

# **Triad Advisors, Inc.**

## **Private Managed Account (“PMA”) Wrap Fee Program Brochure**

SEC File No. 801- 55518

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**This wrap fee brochure provides clients with information about the qualifications and business practices of Triad Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at [www.com.triad-advisors.com](http://www.com.triad-advisors.com) or 770-840-6042. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

Triad Advisors, Inc. is a dually registered investment adviser and broker-dealer. Registration of an Investment Adviser does not imply any level of skill or training.

**Additional information about Triad Advisors, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Material Changes

This brochure by Triad Advisors, Inc. dated March 31<sup>st</sup>, 2012 serves as a replacement to the Private Managed Account Wrap Brochure dated November 30<sup>th</sup>, 2011. There are no material changes to this current edition of the (“PMA”) Brochure. If there had been any material changes, they would be identified and discussed in this section. We may further provide other ongoing disclosure information about significant changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting your Investment Advisor Representative.

Additional information about Triad is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Triad who are registered, or are required to be registered, as investment adviser representatives of Triad Advisors, Inc.

## Table of Contents

|   |    |
|---|----|
| Material Changes .....  | 2  |
| Table of Contents .....   | 3  |
| Services, Fees and Compensation .....                             | 4  |
| <i>Consulting Services</i> .....                                  | 4  |
| <i>Portfolio Management</i> .....                                 | 5  |
| <i>Execution of Trades</i> .....                                  | 5  |
| <i>Custody</i> .....  | 5  |
| <i>Fees and Compensation</i> .....                                | 5  |
| <i>Comparison Cost of Service</i> .....                           | 7  |
| Account Requirements and Types of Clients .....                   | 7  |
| <i>Account Requirements</i> .....                                 | 7  |
| <i>Types of Clients</i> .....                                     | 7  |
| Portfolio Manager Selection and Evaluation .....                  | 7  |
| Client Information Provided to Portfolio Managers .....           | 8  |
| Client Contact with Portfolio Managers .....                      | 9  |
| Additional Information .....                                      | 9  |
| <i>Other Financial Industry Activities and Affiliations</i> ..... | 9  |
| <i>Code of Ethics</i> .....                                       | 10 |
| <i>Interest in Client Transactions and Personal Trading</i> ..... | 11 |
| <i>Review of Accounts</i> .....                                   | 11 |
| <i>Client Referrals and Other Compensation</i> .....              | 12 |
| <i>Financial Information</i> .....                                | 12 |

## Services, Fees and Compensation

**Client should read and consider the information contained in this brochure. There is no assurance that the objectives of any client will be achieved.**

### *Consulting Services*

Triad Advisors, Inc. (“Triad”) is registered as both an investment adviser and a broker-dealer. Each client has an Investment Adviser Representative (“IAR”). IARs are generally broker-dealer representatives of Triad. In addition, the IAR is an advisory representative of Triad or is an advisory representative of an independently registered investment adviser.

If your IAR is a Triad IAR, Triad is providing consulting services to you in addition to brokerage and program services, as described in this brochure. If your IAR is acting as a representative of an independently registered investment adviser, that independently registered investment adviser is providing consulting services to you, and you will receive a disclosure brochure from that firm. For the purposes of this document, the term “Advisory Firm” refers to either Triad or the independently registered investment adviser, whichever is providing consulting services to you.

Clients who wish to participate in the Triad Private Managed Account Program (“PMA”) generally enter into a PMA agreement. The PMA agreement will set forth which Advisory Firm is providing consulting services to you.

Clients inform their Investment Adviser Representatives of the investment objectives, risk tolerance, and investment time horizon, and any investment policies, guidelines, or reasonable restrictions applicable to the assets they designate for investment through the PMA Program. Based on the information provided, the IAR assists the client in selecting one or more (“Managers”) to provide discretionary management services for the client’s account from those available through PMA.

