

**Part 2A of Form ADV: Safeguard Securities, Inc.**

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This brochure (Part 2a of Form ADV) provides information about the qualification and business practices of Safeguard Securities, Inc. If you have any questions about the contents of this brochure, please contact us at (216) 593-5090, or by email at [info@sourcecompanies.ws](mailto:info@sourcecompanies.ws). 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.

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

Safeguard Securities, Inc. is a registered investment advisor. Registration of an investment advisor does not imply a certain level of skill or training.

January 2, 2012

# Material Changes

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## Annual Update

Safeguard Securities, Inc. is providing this information as part of our annual updating amendment which contains material changes from our last annual update. This section discusses only material changes since the last annual update which most recently occurred on January 1, 2012.

## Material Changes Since the Last Update

The Securities and Exchange Commission adopted amendments to Part 2 of Form ADV effective October 2010. The newly revised Part 2 consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must now include a summary of all material changes since the last annual update.

This Brochure is dated January 2, 2012. The information below summarizes changes made to our brochure.

### Item 4 Advisory Business (Page 6)

<u>Updated language in this section:</u>
<u>Client Assets</u> We manage your accounts on a discretionary basis or a non-discretionary basis depending on your preference. As of December, 31, 2011, we managed \$ -0- in client assets on a discretionary basis and \$68,809,243 on a non-discretionary basis.
<u>The information contained on the Form ADV Part 2A dated January 2, 2011 was as follows:</u>
<u>Client Assets</u> We manage your accounts on a discretionary basis or a non-discretionary basis depending on your preference. As of December, 31, 2010, we managed \$ -0- in client assets on a discretionary basis and \$63,713,870 on a non-discretionary basis.

## Full Brochure Availability

The Firm Brochure for Safeguard Securities, Inc. is available by contacting Linda Konopinski at (216) 593-5090 or by email at [info@sourcecompanies.ws](mailto:info@sourcecompanies.ws).

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# Advisory Business

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## Firm Description

Safeguard Securities, Inc. is an investment advisor registered with the SEC and a broker dealer (Member FINRA & SIPC). As an investment advisor, we specialize in customized portfolio management for individual investors, high net worth investors, and pension/profit sharing plans.

## Principal Owners

Safeguard Securities became registered an investment advisor on January 19, 2007. Safeguard Securities, Inc. is wholly owned by Source Companies, LLC. The majority owner of Source Companies, LLC is Ancora Advisors LLC and the largest minority owner is Peter Mooney, President of Safeguard Securities. Ancora Advisors LLC is wholly owned by The Ancora Group, Inc. The Ancora Group Inc. is an employee-owned company. The principal owners of the Ancora Group are Frederick DiSanto, Richard Barone, James Bernard, and Denis Amato.

## Types of Advisory Services

At Safeguard Securities, Inc. our objective is to develop customized portfolios that meet your goals, we implement strategies for asset allocation and selection of specific investments. We provide customized portfolio recommendations based on your investment parameters, time horizon, risk tolerance, and return objectives. Our services include personal consultations offering advice on issues in the areas of finance and investments.

We will advise you on any type of investment in your portfolio at the inception of our relationship based on our understanding of your particular needs.

If one or more of your accounts is a plan subject to ERISA, we ask that you appoint us as investment advisor for the purpose of ERISA. We will need to have copies of the trust agreement and any amendments governing the operation and administration of plan assets. We do not provide advice for assets outside the plan and will not vote proxies for securities held in the plan.

## Tailored Relationships

Safeguard Securities, Inc. will work with clients to make customized portfolios and provide advice for special situations and needs.

## Wrap Fee Programs

Safeguard Securities, Inc. does not offer wrap fee programs.

## Client Assets

We manage your accounts on a discretionary basis or a non-discretionary basis depending on your preference. As of December, 31, 2011, we managed \$ -0- in client assets on a discretionary basis and \$68,809,243 on a non-discretionary basis.

# Fees and Compensation

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Fees for your investment advisor services are charged quarterly (1/4 of annual fee) based upon the value of assets managed based valuations done by you account custodian or other pricing services at the end of each calendar quarter. Safeguard Securities may discount client fees on a case by case basis.

