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Form ADV, Part 2A
Brochure

November 5, 2012

This Brochure provides information about the qualifications and business practices of Sunbelt Securities, Inc. ("Sunbelt"). If you have any questions about the contents of this Brochure, please contact us at 713-965-9510. 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.

Sunbelt Securities, Inc. is a Registered Investment Adviser. Registration as an Investment Adviser does not imply any level of skill or training.

Additional information about Sunbelt Securities, Inc. and its Investment Adviser Representatives is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The purpose of this page is to provide a summary of material changes since March 25, 2011, which is the date of Sunbelt Securities, Inc.'s ("Sunbelt") last annual update.

Because Sunbelt's material changes are incorporated throughout this Brochure, Sunbelt strongly advises and encourages the Client to thoroughly read the Brochure in its entirety. Should the Client have any questions related to this Brochure, the Client should contact his/her Investment Adviser Representative ("IAR") or Sunbelt at 713-965-9510.

In the future, if Sunbelt amends this Brochure because of a material change, it will provide its Clients with a summary of those material changes either on an annual basis or as required by regulation.

The following items are material changes since Sunbelt's last update:

Item 4 – The individuals who own more than 25% of Sunbelt have been individually identified.

Item 4 – Sunbelt provided detailed descriptions, including updated disclosures and conflicts of interest, on its investment advisory services: Sunbelt PM Wrap Fee Program; Sunbelt PM Unbundled Program; Educational Workshops/Seminars; Financial Planning and Non-Asset Management Services; and Recommendation of Third Party Money Managers/Sub-Advisors. Additionally, Sunbelt disclosed the differences between its wrap fee and non-wrap fee accounts.

Item 5 – Sunbelt provided detailed descriptions, including updated disclosures and conflicts of interest, on its fees for investment advisory services. Clients should note that the same or similar service to those described in Item 4 above may be available elsewhere at a lower cost to the Client.

Item 8 – Sunbelt provided detailed descriptions, including updated disclosures, risks and conflicts of interest, on the methods of analysis and investment strategies that Sunbelt's IARs may use. Clients are advised that Sunbelt does not require or mandate a particular method of analysis or investment strategy be implemented by its IARs. Some Sunbelt IARs may use just one method or strategy while other IARs may rely on multiple. Clients should be familiar with the sources of information used by their IAR and ask any questions that they may have regarding those information sources. Prior to investing Clients should ensure that they understand and agree with the method(s) of analysis and investment strategy(ies) used by their IAR.

Item 9 – The following disciplinary information was added: On September 16, 2011, the State of Kentucky cited Sunbelt in its capacity as a Registered Investment Adviser for failure to properly register an Investment Adviser Representative, when that Representative was acting in such capacity within the State of Kentucky.

Item 9 – The following disciplinary information was added: On March 13, 2007, the National Association of Securities Dealers ("NASD"), now known as FINRA, alleged that Sunbelt in its capacity as a broker/dealer had not adopted, maintained and enforced written supervisory procedures reasonably designed to ensure compliance with municipal transaction reporting requirements through the Real-time Transaction Reporting System ("RTRS").

Item 10 – Sunbelt updated the disclosures related to its status as a dually registered broker/dealer and investment adviser. This may create a perceived conflict of interest and Clients are advised to clarify the capacity through which individual products or services are offered and the type of payment that will be received.

Item 10 – Sunbelt updated the disclosures related to its IARs’ outside activities and affiliations with Independent Registered Investment Advisers, Accounting Firms, Law Firms and Insurance Companies. IARs providing these types of services do so outside of their affiliation with Sunbelt and the services are not offered through Sunbelt or endorsed by Sunbelt.

Item 10 – Sunbelt updated its disclosures related to unaffiliated investment advisers. Sunbelt has developed several programs, described in Items 4 and 5, designed to allow Sunbelt’s IARs to recommend and select unaffiliated investment advisers for Clients. The selected unaffiliated investment advisers will act as either third-party money managers or sub-advisers. This type of activity may create a perceived conflict of interest, which Sunbelt has disclosed in Items 4 and 5 of this Brochure.

