loring Ward Fee is described in Loring Ward's Third Party Brochure and is set solely by Loring Ward.

##### **Structured Investing Advantage Program**

The total advisory fee that the client pays to participate in Loring Ward's Structured Investing Advantage Program is comprised solely of MSI's advisory fee ("MSI Fee").

The MSI Fee covers the advisory services that the Firm provides to the client under the Structured Investing Portfolio Services Program pursuant to the agreement between the Firm and the client. The MSI Fee is generally between .25% and 2.00% and is negotiable. In Firm's sole discretion, the Firm may lower the MSI Fee for certain client accounts based on factors including, but not limited to, account size and client's affiliation with the Firm.

Loring Ward does not charge clients an advisory fee for participating in the Structured Investing Portfolio Services Program. Instead, Loring Ward receives management and administrative fees from its proprietary mutual funds comprising the model portfolios based on the assets under management in each mutual fund. The purchase of mutual funds is subject to fees and expenses that are described in each fund's prospectus and that are in addition to the MSI Fee paid to the Firm under the program. These include investment advisory, administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Clients in this program pay their pro rata share of such fees and expenses. Mutual fund fees are established by each mutual fund's Board of Directors and are subject to change.

##### **For Both Programs**

Under both Programs, the Loring Ward Fee, if applicable, or MSI Fee does not include transaction charges payable to the custodian and/or broker dealer. Clients can review the Structured Investing Custodial Comparison chart with their Advisor for the transaction charges associated with each Custodian offered through the programs.

The initial Program Fee is billed directly by a third party custodian ("Custodian") shortly after the account is opened. The initial Program Fee is calculated by the Custodian from the date that the account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in advance for the next calendar quarter based on the value of the assets as calculated by the Custodian at the end of the prior calendar quarter. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. Loring Ward will forward MSI Fee to the Firm each quarter.

Clients may make additional contributions or withdraw assets from their Account at any time, subject to the usual and customary settlement procedures. If an Account is terminated, Pershing will calculate and refund to clients a pro rata portion of any pre-paid, but unearned fee for the current quarter. The

amount refunded to clients will be based on the number of days remaining in the quarter after the date of termination. There are no refunds for partial withdrawals.

There may be other fees and expenses associated with the Loring Ward Programs other than those disclosed in this Brochure. For a more complete description of all fees and charges under the Loring Ward Programs, please read the Loring Ward Disclosure Brochure.

#### **SOLICITOR PROGRAMS**

As described in Item 4, the Firm has entered into solicitor agreements with various Third Party Advisers. The Third Party Adviser will pay the Firm a referral fee ("Referral Fee") if a client opens an Account with the Third Party Adviser and the Firm provides the client with the services described in Item 4 of this Firm Brochure.

Prior to, or at the time of, the referral, the Firm will provide the client with the Solicitor Disclosure Statement, which discloses the Referral Fee arrangement between the Third Party Adviser and the Firm. The Referral Fee that the Firm receives will vary according to its agreement with each Third Party Adviser. Please refer to the Solicitor Disclosure Statement for a description of the Referral Fee arrangement between the Third Party Adviser and the Firm. The Firm shares a portion of the Referral Fee with the IAR who made the referral and/or provides the services on behalf of the Firm as outlined in Item 4. The portion that the IAR receives is based upon the agreement between the Firm and the IAR.

#### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Firm does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) with respect to any of the programs or advisory services discussed herein. Please refer to Item 6 of the applicable Third Party Brochure and the investment management agreement between the client and the Third Party Adviser to determine if the Third Party Adviser charges performance-based fees under the Third Party Program.

#### **ITEM 7. TYPES OF CLIENTS**

##### **Co-Adviser/Adviser Programs**

The Firm provides investment advisory services to individuals, high net worth individuals, various types of business organizations, pension and profit-sharing plans, charitable institutions, foundations, endowments and trusts. The Firm generally requires clients to execute an investment management agreement and complete an application form in order to participate in any of the Co-Adviser/Adviser Programs. Some clients (e.g., a trust or a corporate pension plan) may be required to submit additional documentation in order to open an account.