## Description

### Safeguard Securities Asset Management Program Fees

Fees are based on the net asset value of each client's account as set forth in the client's money management agreement. The following fee schedule applies to each account:

Account Valuation	Maximum Allowable Annual Fee
\$0 - \$500,000	2.00%
\$500,001 - \$2,000,000	1.50%
\$2,000,001 - \$3,000,000	1.25%
\$3,000,001 - \$5,000,000	1.00%
Over \$5,000,000	Negotiable

Management fees are billed quarterly at the end of each quarter for that particular quarter (in arrears) based on the net asset value of the account at the end of each quarter and are deducted directly from the client's account. Fees are based on the client's total relationship with Safeguard Securities and include all related accounts.

### Safeguard Securities Corporate Retirement Plan Advisory Program Fees

Clients shall pay or cause to be paid to Safeguard Securities as remuneration for its services under this Agreement a quarterly investment management fee pursuant to the schedule set forth below.

Account Valuation	Maximum Allowable Annual Fee
\$0 - \$2,500,000	1.50%
\$2,500,001 - \$4,000,000	1.25%
\$4,000,001 - \$6,000,000	1.00%
\$6,000,001 - \$8,000,000	1.00%
\$8,000,001 - \$10,000,000	1.00%
Over 10,000,000	Negotiable

Fees shall be calculated and payable quarterly in arrears on the following basis:

Each calendar quarter Adviser's fee will be calculated based upon the market value as of the last day of the applicable calendar quarter. Clients with multiple accounts will benefit from house holding of all fee based accounts and be charged fees on the basis of the aggregate total of all accounts covered by Safeguard Securities Investment Advisory Agreements.

#### Safeguard Securities Financial Planning Services Fees

The fees for financial planning may be charged in one of two ways: (1) hourly rate, not to exceed \$250 per hour, or (2) flat fee. All fees are negotiable. The client may terminate Financial Planning Agreement with Safeguard Securities within five business days from the date of the agreement and receive a full refund of fees paid to Safeguard Securities less fees paid for services already rendered.

### **Fee Billing**

Fees for your investment advisor services are charged quarterly (1/4 of annual fee) based upon the value of assets managed based valuations done by you account custodian or other pricing services at the end of each calendar quarter.

When you sign your management agreement you may authorize Safeguard Securities to invoice your custodian or broker dealer to deduct your management fees. By signing this "Letter of Authorization" or similar document, you authorize your custodian to automatically deduct the management fees from your account and send them to Safeguard Securities. If your account does not have sufficient cash to or money market funds balance to cover the fees or is restricted from you may deposit additional funds (subject to certain restrictions for IRA account and qualified retirement plan accounts) or make payment in an alternative method acceptable to Safeguard Securities. If you do not deposit additional funds to your account or make the payment in another manner, securities in your account will be sold in an amount sufficient to cover the fees due. Your account custodian or broker dealer statement will reflect the date and the amount deducted from your account. Clients with multiple accounts may also choose to have all fees for multiple accounts taken from the account of the client's choice.

If you elect to pay Safeguard Securities directly for management fees, you will receive a quarterly invoice with instructions on where to mail your payment.

Clients that open accounts after the beginning of a quarter will be charged a prorated fee for advisory services at the end of the quarter.

### **Other Fees**

Our management fees are separate from charges assessed by third parties such as broker dealers, custodians and mutual fund companies. Brokerage and other transaction costs charged by broker dealers executing transactions and custodians maintaining your assets are in addition to the management fees and are not negotiable. Investment advisor clients that hold mutual funds in their portfolio(s) will also pay investment management fees and/or administrative fees. These fees are paid to the managers of the fund for their role in managing the fund(s) on a daily basis. Mutual funds, variable annuities, and or other platforms charge may assess other fees and expenses such as 12B-1 fees or commissions in connection with the placement of your funds.



## **Fees Paid in Advance and Termination of Advisory Services**

We do not require any prepayment of fees.

Clients may terminate their advisory contract with Safeguard Securities, Inc. in writing at any time. We recommend you use a mail service where a signed receipt is required. Fees will be charged on a prorated basis upon termination. We may terminate relationships with clients, in writing, upon 30 days notice, and our management fee will be charged on a pro-rated basis. Your death will not terminate the Investment Management Agreement or authority granted to Safeguard Securities, Inc. until we have received actual written notification of your death.

## **Additional Compensation**

If your broker dealer is Safeguard Securities, you will be charged commissions on your trades at a level intended to cover commission charges that are charged to Safeguard Securities by Ancora Securities and Pershing LLC. Because you are an investment advisory client, we do not pay your investment advisor representative commissions on investment advisory transactions. If you have a brokerage account with Safeguard Securities that is not an investment advisory account, our representative will receive commissions but Safeguard will not charge you an investment advisory management fee.