Item 14 – Sunbelt has entered into a referral agreement with independent third party investment advisers, pursuant to which Sunbelt and IARs receive referral fees from the third party investment advisers in return for referral of Clients. This type of activity may create a perceived conflict of interest, which Sunbelt has disclosed in Item 14 of this Brochure.

Item 3 – Table of Contents

Item 2 – Material Changes.....	2
Item 3 – Table of Contents	4
Item 4 – Advisory Business	6
A. The Sunbelt PM Wrap Fee Program	6
B. The Sunbelt PM Unbundled Program	7
C. Educational Workshops/Seminars.....	7
D. Financial Planning and Non-Asset Management Services Program	8
E. Recommendation of Third Party Money Manager/Sub-Advisor	8
Item 5 – Fees and Compensation.....	9
A. The Sunbelt PM Unbundled Program	9
B. Educational Workshops/Seminars.....	12
C. Financial Planning Services	13
D. Third Party Money Manager/Sub-Advisor.....	13
Item 6 – Performance-Based Fees and Side-by-Side Management.....	14
Item 7 – Types of Clients.....	14
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	15
A. Methods of Analysis.....	15
B. Investment Strategies	16
C. Risk of Loss.....	17
Item 9 – Disciplinary Information	18
Item 10 – Other Financial Industry Activities and Affiliations	19
A. Broker/Dealers	19
B. Independent Registered Investment Advisers	20
C. Arrangements with Unaffiliated Investment Advisers	20
D. Accountant, Accounting Firm, Lawyer or Law Firm.....	20

E. Insurance Companies	20
Item 11 — Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading	21
A. Code of Ethics	21
B. Participation or Interest in Client Transactions	21
C. Personal Trading	21
Item 12 — Brokerage Practices	22
A. Selection of Broker/Dealers	22
B. Research and Other Soft Dollar Benefits	22
C. Brokerage for Client Referrals	22
D. Directed Brokerage Accounts	22
E. Aggregation	22
Item 13 — Review of Accounts	23
Item 14 — Client Referrals and Other Compensation	23
Item 15 — Custody	23
Item 16 — Investment Discretion	24
Item 17 — Voting Client Securities	24
Item 18 — Financial Information	24

Item 4 – Advisory Business

Sunbelt Securities, Inc. (“Sunbelt”) was formed in 1995 as a corporation organized under the laws of the State of Texas. Sunbelt is not a publicly traded corporation and the following individuals own 25% or more of the company: Thomas F. Buckley (CRD#1563361), David A. Smetek (CRD#1246996) and Patrick J. Smetek (CRD#1052695).

Sunbelt is registered as a broker/dealer and as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Sunbelt is a member of the Financial Industry Regulatory Authority (“FINRA”), the Municipal Securities Rulemaking Board (“MSRB”) and the Securities Investor Protection Corporation (“SIPC”). Registered Persons affiliated with Sunbelt Securities, Inc. recommend certain securities for which they receive a commission, markup or markdown. Registered Persons, affiliated with Sunbelt Securities, Inc., who offer various advisory services for which they receive a fee are called Investment Advisory Representatives (“IARs”). For purposes of this document, Sunbelt Securities, Inc. (“Sunbelt”) refers to its registration as a Registered Investment Adviser. The advisory services offered through Sunbelt Securities, Inc. are described in this Disclosure Brochure.

There are risks associated with any investment or advisory service. There are no guarantees of the success of any particular investment or strategy and it is possible that some or all of the principal could be lost. Past performance is not a guarantee of future performance; Clients invest at their own risk.

Tax implications are a critical component of any investment strategy. Therefore, depending on the strategy that a Client chooses to implement, it is possible that any trading activity could result in a taxable event and lower investment return. Investments may have tax or legal consequences, so Clients should contact their own tax professionals and attorneys to help answer questions about specific situations or needs.

When investing in mutual funds, variable annuities and alternative investments, Clients are strongly encouraged to review the applicable prospectus. Mutual funds, variable annuities and certain variable annuity riders may impose certain restrictions on the frequency, timing and dollar amount of transactions and may impose penalty fees based upon short-term trading patterns. These restrictions may impact the services provided by the IAR or a Third Party Money Manager/Sub-Advisor.

As of October 31, 2012, the total amount of assets managed by Sunbelt’s IARs on a discretionary basis is \$193,977,140.96, and \$0.00 on a non-discretionary basis. Discretion means that an IAR does not need prior permission to conduct transactions or render advisory services in Client accounts.