The IAR may provide additional consulting services in connection with particular Managers. For example, a Manager may offer clients a variety of investment strategies or may offer clients access to other third-party portfolio managers. In those cases, the IAR will assist the client in selecting an investment strategy or specific portfolio managers. The IAR may also assist the client in allocating assets among strategies or managers. The consulting services that the IAR provides in connection with a particular program are set forth in the agreement that the client signs with the Advisory Firm. The IAR, Manager or the third-party portfolio managers that Manager makes available, may have discretion over client assets invested in the program. Manager may also have discretion in choosing or removing client assets from one third-party portfolio manager to another. The client will receive a disclosure brochure describing each Manager selected and the various services that the Manager offers. Clients may also receive separate disclosure brochures for the third-party portfolio managers that clients may select through the Manager. Clients should read these programs carefully before deciding whether to invest through a particular Manager or select a particular portfolio manager made available through that Manager. The IARs will generally not have discretion to select Managers, investment strategies or third-party portfolio managers, unless specifically set forth in the client’s agreement with the Advisory Firm.

### *Portfolio Management*

Accounts may be managed by IAR, Managers or by third-party managers made available through the Managers. Clients sign a separate agreement with each Manager selected. The client's selection of a Manager will not be effective until the client is accepted by the Manager. The client's agreement with the Manager sets forth the terms and conditions under which the client's accounts are managed by the Manager or by third-party portfolio managers made available through the Manager.

### *Execution of Trades*

Triad Advisors will generally also act as broker-dealer.

### *Custody*

An unaffiliated entity acts as custodian for PMA accounts. The custodian is named in the client's agreement with Triad or the RIA, as applicable. In most cases National Financial Services, LLC ("NFS") will act as custodian.

### *Fees and Compensation*

The client pays a quarterly Wrap Fee which is calculated based on a percentage of the value of the client's account. The maximum annual Wrap Fee rate is 2.75 % annually.

The Wrap Fee is negotiable based on a variety of factors, such as size and type of account, complexity, range of services utilized, etc.

The Wrap Fee covers the consulting services provided by the Investment Adviser Representatives, Triad's program administrative services, execution of transactions through Triad and custodial services provided by NFS (unless otherwise agreed between the custodian and the client).

The Wrap Fee does not cover:

Manager Fees. Managers charge the client separately for their services and for the services of any third-party portfolio managers selected by the client. The fee that the client pays to Manager will be set forth in the client's separate agreement with the Manager. This fee is in addition to the Wrap Fee paid under this agreement for services provided by the IAR and Triad. For more information, see the disclosure document provided by the Manager.

Certain Performance Reporting Fees. The IAR may provide certain clients with quarterly performance reports and may charge a quarterly fee for these reports in addition to the Wrap Fee. The IAR will provide clients who will be charged this fee with additional information about the fee, including the amount.

Other broker-dealer and custodian fees, costs and compensation. Other costs that may be assessed by broker-dealers or the custodian and that are not included in the Wrap Fee include: fees for transactions executed away from Triad, dealer mark-ups and spreads paid to market-makers. The Wrap Fee also does not cover fees and charges in connection with:

- debit balances
- margin interest
- odd-lot differentials
- IRA fees
- transfer taxes
- exchange fees

- wire transfers
- extensions
- non-sufficient funds
- foreign currencies
- SEC fees or other fees or taxes required by law
- mailgrams
- legal transfers
- bank wires
- postage

In addition, as broker-dealer, Triad may execute fixed income trades through Advisors Asset Management. Triad receives payments from Advisors Asset Management for having directed a volume of transactions to them for execution of orders for client accounts, which may include advisory accounts. This compensation does not affect the price that clients pay for securities or the transaction charges they pay. More information about these payments is available upon request.

Triad as broker-dealer or custodian may charge clients certain additional and/or minimum fees. In addition to the Program Fee, each mutual fund or ETF in which clients may invest also bears its own investment advisory fees and other expenses. The mutual funds available through PMA may be available directly from the funds pursuant to the terms of their prospectuses and without paying the Wrap Fee or Manager fee.

Exchange-traded funds are also available outside of PMA without paying the Wrap Fee or Manager fee, subject to applicable commissions and/or transaction charges. Further, to the extent that cash used for investment comes from redemptions of a client's mutual fund or other investments outside of the Program, there may be tax consequences or additional cost from sales charges previously paid and redemption fees incurred. Such redemption fees would be in addition to the Wrap Fee on those assets.