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

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## **Sharing of Capital Gains or Capital Appreciation**

Safeguard Securities, Inc. does not accept performance-based fees – that is fees based on a share of the capital gains or appreciation of the assets of the client.

# **Types of Clients**

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## **Description**

We specialize in customized portfolio management for individual investors, high net worth investors, and pension/profit sharing plans.

## **Account Minimums**

Safeguard Securities Asset Management Program requires a minimum account size of \$50,000. Minimum account size limits may be waived with principal approval.

# Methods of Analysis, Investment Strategies, and Risk of Loss

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## Methods of Analysis and Investment Strategies

Safeguard Securities uses risk tolerance questionnaires, client profile forms and client interviews to create a customized profile for each client. This profile is used to determine the type of investments, risk associated with certain types of investments and the allocation of investments in order to create a custom portfolio for each client.

We generally work with our clients to develop a proper allocation of diversification among various asset classes – stocks, bonds, alternative investments, and cash. Holdings generally include domestic and international as well as sector specific options. Depending on the client's individual goals, objectives, and risk tolerance, we may recommend an active or passive approach to manage their investments. Our portfolio construction process is designed to maximize the rate of return and minimize volatility by identifying the proper level of diversification between asset classes.

## Investment Management Services for Open Architecture Retirement Plans

Safeguard Securities provides the trustee(s) of open architecture retirement plans investment advisory services related to selecting investment alternatives and managing employee participation in the plan.

Safeguard Securities working with the trustee(s) of the open architecture retirement plans, in its capacity as an investment advisor, will select a group of mutual funds as the investment alternatives available for the plan participants to choose from. Safeguard Securities will prepare participant enrollment packages and representatives will conduct employee meetings introducing and discussing the investment alternatives available to eligible employees in the retirement plans.

Assets placed in this program are held by independent custodians. The independent custodians place trades with the funds to purchase and sell shares daily as required by the retirement plan participants through contributions and withdrawals to / from retirement plan accounts. Fund shares to be purchased and sold by the plan participants are aggregated each day using a mutual fund record keeping platform. Mutual fund shares are purchased and sold daily as needed. The mutual fund record keeping system tracks the ownership of shares for each retirement plan participant. The designated recordkeeper mails out statements to the retirement plan participants quarterly and provides internet access for both plan sponsors and plan participants.

## Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. Investment values will fluctuate both up and down, are subject to market volatility, and may be worth more or less than the original cost. All securities involve risk of the loss of principal. In addition, while we believe our methodology and strategies will be profitable, there is no assurance this will always be the case.

While your brokerage account may allow margin transactions, we generally do not recommend the use of margin. We want you to understand the risks of margin transactions and recommend that you read your

broker dealer's written disclosure document describing margin trading and its related risks. We will be happy to answer any questions you may have related to margin.

## Disciplinary Information

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### Legal and Disciplinary

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Safeguard Securities, Inc. and the integrity of our management of your assets. We have no information that applies to this item.

### Criminal or Civil Action

Registered Investment Advisors are required to disclose all material facts regarding any criminal or civil actions that would be material to your evaluation of Safeguard Securities, Inc. and the integrity of our management of your assets. We have no information that applies to this item.

### Administrative Proceeding

Registered Investment Advisors are required to disclose all material facts regarding any administrative proceeding that would be material to your evaluation of Safeguard Securities, Inc. and the integrity of our management of your assets. We have no information that applies to this item.

### Self-Regulatory Proceeding

Registered Investment Advisors are required to disclose all material facts regarding any self regulatory proceedings that would be material to your evaluation of Safeguard Securities, Inc. and the integrity of our management of your assets. We have no information that applies to this item.

## Other Financial Industry Activities and Affiliations

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### Broker-dealer or Registered Representative

Our investment advisor representatives are also broker dealer registered representatives of Safeguard Securities. Safeguard Securities is both an investment advisor and a broker dealer. Our staff members registered as broker dealer registered representatives may receive separate commissions based compensation when they act as brokers.

Safeguard Securities is an affiliate of Ancora Securities, Inc. through common ownership by The Ancora Group, Inc. Ancora Securities Inc is a registered general securities broker dealer and Member of FINRA and SIPC. Safeguard Securities has a introducing and clearing agreement with Ancora Securities.

Safeguard Securities is also affiliated with Arbor Court Capital LLC through common ownership by The Ancora Group, Inc. Arbor Court Capital LLC Inc is a limited insurance securities product broker dealer and Member of FINRA and SIPC.