Sunbelt’s IARs may offer the following services to their Clients:

- A. Sunbelt PM Wrap Fee Program;
- B. Sunbelt PM Unbundled Program;
- C. Educational Workshops/Seminars;
- D. Financial Planning and Non-Asset Management Services; and
- E. Recommendation of Third Party Money Managers/Sub-Advisors.

Below is specific information about each service.

A. The Sunbelt PM Wrap Fee Program

- The Sunbelt PM Wrap Fee Program (“Sunbelt PM”) is a wrap program designed to provide investment advisory services to the Client by a Sunbelt IAR through an Investment Advisory Agreement - Wrap (“Agreement”) and to assist in the determination of an asset allocation

utilizing selected securities designed to meet the Client's individual investment needs and goals. Generally, the Client must invest a minimum of \$25,000.00 to open a Sunbelt PM account, however this requirement can be waived at the discretion of Sunbelt.

- Each IAR tailors the advisory services within Sunbelt PM accounts to the individual needs of his/her Clients by obtaining information regarding the Clients' individual objectives, goals and risk tolerance and developing an investment strategy or selecting a portfolio designed to work toward the particular Client's needs. The Client may impose restrictions on investing in certain types of securities by informing the IAR of their wishes.
- While there may be no differences between the manner in which wrap accounts (Sunbelt PM) and non-wrap accounts (Unbundled Program) are managed, a wrap pricing structure allows the Client to pay an inclusive fee for account management, brokerage, clearance and custody. A portion of the fee is paid to the IAR and to Sunbelt for the respective services of each. Clients should consider that, depending upon the level of the wrap fee charges, the amount of portfolio activity in their accounts, the value of services that are provided under the investment program and other factors, the wrap fee may or may not exceed the aggregate cost of services if they were to be provided separately. Generally, wrap programs are relatively less expensive for actively traded accounts; however, wrap programs may result in higher overall costs to the Client in accounts that experience infrequent trading activity.
- Clients opening an Sunbelt PM should receive a copy of the Sunbelt PM Wrap Fee Program Brochure. The Sunbelt PM Wrap Fee Program Brochure contains additional information concerning wrap programs in general and the Sunbelt PM program in specific, including disclosure of fees payable by the Client.

B. The Sunbelt PM Unbundled Program

- The Sunbelt PM Unbundled Program ("Unbundled Program") is a program designed to provide investment advisory services to the Client by a Sunbelt IAR through an Investment Advisory Agreement - Unbundled ("Unbundled Agreement") and to assist in the development of an asset allocation using select securities designed to meet the Client's individual investment needs and goals. It is an "unbundled" program. This means that transaction charges, advisory fees and administrative fees are separate and distinct from one another and are all paid by the Client. This pricing arrangement may be more cost effective for accounts that have infrequent trading activity. Depending on the level of trading activity in the account, the Client may or may not pay higher total costs than in a wrap pricing structure (described above in the Sunbelt PM Wrap Fee Program section). Generally, a Client must invest a minimum of \$25,000.00 to open an Unbundled Program account, however this requirement can be waived at the discretion of Sunbelt.
- Each IAR tailors the advisory services within Unbundled Program accounts to the individual needs of a Client by obtaining information regarding the Client's individual objectives, goals and risk tolerance and developing an investment strategy or selecting a portfolio designed to work toward the particular Client's needs. The Client may impose restrictions on investing in certain types of securities by informing the IAR of their wishes.

C. Educational Workshops/Seminars

- On occasion, IARs may conduct educational workshops or seminars on various financial topics that may encourage Clients to seek investment advisory services or purchase securities.
- Because a wide variety of Clients attend, workshops and/or seminars are generally not designed to meet the needs of individual Clients, but to apply to a larger audience.