NFS and/or Triad may receive payments from certain mutual funds (including money market funds) pursuant to a 12(b)-1 distribution plan or other such plan as compensation for distribution or administrative services and are distributed from the fund's total assets. The 12(b)-1 fee arrangements will be disclosed upon request and is available in the applicable fund's prospectus. Transacting in mutual funds that have a 12(b)-1 fee results in additional compensation to Triad, and as a result, there is a potential conflict of interest. In addition, Triad receives compensation in connection with cash held in the account. Triad receives compensation from the custodian based on the value of credit balances in the accounts. If cash is swept into a money market fund, Triad receives compensation based on the value of assets in these funds as broker-dealer. Thus, Triad and the IAR have an incentive to recommend that clients select a money market fund as a sweep vehicle that pays more compensation to Triad than other funds.

Triad may share a portion of payments received from a mutual fund with IARs, in their capacity as broker-dealer representatives of Triad, to the extent permitted by applicable law. Thus, Triad IARs have an incentive recommend Managers who utilize mutual funds that pay compensation to Triad.

Additional expenses associated with the specific underlying investment funds such as, redemption fees may apply. Certain mutual funds used in the Program may charge a redemption fee if shares are redeemed within a specified period of time. Clients may incur redemption fees in the event that a sell is executed or model update is implemented. Redemption fees vary by fund and are described in each fund's prospectus.

### *Comparison Cost of Service*

The Wrap Fee plus Manager Fee may cost clients more or less than purchasing services separately depending on the frequency of trading in the accounts, commissions charged at other broker-dealers for similar products, fees charged for like services by other broker-dealers and other factors. Among the factors that have an impact on the relative cost of the program to a particular client include the size of the account, the type of account (i.e., equity or fixed income), the size of the assets devoted to a particular strategy, and the Managers selected.

Investment Adviser Representatives receive a portion of the total Wrap Fee charged per the client's PMA Agreement which may be as high as 2.52% annually. This compensation may be more or less than what the IAR would receive if the client participated in other programs or paid separately for investment advice, brokerage and other services. The IARs may therefore have a financial incentive to recommend the PMA Program over other programs or services. The Advisory Firm may also receive a portion of the IAR fee.

## **Account Requirements and Types of Clients**

### *Account Requirements*

Triad does not impose an account minimum. Managers impose various account minimums, as set forth in their disclosure documents.

### *Types of Clients*

The wrap fee programs are designed to assist clients, both individuals and institutions (such as pension and profit sharing plans, trusts, estates, charitable organizations, and corporations), to clarify their investment needs and to obtain professional asset management for a convenient "wrap" fee.

## **Portfolio Manager Selection and Evaluation**

Triad selects the Managers that are available to be selected by clients through PMA. Managers are evaluated using data and information from several sources, including the Manager and, if available, independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment and styles. Also reviewed are the Manager's disclosure brochure, marketing brochures, due diligence questionnaires and other relevant information that help demonstrate the Manager's investment process. Manager performance is monitored by Triad. Managers who underperform relative to the applicable asset class and or styles may be removed from the PMA program. Triad does not calculate or verify Manager returns, but rather relies on the returns presented by the Manager and/or third-party sources. Manager performance may not be calculated on a uniform and consistent basis.

Managers generally offer a variety of investment strategies. Some strategies may be high-risk strategies. Such strategies usually have the potential for substantial returns; however, there are correspondingly significant risks involved in the strategies. Such strategies are not intended for all investors. Clients who choose to follow high-risk strategies should be aware that there is the possibility of significant losses up

to and including the possibility of the loss of all assets placed in the strategies. It is strongly recommended that clients diversify their investments and do not place all of their investments in high-risk investment strategies.

IARs identify specific Managers for particular clients based on asset size, any investment restrictions the client may wish to impose, any investment guidelines or policies that the client may have or other factors that may make a certain particular manager more desirable to the client. Clients are responsible for the initial selection of Managers. IARs use these same factors to recommend replacement of specific Managers for particular clients.

Clients will receive each Manager's disclosure document. Clients should review the disclosure document carefully for important information about the Manager, including risks associated with the selected strategy (if applicable). Each Manager is solely responsible for the truthfulness, completeness, and accuracy of its own disclosure document. Neither Triad nor the IARs are responsible for the performance of any Manager. In addition, neither Triad nor the IAR shall not be responsible for any act or omission of any Manager or any misstatement or omission contained in any document prepared by or with the approval of any Manager or any loss, liability, claim, damage, or expense, whatsoever, as incurred, arising out of or attributable to such misstatement or omission or any other action or omission by a Manager.