### **Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person**

Safeguard Securities, Inc. and our staff are not affiliated with a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser.

### **Material Relationships or Arrangements with Financial Industry**

Safeguard Securities, Inc. is affiliated with the Ancora Trust commonly known as the Ancora Family of Mutual Funds through common ownership. The chairman of Ancora Advisors (Ancora Advisors is the indirect majority owner of Safeguard Securities) is the Chairman of the Ancora Trust and is a portfolio manager of the Ancora Funds.

Safeguard Securities is also affiliated with Source Insurance, LLC. Source Insurance, LLC is an insurance agency.

### **Recommend or Select Other Investment Advisers**

Safeguard Securities, Inc. is an affiliate of Ancora Advisors LLC through common ownership. Ancora Advisors is a SEC Registered Investment Adviser. Ancora Advisors does not act as an advisor or sub-adviser for Safeguard Securities clients. If a client's needs are more suited for a product or service offered by Ancora Advisors we may refer the client to Ancora Advisors to meet the client's investment needs.

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

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## **Code of Ethics**

Safeguard Securities, Inc has adopted a Code of Ethics by which our officers and staff members are required to abide. Officers and staff members are required to provide Safeguard Securities with a written acknowledgement regarding the Code of Ethics. The Code of Ethics covers the following areas:

1. Definition of Terms
2. Standard of Conduct & Statement of General Fiduciary Principles
3. Protecting Inside Information
4. Restrictions of Personal Investing
5. Reporting Personal Securities Transactions and Accounts
6. Monitoring Personal Securities Transactions

7. Administration of the Code of Ethics and Violations
8. Acknowledgement of Code of Ethics

Safeguard Securities will provide a copy of Code of Ethics to clients and prospective clients upon request by contacting Linda Konopinski at (216) 593-5090 or by email at [info@sourcecompanies.ws](mailto:info@sourcecompanies.ws).

## **Recommend Securities with Material Financial Interest**

Safeguard Securities may recommend to clients investments in which it, or a related person, may have some financial interest. In such cases, Safeguard Securities fully discloses the relationship, and requires the client to affirm, in writing, that they understand the relationship.

## **Invest in Same Securities Recommended to Clients**

All related persons and affiliates of Safeguard Securities may not purchase or sell securities ahead of our clients. Our related personnel and affiliates must receive Peter Mooney's approval to buy or sell any security. That approval is contingent upon transactions in a particular security being subsequent to those of our clients. Unless there is a meaningful and favorable change in the price of a security, or an extenuating circumstance, Safeguard Securities' portfolio managers will not make any further purchases or sales that day after a related person or affiliate. This policy is a minimum for securities with limited marketability. Further to the issue of limited marketability, related persons and affiliates may not purchase or sell until the portfolio manager agrees that he or she has substantially completed the purchase and/or sale for clients, and that purchase or sale program may extend over a number of days. As a general rule, in a situation where an investment conflict of interest occurs between a client and one of our associates or affiliates, the conflict of interest will be resolved in the best interests of the client.

## **Personal Trading Policies**

We have formal a Personal Securities Trading Policy. As part of this policy, we require that our employees and affiliated persons submit all personal trading requests to Peter Mooney or his designee for approval prior to placing personal transactions. Employees submit their personal securities transaction reports quarterly to the Compliance Officer.

# **Brokerage Practices**

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## **Selecting Brokerage Firms**

We suggest, but do not require, that clients use Safeguard Securities for execution and maintenance of their investment accounts. If you choose Safeguard as your broker dealer, Pershing LLC will be your account's custodian. Our investment advisor representatives are also registered as registered representatives of the broker dealer portion of our firm. This relationship provides our representatives with access to Pershing services, as well as software that facilitates the following: order creation, client management, compliance, accounting, and performance measurement. Safeguard works for best price execution at low commission rates. In addition, Safeguard Securities has direct on-line server access to accounts maintained by Safeguard Securities through Pershing, as well as straight through order entry.

Safeguard Securities requires clients who choose us as broker to sign an addendum to its Advisory Agreement which sets forth the commissions charged by the firm.

## **Research and Soft Dollars**

Safeguard Securities does not exchange brokerage commission for research in “soft dollar” transactions.

## **Brokerage for Client Referrals**

Safeguard Securities, Inc. does not engage in the practice of directing brokerage trades to outside broker dealers for client referrals.