D. Financial Planning and Non-Asset Management Services Program

- Sunbelt’s Financial Planning and Non-Asset Management Services Program (“Financial Planning Services”) do not involve the active management of Client accounts, but instead focus on a Client’s overall financial situation. Financial planning typically involves helping individuals determine and set long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning and other areas.
- Upon execution of the Financial Planning Agreement, the Client’s IAR will provide financial planning services in the form of a written financial plan. Area(s) that may be addressed include, but are not limited to:
 - § Cash Flow Analysis;
 - § College Planning;
 - § Tax Planning;
 - § Liability Review;
 - § Retirement Planning;
 - § Insurance Review; and/or
 - § Estate Planning.
- Following are important items that Financial Planning Services Clients should be aware of:
 - The U.S. Department of Labor uses the term “fiduciary” to describe persons who provide advice and/or services to Employee Retirement Income Security Act (“ERISA”) qualified retirement plans. Persons or organizations requesting these types of services are strongly advised to consult with attorneys and tax advisors who are familiar with ERISA regulations that affect retirement accounts to ensure that the retirement plan follows all applicable regulations. While Sunbelt’s IARs may offer some advice, they may not act as an administrator of the retirement plan itself.
 - When Sunbelt IARs advise Clients on securities and/or accounts which are not held at Sunbelt, the IAR offers advice only. The accounts are not discretionary—the IAR will not be able to make any changes within the account(s). Clients may request that their chosen IAR advise them on asset allocation within those accounts. As Sunbelt and the IAR are unable to view the accounts directly, the Client must provide the IAR with updated account statements, listings of available choices within the account and the amount and regularity of contributions. In these situations, the IAR will provide the Client(s) with allocation advice; however the Client is responsible for completing the transactions within the account. The Client may not give user names and passwords to the IAR for accounts.
 - Financial Planning Services offered by IARs should not be considered comprehensive and Clients are advised to consult with other professionals including but not limited to accountants, tax advisors, attorneys, insurance professionals, etc. for a more comprehensive review and evaluation of the effects of advice offered by the IAR on a Client’s particular situation.
 - Services provided through Financial Planning Services are based on the Client’s financial situation at the time and are based on the financial information disclosed by the Client to the IAR. Clients are advised that certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. Sunbelt cannot offer any guarantees or promises that the Client’s financial goals and objectives will be met. As the Client’s financial situation, goals, objectives or needs change, the Client should notify the IAR promptly.

E. Recommendation of Third Party Money Manager/Sub-Advisor

- After gathering information about a Client’s financial situation, investment objectives, risk

tolerance and other data, an IAR of Sunbelt may assist the Client in selecting a particular Third Party Money Manager/Sub-Advisor. IARs may utilize a number of factors in determining a prudent Third Party Money Manager/Sub-Advisor including but not limited to performance, investment objectives, fees and methods of analysis, and comparing those factors to the Client's goals and objectives (determining risk tolerance and investment styles).

- Sunbelt's IARs may refer a Client to one of various Third Party Money Managers/Sub-Advisors for asset management services. Third Party Money Manager/Sub-Advisors may have differing minimum account requirements and a variety of fee ranges. All securities transactions are decided upon and executed by the Third Party Money Manager/Sub-Advisor. IARs may contact the Client periodically and may review the Client's financial situation, objectives, and restrictions and communicate information to the Third Party Money Manager/Sub-Advisor; and may assist the Client in understanding and evaluating the services provided by the Third Party Money Manager/Sub-Advisor.
- Clients who are referred to a Third Party Money Manager/Sub-Advisor are directed to the disclosure document for the Third Party Money Manager/Sub-Advisor and any separate written agreement(s) between the Client and the Third Party Money Manager/Sub-Advisor for more complete information regarding the terms and conditions of the Client's relationship with the Third Party Money Manager/Sub-Advisor.
- Each Third Party Money Manager/Sub-Advisor maintains its own separate execution, clearing and custodial relationships.
- When Clients are referred to Third Party Money Manager/Sub-Advisors, the IAR does not manage the Client's assets. The assets are directly managed by the selected Third Party Money Manager/Sub-Advisor.

Item 5 – Fees and Compensation

Clients should note that the same or similar service to those described in Item 4 above may be available elsewhere at a lower cost to the Client.

This section of the Brochure lists additional information concerning fees and compensation for all investment advisory services available through Sunbelt with the exception of the Sunbelt PM, which are disclosed in the Sunbelt PM Wrap Fee Program Brochure.