Except for the SEI program described below, the Firm does not have any minimum contribution or maintenance requirements. Each Third Party Adviser imposes its own account opening and/or maintenance requirements, including minimum contribution amounts. Generally Third Party Advisers require a client to complete an application and execute an investment agreement in order to participate in their Co-Adviser/Adviser Program. Please refer to Item 7 in the Third Party Brochure and the investment

management agreement between the client and the Third Party Adviser for additional information applicable to the Co-Adviser/Adviser Program selected by the client.

The minimum program assets required for client to participate and remain in the SEI Program is \$150,000, which is set, but may be waived solely, by SEI. Additionally, the custodian may charge a program Account maintenance fee, which is disclosed to client in the Custody Agreement. SEI and the custodian may each, in its own discretion, waive the minimum Program participation requirement or the maintenance fee, respectively.

#### **SOLICITOR PROGRAMS**

The Firm refers individuals, high net worth individuals, various types of business organizations, pension and profit-sharing plans, charitable institutions, foundations, endowments and trusts to a Third Party Adviser so that they may participate in a Solicitor Program sponsored by the Third Party Adviser. The Firm generally requires the client to complete an application form before referring the client to a Third Party Adviser. The purpose of the application form is not to establish a client relationship with the Firm in connection with the Account under the selected Solicitor Program, as the Account is solely managed by the Third Party Adviser, but it is to assist the IAR and the Firm in providing the services described in Item 4 of this Firm Brochure to the client.

Each Third Party Adviser imposes its own Account opening and/or maintenance requirements, including minimum contribution amounts. Generally a Third Party Adviser will require the client to complete an application and execute an investment agreement in order to participate in its Solicitor Program. Please refer to Item 7 in the Third Party Brochure and the investment management agreement between the client and the Third Party Adviser for additional information applicable to the selected Solicitor Program.

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

The Third Party Programs described in this Firm Brochure are created and maintained solely by Third Party Advisers. Client assets in Third Party Programs are invested solely by such Third Party Advisers based on their proprietary investment strategies and analyses in accordance with the model portfolio selected by the client. Client should carefully review Item 8 of the Third Party Brochure(s) and the investment management agreement(s) between the client and the Third Party Adviser(s) for details about Third Party Adviser's methods of analysis, investment strategies, risks and other pertinent disclosures applicable to the selected Third Party Program(s).

Clients should understand that investing in any one of the Third Party Program involves risks that clients should be prepared to bear.

#### **ITEM 9. DISCIPLINARY INFORMATION**

The following legal or disciplinary events related to the Firm may be material to your evaluation of whether to receive investment advice from the Firm with respect to a Co-Adviser/Adviser Program or use the services offered by the Firm with respect to a Solicitor Program. Please carefully review Item 9 of the Third Party Brochure for details about Third Party Adviser.

In June 2006, MSI reached a settlement with the Office of the Mississippi Secretary of State (Business, Regulations and Enforcement Division) regarding information provided to the Division and supervision of its registered representatives. Pursuant to the settlement, MSI agreed to conduct training on certain products to all registered representatives located in Mississippi. MSI also agreed to pay an administrative penalty of \$50,000. It was alleged that MSI furnished incorrect information to the Division and failed to adequately supervise its registered representatives.

In September 2006, MSI and certain of its affiliates reached a settlement with the National Association of Securities Dealers (NASD) relating to allegations that MSI and its affiliates: executed late trades; submitted inaccurate responses to NASD regulatory inquiries; failed to establish and maintain adequate supervisory systems and written procedures to prevent and detect late trading; failed to capture the time of customer mutual fund orders; failed to produce responsive emails in a timely fashion; and, failed to retain emails for the required time period. MSI and affiliates agreed that within 30 days an officer of MSI and its affiliates certified to the NASD that the firms (I) reviewed their procedures related to email retention, recording the time of mutual fund orders, and the productions of email in response to regulatory requests and late trading, and (II) established procedures designed to achieve compliance with laws, regulations and rules concerning these matters. MSI and its affiliates also agreed to pay a fine of \$5,000,000.

In November 2006, MSI reached a settlement with the National Association of Securities Dealers (NASD) relating to the sale of 529 plans. Under the terms of the settlement, MSI agreed to pay a fine of \$500,000 and agreed to pay \$376,000 in remediation.