Certain Managers seek to execute and fill transactions for institutional and other non-wrap fee/separately managed program accounts prior to those for wrap-fee/separately managed program accounts. This could have an adverse impact on the execution price clients receive if trades for institutional and non-sponsor program accounts impact the market and trading volume of the securities sought to be purchased with respect to the client's account. Manager trading and execution practices are described more fully in each manager's disclosure document.

## **Client Information Provided to Portfolio Managers**

As described in "Services, Fees and Compensation" above, clients inform their Investment Adviser Representatives of their investment objectives, risk tolerance, and investment time horizon and give their representative any applicable investment policies, guidelines, or reasonable restrictions. Based on this information, the Investment Adviser Representative assists the client in selecting Managers and providing other consulting services, as applicable. The IAR informs Triad regarding each Manager the client selects in the applicable account opening paperwork. The IAR also provides Triad with information about the client.

Clients should promptly inform their Investment Adviser Representative of material changes in their financial circumstances or investment objectives. The IAR will periodically discuss, at least once a year, whether the management of the account continues to reflect the investment objectives and financial requirements of the client.



Clients enter into a written agreement with each Manager that they select. The Manager collects information about clients directly from the clients.

## **Client Contact with Portfolio Managers**

Clients are free to contact Managers for questions or consultation in regards to their accounts with or without their Investment Adviser Representatives. There are no restrictions placed on clients' ability to contact and consult with Managers. Clients may elect to have their Investment Adviser Representatives to discuss their account on their behalf.

## **Additional Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of their management. The following information pertains to Triad. Managers and other Advisory Firms will provide any relevant information about them in their separate disclosure documents.

- The State of Florida entered into a Cease and Desist Order with Triad (#3517-5-08/02) on 10/7/2002. Due to a clerical error, Triad failed to register its branches prior to conducting business with the State of Florida. Triad paid the fine of \$5,000.
- FINRA filed a complaint against Triad on 03/22/07 (Case #2006003971501). From 1/1/06 – 3/31/06, Triad failed to report 62 of 100 corporate bond trades within the time period prescribed by FINRA Rule 6230 and in violation of FINRA Rules 2110 and 3010. During the same period, Triad failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Rule 6230 and in violation of Rules 2110 and 3010. Triad paid the fine of \$10,000.

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

Triad is a full service registered broker-dealer. In this capacity, Triad is involved in the purchase and sale of various types of securities, including, but not limited to, stocks, bonds, mutual funds and government securities. More information about Triad is set forth below. Information about other Advisory Firms is set forth in their separate disclosure documents.

In addition to being a registered investment adviser, Triad is a registered full service broker-dealer. Triad is a wholly owned subsidiary of Ladenburg Thalmann Financial Services Inc. (LTFS).

Other companies that are owned by LTFS and thus affiliated with Triad are:

|  |                    |
|--|--------------------|
| Ladenburg Thalmann Fund Management, LLC (LTFM) | 50% owned by LTAM  |
| Ladenburg Thalmann & Co. Inc. (LTCO)           | 100% owned by LTFS |
| Ladenburg Thalmann Capital Agency Inc.         | 100% owned by LTFS |

|                                       |                    |
|---------------------------------------|--------------------|
| Ladenburg Thalmann Asset Mgmt. (LTAM) | 100% owned by LTFS |
| Investacorp, Inc.                     | 100% owned by LTFS |
| Investacorp Advisory Services         | 100% owned by LTFS |
| Securities America, Inc.              | 100% owned by LTFS |
| Securities America Advisors, Inc.     | 100% owned by LTFS |
| Breck & Young Advisors, Inc.          | 100% owned by LTFS |
| Premier Trust, Inc.                   | 100% owned by LTFS |

Triad Investment Adviser Representatives may recommend Premier Trust to provide trust and administrative services. Premier Trust provides full disclosure with respect to its trust and administrative services and related costs.

### *Code of Ethics*

Triad has adopted a Code of Ethics for all supervised persons of the firm describing our high standard of business conduct, and fiduciary duty to our clients. All supervised persons at Triad must acknowledge the terms of the Code of Ethics and personal securities transactions and holdings annually, or as amended.