A. The Sunbelt PM Unbundled Program

- IARs are compensated for their services by charging an advisory fee ("Fee"). Fees are disclosed to Clients as a percentage of the value of the assets in the Client's account, based upon the following Unbundled Program Fee Schedule included in the Unbundled Agreement:

Asset Size	Maximum Client Fee	Your Fee*
\$0 - \$500,000	3.00%	
\$500,001 - \$1,000,000	3.00%	
Above \$1,000,000	3.00%	

*The Client's fees are negotiated between the Client and Sunbelt and may vary.

- The annual Fee for an Unbundled Program account is negotiable at the discretion of Sunbelt depending upon a number of factors including, but not limited to, the amount of the assets under management, the nature and extent of account relationships between Sunbelt and its affiliates with the Client, the type and complexity of services requested and other factors that Sunbelt and the IAR deem relevant. The Fee will not exceed 3.00% of the Client's assets under management.

- The Fee is based on the asset value of Client's account on the last day of the previous quarter, and is deducted on a quarterly basis directly from the Client's account.
- In addition to the advisory fees, clients will be charged all transaction fees, annual maintenance fees, custodial fees and termination fees within an Unbundled Program account subject to the pricing schedule set by National Financial Services, LLC ("NFS"). These charges are billed "per trade" as opposed to "per ticket." "Per trade" is defined at the point/time of order entry and may result in multiple executions from a single order:

ITEM	AMOUNT
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Stocks

Listed Equities (including Closed-End Mutual Funds – IPO's Only);

Master LTD. Partnerships (on-exchange)\$12.00 + \$1.00/trade

Equities (Market Orders, All Other Orders) \$12.00 + \$0.005/share

OTC Equities \$12.00

Fixed Income

Listed Corporate Bonds\$14.00 + \$1.00/bond

OTC Corporate Bonds \$18.00

Collateralized Mortgage Obligations ("CMOs") \$25.00

Municipal Bonds \$21.00

Zero Coupon Bonds \$25.00

Government Securities \$16.00

Mortgage Backed Securities \$25.00

Unit Investment Trusts ("UITs") \$25.00

Money Market Instruments \$25.00

(Money Market Instruments includes but is not limited to Banker's Acceptance Notes ("BA"), Certificates of Deposit ("CD") and Commercial Paper ("CP").)

Mutual Funds

No Load and Load Mutual Fund Purchases \$16.00

No Load and Load Mutual Fund Sells \$16.00

No Load and Load Mutual Fund Exchanges \$16.00

Options

Equity and Index Options\$12.00 + \$1.00/contract

Administrative Fee

Trade Service Fee \$5.50

- Alternative Investments, include but is not limited to limited partnerships (non-exchange), non-traded Real Estate Investment Trusts ("REITS") and private equity or debt.

Alternative Investments

Initial Purchases/Redemptions \$50.00

Transfers / Re-Registrations \$50.00

Annual Custody and Valuation\$125.00/CUSIP

(If an account contains more than four (4) CUSIPs, each additional CUSIP will not be charged an Annual Custody and Valuation fee).

- Unless otherwise stated, all charges listed below are on a “per event” basis:

Administrative Fees

Annual IRA Maintenance Fee.....	\$35.00/account/year
IRA Transfer Fee / Closing Fee	\$110.00
Transfer Out Account (“TOA”) Deliveries / ACAT Exit Fee	\$100.00
Legal Transfers	\$90.00
Legal Returns	\$60.00
Transfer and Ship (DRS-Eligible).....	\$10.00
Transfer and Ship (Non-DRS-Eligible)	\$220.00
Trade and Margin Extensions	\$10.00
Mailgrams	\$5.00
Physical Reorganizations	\$36.00
Legal Returns	\$60.00
Bounced Check Fees	\$25.00
Stop Payments.....	\$25.00
Annual Custody Fee (Only applies to Inactive Accounts) ..	\$50.00/account/year
Wire Transfer	\$25.00
Foreign Securities Transfer	Pass through Fees
Safekeeping	\$5.00/certificate/month
Restricted Stock Transactions (Full Service).....	\$150.00
Restricted Stock Transactions (Sell without Approval).....	\$40.00
Mutual Fund Surcharge for Funds not in Fidelity Partner Program	\$10.00

Brokerage Access

Checks only	\$0.00/year
Checks with Visa Classic Debit Card	\$50.00/year
Checks with Visa Gold Debit Card.....	\$100.00/year
Checks with Visa Platinum Debit Card	\$150.00/year

Other Charges

Interest on all cash account delinquencies (Cash Due Interest) in a Client account will be charged directly to the Client account at then current rate.