In November 2009, MSI and its affiliates reached a settlement with the Financial Industry Regulation Authority (FINRA) regarding the supervision of email correspondence, and the supervision of associated persons in outside business activities and private securities transactions. MSI and its affiliates were fined \$1,200,000 jointly and severally. MSI's portion of the fine was \$552,000.00.

In November 2011, MSI reached a settlement with the Financial Industry Regulatory Authority (FINRA) regarding the maintenance and destruction of confidential client documents. Under the terms of the agreement, MSI agreed to pay a fine of \$35,000.

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

The Firm is registered with the SEC as an investment adviser and a broker-dealer and its principal officers are registered as IARs and/or registered representatives ("RRs") of the Firm. In its capacity as a broker-dealer, the Firm sells variable insurance products and general securities (including, but not limited to, stocks, bonds, municipal and government securities), mutual funds, and registered limited partnerships, to the public.

As part of this business, the Firm, through its RR's who may also be IARs, provides a broad range of securities brokerage services to customers, including persons who otherwise participate in one of the Third Party Programs or Solicitor Programs. As a broker-dealer, the Firm effects securities transactions for these brokerage customers for compensation and may recommend that customers

buy or sell securities or other investment products in which the Firm or its officers, directors, employees, RR's or IARs have a financial interest or may themselves purchase or sell. For example, the Firm may recommend that brokerage customers purchase, among other investments, variable annuity or variable life insurance contracts issued by an affiliate.

Clients should be aware that the Firm's and its RR's compensation vary by product and by issuer. As noted, the products sold by the Firm as a broker-dealer include products issued by affiliated insurance companies as well as those issued by unaffiliated issuers. Products issued by affiliates of the Firm may pay the Firm and/or its RR's more compensation than products issued by companies that are not affiliated with the Firm.

The following describes the relationship or arrangement that the Firm has with its affiliates that may be material either to the advisory business of the Firm or to clients.

#### **Broker Dealers, Other Investment Advisers and Investment Companies**

The Firm is affiliated with New England Securities Corporation ("NES"), Walnut Street Securities, Inc. ("WSS") and Tower Square Securities ("TSS"). The Firm, NES, WSS and TSS are each an investment adviser and a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

Lockwood is a Third Party Adviser that sponsors certain Third Party Programs. In addition to the referral arrangement and advisory business relationship between the Firm and Lockwood as described in this Firm Brochure, Lockwood and the Firm co-sponsor other investment advisory programs. These other programs are deemed to be proprietary programs of the Firm. Under these proprietary programs, Lockwood and the Firm share the advisory fees paid by clients who participate in such programs.

Furthermore, Lockwood pays a fee to the Firm to attend Firm sponsored sales and/or training conferences. Lockwood generally networks with, and provides training to, the IARs and Firm personnel during these conferences. The fee received by the Firm is used to offset expenses associated with hosting the conferences and is not paid to the IARs or other Firm associated persons. While the IARs do not receive a portion of this fee, IARs may be more likely to recommend Lockwood Programs to prospective clients because of the education and the exposure they receive on the Lockwood Programs and/or Lockwood.

Additionally, certain Third Party Advisers (specifically, Aris Wealth Services, Inc., Bank of New York Mellon Wealth Management, Curian Capital LLC, Genworth Financial Wealth Management and Managers Investment Group, LLC) may pay additional compensation to the Firm in order to, among other things, attend Firm sponsored sales and/or training conferences, access the Firm's IARs for marketing and/or training purposes, reimburse the Firm for costs associated with reviewing the Third Party Adviser and/or its Solicitor Program, and/or compensate the Firm for marketing the Third Party Adviser's Solicitor Program to IARs. This additional compensation may be based on the dollar value of assets contributed by the Third Party Advisers' clients who were referred by the Firm or a flat amount. This additional payment is paid directly to the Firm from the Third



Party Advisers' own assets and therefore does not increase the fees and charges assessed to these clients. At Firm sponsored events, these Third Party Advisers generally network with, and provide training to, IARs and Firm personnel. The fee received by the Firm is used in part to offset expenses associated with hosting conferences and is not paid to IARs or other Firm associated persons. While IARs do not receive a portion of this fee, IARs may be more likely to refer clients to such Third Party Advisers because of the education and the exposure they receive on their products and services.