The Code of Ethics is enforced through compliance monitoring activities and surveillance. In cases where the firm discovers that an employee has violated a firm policy and/or procedure, the firm's code of business conduct or code of ethics, a state or federal law, regulation of FINRA, the SEC, or other regulatory agency, the Compliance Department will take appropriate steps to investigate the circumstances and will take action commensurate with the manner of the violation. Such actions could take the form of a written warning to the employee in conjunction with the firm's Legal Department, or be as serious as disciplinary action up to and including termination. Any such investigations will be brought to the appropriate regulator's attention, if necessary, which may result in a disclosure of the violation on the employee's U-4 form, if required.

Triad Code of Ethics Rules are designed to ensure that our personnel: a) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; b) at all times place the interests of Triad clients first; c) disclose all actual or potential conflicts; d) adhere to the highest standards of loyalty, candor and care in all matters relating to Triad clients; e) conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and f) not use any material non-public information in securities trading. The Code of Ethics also establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

Under the general prohibitions of these rules, Triad personnel may not: 1) effect securities transactions while in the possession of material, non-public information; 2) disclose such information to others; 3) participate in fraudulent conduct involving securities held or to be acquired by any client; and 4) engage

in frequent trading activities that create or may create a conflict of interest, limit their ability to perform their job duties, or violate any provision of these rules.

Triad personnel are required to conduct their personal investment activities in a manner that is not detrimental to Triad advisory clients. They are not permitted to transact in securities except under circumstances specified in the Code of Ethics. However, as described below, there may be circumstances where Triad Investment Advisor Representatives may buy and sell on behalf of its clients, securities of issuers or other investments in which they own securities or otherwise have an interest. The policy requires all Access Persons (defined as investment personnel, which includes portfolio managers, assistant portfolio managers, research analysts and trading room personnel, officers of Triad, and other designated persons) to report all personal transactions in securities not otherwise exempt under the policy. All reportable transactions are reviewed for compliance with the Code of Ethics. The Ethics Rules are available to clients and prospective clients from Triad upon request.

#### *Interest in Client Transactions and Personal Trading*

Investment Adviser Representatives may buy or sell for their own accounts, securities that are also held by their clients. Such transactions are permitted if in compliance with Triad policy on personal securities transactions. Reports of personal transactions in securities by Triad Investment Adviser Representatives are reviewed by Triad's Compliance department quarterly or more frequently if required.

#### *Review of Accounts*

Triad may conduct reviews on client's accounts. Accounts are primarily reviewed by the client's Investment Adviser Representative. In addition, Triad's compliance program includes the periodic review of a sample of customer accounts for consistency with a client's risk tolerance, investment time horizon, performance objectives, and asset allocation instructions. Triad's compliance department consists of four employees who assist in these reviews. There is no minimum number of accounts assigned for the reviewer.

Clients are provided with monthly or quarterly account statements from the custodian, depending on the activity in the account. Reports include details of client holdings, asset allocation, and other transaction information.

Clients who also receive account reviews from Investment Adviser Representatives are strongly encouraged to compare them to the account statements they receive from the custodian. The account statements received from the qualified custodian are the official statement of the accounts. Any account information provided by IARs is for informational purposes only.

Triad or the Investment Adviser Representatives may provide clients with quarterly performance reviews of PMA accounts, for which the client may be charged a fee in addition to the Wrap Fee, as set forth in "Fees and Compensation" above. Triad or Investment Adviser Representatives do not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter. Performance reviews are not a substitute for regular monthly account statements received from the custodian or Form 1099. Performance reviews should not be used to calculate fees or to complete income

tax returns. Upon a client's specific request and subject to the relevant firm's policies and procedures and applicable law, the performance review may include information about assets outside the program. By including any such assets in the performance review, the firm is not undertaking to provide or responsible for providing any services with respect to those assets.

#### *Client Referrals and Other Compensation*

Triad may enter into agreements with third parties that will solicit clients for Triad and receive compensation for solicitation efforts. In such instances, the third party solicitor will receive either a percentage of, or a set fee from, the fee charged to the client. If a solicitor is used in connection with a client's account, the structure and arrangement of the solicitation agreement, as well as the compensation paid to the solicitor, will be fully disclosed to the client, which disclosure will be acknowledged in writing by the client when participating in a Triad program. The fee charged to a client is not affected by the use of a third-party solicitor in connection with client accounts, and a client will not be charged any additional fees for the use of such services.

As set forth in "Fees and Compensation" above, Triad and the IARs in their capacity as registered representatives of Triad, may receive compensation from third parties in connection with trades executed for or investments held in advisory accounts.

#### *Financial Information*

Triad has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.