## **Directed Brokerage**

In almost every case, we direct trades based on each client’s direction. Typically, our trades are placed directly with the client’s custodian. In a very rare circumstance, a trade may be done with one broker dealer and settled with the client’s account at another broker dealer as part of a COD transaction. This is always per the client’s instruction.

## **Order Aggregation**

Most transactions for each client account are entered on a transaction-by-transaction basis. If we decide to purchase or sell the same securities for several clients at approximately the same time, we might combine (otherwise known as aggregating or batching transactions) for these orders. This process occurs through the use of an average price account. By aggregating orders of the same securities, the broker dealer may be able to obtain a better overall execution price. In addition, we may be able to obtain lower transaction costs that might or might not have been obtained had multiple orders been placed independently. When aggregating trades in the average price account, the brokerage firm generally averages the price and charges one commission per client per security. We receive no additional compensation, fees, or remuneration from the aggregation of client trades in an average price account.

# **Review of Accounts**

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## **Periodic Reviews**

Asset Management Accounts are reviewed on a quarterly basis by your investment advisor representative. Account reviews include trading activity, performance, asset allocation, fees and additions or withdrawals. Each investment advisor representative will review only their accounts. Client are encouraged to meet with us in person at least annually.

Financial Planning Services Accounts and relationships are reviewed at the request of clients, generally on an annual basis. Some plans are prepared on a one-time only basis so there may be no subsequent review.

## **Review Triggers**

When securities held by clients are to be sold, accounts are reviewed immediately; either prior to or after the security is sold. When any security is bought for clients, accounts are reviewed immediately; either prior to or just after the security is purchased.

## Regular Reports

The broker dealer handling your account or custodian sends you account statements at least quarterly, but usually monthly. These account statements show money balances, securities held in the account, investment values and transaction activity. Safeguard Securities, Inc. may also send out quarterly reports that include the same information noted above and other information such as performance of your investments. We encourage you to review and compare the brokerage account statements with your Safeguard Securities, Inc. quarterly reports. If you see a discrepancy, please contact your investment representative, and bring it to their attention.

# Client Referrals and Other Compensation

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## Economic Benefits

For the benefit we receive from Safeguard Securities and Pershing LLC see the “Brokerage Practices” section above.

## Third Party Solicitors

Safeguard Securities, Inc. may use solicitors to introduce potential clients. These solicitors have a written agreement with Safeguard Securities, Inc. regarding their role and responsibilities as a solicitor for us. Solicitors meeting the responsibilities of the written agreement will receive compensation from Safeguard Securities, Inc. for the services rendered. Those clients who establish a relationship with us using a solicitor will sign a “Solicitor Disclosure Statement” acknowledging the existence of the solicitor relationship as it pertains to their account(s). The fee we pay to the solicitor will be paid from fees from the account(s) received by Safeguard Securities, Inc. Clients introduced by a solicitor pay the same fees as non-solicitor clients. This means that no additional fees or charges will be charged to our client because of the solicitor relationship.

# Custody

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## Account Statements

The broker dealer handling your account or custodian sends you account statements at least quarterly, but usually monthly. These account statements show money balances, securities held in the account, investment values and transaction activity.

# Investment Discretion

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## Discretionary Authority for Trading

Some clients may give Safeguard Securities, Inc. discretion over the selection, amount, and timing of securities to be bought and sold. This means that the portfolio manager or investment advisor representative may purchase or sell securities consistent with your investment objectives without contacting you prior to entering the transaction.

## Limited Power of Attorney

Investment authority may be subject to specific investment objectives and guidelines and/or conditions imposed by you. For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of your portfolio or you may have restrictions or prohibitions of transactions in the securities of a specific company or industry such as no tobacco stocks. Please detail any such specifications or exceptions in writing prior to engaging our services.

# Voting Client Securities

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## Proxy Voting

As a general rule, we do not accept authority to vote securities on your behalf. Your brokerage firm or custodian sends proxies or other solicitations about your securities directly to you. If you have questions about a particular solicitation, you can contact your representative for advice. You are not obligated to follow your representative's advice on voting your securities.

# Financial Information

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## Prepayment of Fees

Fees for your investment advisor services are charged quarterly based upon the value of assets managed based valuations done by your account custodian or other pricing services at the end of each calendar quarter. We do not require any prepayment of fees for investment advisory services. Some financial plans may require a partial payment in advance of the plan being completed.

## Financial Condition

Safeguard Securities, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

## Bankruptcy

Safeguard Securities, Inc. has not been subject to a bankruptcy proceeding.



# Requirements for State-Registered Advisers

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This item does not apply to Safeguard Securities, Inc.