With respect to the Solicitor Programs described in Item 4 above, the Firm receives a referral fee from Third Party Advisers for introducing the clients to the Third Party Advisers. The compensation that the Firm receives from Third Party Advisers is disclosed in the solicitor disclosure statement that the IAR provides to the clients prior to, or at the time of, the referral. These clients should carefully review the solicitor disclosure statement and the Third Party Brochure prior to hiring the Third Party Adviser.

The Firm receives compensation as a result of the client's participation in a Third Party Program. This compensation may be more or less than what the Firm would earn if the client participated in other advisory programs made available by the Firm, in programs that wrap advisory and execution services together in a single wrap fee, or if client did not participate in an advisory program and paid separately for investment advice, brokerage, and other services. Clients should discuss with the Firm or the IAR the variety of programs and services available through the Firm in order to independently determine which program(s) may be appropriate for their needs.

Where permitted by the Firm and authorized by the prospective customer, an RR or an IAR of NES, TSS or WSS may refer such prospective customer to a Firm RR or IAR in exchange for a referral fee, or such RR or IAR of NES, TSS or WSS may work with a Firm RR or IAR in order to jointly sell advisory products and services, including the Co-Adviser/Adviser Programs and Solicitor Programs, to a prospective customer. Any commissions or fees generated as a result of the joint sale will be shared.

The Firm and its affiliates may give advice or take action in performing their duties for other clients or for their own accounts that differs from the advice provided, or in the timing and nature of action taken, with respect to clients in any investment advisory program made available through the Firm. In addition, the Firm and its affiliates may give advice or take action in performing their duties for one client in an investment advisory program that differs from the advice provided, or in the timing and nature of action taken, with respect to another client in the same investment advisory program.

While the client is under no obligation to purchase securities, insurance or additional products from, or through, the Firm or its affiliates, if you choose to do so additional compensation will be paid to your IAR in his/her capacity as a registered representative and/or insurance agent as well as to the Firm and/or its affiliates. Such compensation typically takes the form of commissions and other payment streams tied to the sale of products. As a result of such additional compensation being paid for the sale of products or services, a conflict of interest arises as the additional compensation gives the IAR an incentive to recommend products based on the compensation received, rather than on a client's needs.

In addition, your IAR may act as a registered representative of an affiliated broker-dealer or as an insurance agent of an affiliated insurance company. He/she may sell securities or insurance products issued, sponsored, advised, underwritten, distributed, or serviced by the Firm or one or more of its affiliates. In such cases, one or more of the Firm's affiliates is receiving compensation in addition to the commission and/or other compensation paid to the Firm and your IAR in connection with such securities or insurance products. Thus, your IAR has a conflict of interest when recommending the sale of affiliated securities or insurance products as a registered representative or as an insurance agent.

The Firm wants its clients to make an informed decision when they purchase products or receive services from a Firm's RR or IAR. Therefore, the Firm is disclosing material arrangements and any potential conflicts of interest that clients may find informative when making their decisions. In addition to providing disclosures to its clients, the Firm, on an ongoing basis, communicates, trains and/or supervises its RRs and IARs on its policies and procedures regarding conflicts of interest. Furthermore, when an RR or an IAR makes a product or program recommendation to a client, the Firm reviews whether the recommendation is suitable for the client against any financial information provided by the client, such as the client's risk tolerance, time horizon and investment objective. Nevertheless, clients should always carefully and independently review all product or program features and risks, along with any applicable disclosures before making any investment decisions.

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

### **Code of Ethics**

To help manage conflicts of interest, the Firm has adopted a code of ethics (the "Code") pursuant to an SEC rule. As a general summary, the Code, among other things, requires certain persons to observe guidelines regarding fiduciary responsibilities, and observe restrictions in the giving and receipt of gifts. The Code also requires certain persons of the Firm to periodically report certain personal securities holdings, accounts and transactions, including those of certain family (household) members, and periodically certify that they understand their obligations under the Code and the firm's Investment Adviser Compliance Manual. Some personnel who are authorized to provide specific advisory services are required to move their and/or their family (household) members' personal securities accounts and other accounts under their control or beneficial ownership to a brokerage account at the Firm or one of its affiliates, and to observe blackout restrictions and other limitations with respect to those accounts. A copy of the Code will be made available to all clients and prospective clients upon request to the Firm.

The Firm or its IARs may give advice or take action in performing their duties for other clients or for their own accounts that differs from the advice provided, or in the timing and nature of action taken, with respect to clients in the Third Party Programs. In addition, the Firm and its IARs may give advice or take action in performing their duties for one client in the Third Party Program that differs from the advice provided, or in the timing and nature of action taken, with respect to another client in the Third Party Program.

## ITEM 12. BROKERAGE PRACTICES

### Co-Adviser/Adviser Programs

Please refer to Item 12 of the applicable Third Party Brochure to review the Third Party Adviser's brokerage practices as applicable to the Co-Adviser/Adviser Program that you have selected. The Firm and the IARs do not independently review, screen or appoint custodians for the Co-Adviser/Adviser Programs. However, under certain Co-Adviser/Adviser Programs (e.g., Loring Ward's Programs), the IAR may assist and review with the client the list of approved custodians provided by the Third Party Adviser for the client to select for the client's account. The client is ultimately responsible for selecting the custodian for client's account. The Firm does not participate in any soft dollar or directed brokerage arrangements with these custodians, and neither the Firm nor the IAR, receives any compensation from these custodians or the Third Party Adviser for assisting the client with the client's review.

### Solicitor Programs

Please refer to Item 12 of the applicable Third Party Brochure to review the Third Party Adviser's brokerage practices as applicable to the Solicitor Program that you have selected.

## ITEM 13. REVIEW OF ACCOUNTS

### Co-Adviser/Adviser Programs

An IAR will contact the client, at least annually, to determine whether anything has changed in the client's financial circumstances or investment objectives that may affect the manner in which the client's account should be managed. Additionally, this annual contact is used to determine, where applicable, whether the client wishes to impose new investment restrictions or modify any current investment restrictions on the management of the client's Co-Adviser/Adviser Program account. Changes conveyed by the client will be forwarded by the Firm to the applicable Third Party Adviser.

The Firm and its IARs do not review client accounts established under the Co-Adviser/Adviser Programs. Please refer to the investment management agreement between the Firm and the client for details about the role and responsibility of the Firm and its IARs under each Co-Adviser/Adviser Program. Please refer to Item 13 of the Third Party Brochure to review the applicable Third Party Adviser's account review obligations and practices.

### Solicitor Programs

The Firm and its IARs do not review Accounts established under Solicitor Programs. Please refer to Item 13 of the Third Party Brochure to review the applicable Third Party Adviser's Account review obligations and practices.

Notwithstanding the foregoing, as noted in Item 4 above, the IAR will attempt to contact the client on an annual basis to arrange a meeting to inquire whether anything has changed in the client's financial circumstances or investment objectives that might affect the manner in which Account assets should be managed by the Third Party Adviser and/or the Firm for the selected Solicitor Program. This annual consultation will be conducted by the IAR only if authorized by the Third Party Adviser. Please refer to Item 4 above for details.

## ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

The Firm enters into certain agreements with various organizations and associations pursuant to which such entities make available or endorse financial products and services offered by or through the Firm and its affiliates. Typically, such entities provide access to their members in exchange for a flat fee that the Firm or an affiliate pays.

The Firm and its IARs may receive additional compensation from Third Party Advisers other than its advisory fees. For example, a Third Party Adviser may sponsor its own conferences for training and educational purposes to which certain IARs are invited. In addition to attending these conferences without charge, the Third Party Adviser may also reimburse or pay for the travel and other related expenses incurred by IARs or a Firm branch office in connection with dinners or events for clients and other miscellaneous expenses incurred by IARs.

Certain of the Third Party Advisers with whom the Firm has a relationship with may from time to time pay the Firm an additional payment based on the dollar value of assets contributed by the Firm's clients. This additional payment is paid directly to the Firm from the Third Party Advisers' own assets and therefore does not increase the fees and charges assessed to the client. As a result of these additional payments, the Firm and its IARs have a financial incentive to recommend a Third Party Program offered by a Third Party Adviser in which such additional payments are made over another in which such payments are not made or are not as large. The Firm generally uses the funds received through these arrangements to offset its expenses associated with conducting due diligence on the Third Party Adviser or the Third Party Program, marketing, and training IARs on the Third Party Adviser or the Third Party Program, or for other business purposes.

The Firm may enter into referral arrangements with third parties (Solicitors") who will receive compensation from the Firm for referring prospective investment advisory clients to the Firm. Where required by applicable law, each marketing arrangement will be governed by a written agreement between the Firm and the Solicitor. Clients will be provided with copies of the Firm Brochure, a separate solicitor disclosure statement that describes the nature of the referral arrangement (including compensation features) applicable to the client being referred, and any other document required to be provided under applicable law. The fees and expenses that the Firm pays to a Solicitor under these referral arrangements are not passed on to referred clients, but depending on the circumstances, the existence of such referral arrangements may affect the amount of the Firm's overall fees or its willingness to negotiate fee reductions in particular instances.

Under these referral arrangements, a Solicitor may introduce prospective clients to the Firm or an IAR to further discuss whether the Firm's investment advisory services may be appropriate for the prospective clients. The Solicitor's sole responsibility under the referral arrangement is to refer prospective clients to the Firm or an IAR. The Solicitor may not provide investment advice to prospective clients or the Firm clients on behalf of the Firm or the IARs. Additional information about these arrangements, including the relationship between the Solicitor and the Firm, the role of the Solicitor and any



compensation that the Firm pays to the Solicitor for introducing prospective clients, is outlined in the separate solicitor disclosure statement referenced above. The Solicitor will provide the solicitor's disclosure statement to prospective clients before they are introduced to the Firm or an IAR.

The Firm and certain banks and credit unions (collectively "Financial Institutions") have entered into alliance arrangements whereby employees of Financial Institutions may refer individuals, who may be interested in learning more about the products and services available through the Firm, to IARs. The Firm will share a portion of the compensation earned by the Firm with Financial Institutions for referring individuals who eventually obtained or purchased products and/or services from the Firm. Employees of the Financial Institutions are not authorized to provide investment advice, or discuss the features of, or qualify individuals for, any product or services, on behalf of the Firm. Employees of Financial Institutions may receive nominal compensation for referring individuals to the Firm regardless of whether such individuals obtains products or services from the Firm. The compensation paid to Financial Institutions or their employees as described herein will not increase or otherwise affect the fees or charges a customer pays for obtaining products or services from the Firm.

#### ITEM 15. CUSTODY

The Firm does not maintain custody of client assets under any of the Third Party Programs. Clients may receive quarterly performance reports from the Third Party Adviser and will receive at least quarterly account statements from the unaffiliated broker-dealer, bank or other qualified custodian (each, a "Custodian") that holds and maintains the clients' investment assets associated with the Third Party Program respectively. Performance reports are not official account statements of the Third Party Programs, and clients should carefully review all account statements from the Custodian for accuracy and promptly notify the Custodian if any error or irregularities are found. Please refer to Item 16 of the Third Party Brochure and the client's investment management agreement with the Third Party Adviser for details.

To the extent that the Custodian or the Third Party Adviser electronically transmits any client account data to the Firm, the Firm may provide an account transaction report to the client for informational purposes only. Such account transaction report is not a substitute for the Custodian's official account statement or the Third Party Adviser's performance report and may not be up to date. Therefore, the Firm's account transaction report should not be relied upon for making investment or tax decisions.

#### ITEM 16. INVESTMENT DISCRETION

The Firm and its IARs do not exercise investment discretion over client assets in any accounts established under any of the Third Party Programs. Please refer to Item 16 of the Third Party Brochure and the investment management agreement between the client and the Third Party Adviser for details concerning investment discretion.

#### ITEM 17. VOTING CLIENT SECURITIES

The Firm and its IARs have no obligation or authority to take any action or render any advice with respect to the voting of proxies for a client in any Third Party Program. Please refer to Item 17 of the Third Party Brochure and the investment management agreement between the client and the Third Party Adviser for details on client's obligation, if any, with respect to voting proxies or corporate actions for the securities held in your account. Contact the applicable Third Party Adviser directly if you have any questions about the proxy voting practices in any Third Party Program.

#### ITEM 18. FINANCIAL INFORMATION

The Firm does not require clients who participate in any of the programs described in Item 4 to prepay its fees six months or more in advance. Additionally the Firm does not exercise any discretionary authority over, or maintain custody of, any client assets under any of the programs described in Item 4. The Firm does not have any material financial disclosures that it is required to make to clients.

Clients should review Third Party Brochure for any disclosures that the Third Party Adviser may make under this item.