Transfer Agent Servicing fees will be passed through to the client and can vary based upon the transfer agent and position.

- SEC fees will be assessed on liquidations at the effective SEC rate and are also the responsibility of the Client.
- In the event that an Unbundled Program account is cancelled, the advisory fee will be pro-rated for the quarter in which the Unbundled Agreement was cancelled. The pro-rated amount will be based upon the number of days remaining in the calendar quarter. The Fee for that number of days will be returned to the Client’s account, minus any transaction fees, annual maintenance fees, custodial fees and termination fees that were not paid earlier in the quarter. Sunbelt may impose an additional fee in the event of an account cancellation.
- Advisory fees due for Unbundled Program accounts must be paid quarterly in advance.
- Sunbelt and the IAR may receive compensation from the sale of securities or other investment products, including but not limited to: investment company securities, variable products, or other assets purchased within advisory accounts. Additionally, these products may have additional internal expenses such as custodial fees, account maintenance fees and/or a portion of fund manager fees that the Client will pay indirectly through the cost of the fund. This

compensation may be in addition to any advisory fee and may result in increased costs to the Client. This practice presents a perceived conflict of interest, as IARs may receive a trail (12b-1 fee) on certain investments. To combat these conflicts, Sunbelt has implemented the following policies:

- While Class B and Class C share mutual funds may be transferred into an Unbundled Program account, any further purchases in the mutual funds within the Unbundled Program will be made at Net Asset Value (“NAV”) in Class A shares, which will not result in the Client paying a commission in addition to the annual advisory fee.
- The Client may be entitled to a fee offset for certain securities purchased within Unbundled Program accounts (“Fee Offset Program”). A fee offset amount may apply if a security was purchased through Sunbelt and the IAR earned a commission. Securities that may be eligible for a fee offset include alternative investments and/or Class B and Class C share mutual funds.
- Sunbelt will adhere to Department of Labor rules and regulations related to ERISA qualified accounts. As such, the Client may be entitled to a fee offset.
- Clients have the option to purchase investments recommended by Sunbelt’s IARs through other persons who are not affiliated with Sunbelt.
- Payment of the IAR’s advisory fees will be paid directly to Sunbelt by National Financial Services, LLC, the qualified custodian holding the Client’s funds and securities. Advisory fees will be assessed pro rata in the event the Unbundled Agreement is entered into at any time other than the first day of a calendar quarter.
- If assets are deposited in an Unbundled Program account after the beginning of a quarter and are equal to or more than \$10,000, the advisory fee chargeable with respect to such assets as of the calculation date will be pro-rated based on the number of days during the quarter the assets were held in the Unbundled Program account. If assets are withdrawn in an Unbundled Program account after the beginning of a quarter, the Client will not receive a pro-rated rebate of advisory fees paid.

B. Educational Workshops/Seminars

- The fee for the workshop and/or seminars will vary on a case by case basis and is determined by the IAR(s) giving the presentation.
- The fees are generally a flat fee that is not negotiable.
- The amount of the fee may be higher in the event that a meal will be served or if printed documentation will be provided to attendees.
- The fee for a workshop/seminar may not be deducted from any existing Client accounts, but must be paid by the Client via personal check either before or at the time of the seminar. All Client checks to pay for educational workshop/seminar fees must be made out to “Sunbelt Securities, Inc.”
- If workshop/seminar attendees opt to engage the IAR for additional advisory services or to purchase a product, the fees and/or commissions that the IAR receives as a result of this are over and above the seminar fee.
- In the event that a Client pre-pays for a workshop/seminar and is unable to attend, the Client must contact the IAR to determine whether all or a portion of their fee may be refunded. Refunds of these fees are at the discretion of the IAR.
- Sunbelt and the IAR may receive compensation for the sale of securities or other investment products provided or sold to the Client following the seminar, including but not limited to: investment company securities, variable products or other assets purchased within advisory accounts. Additionally, these products may have additional internal expenses such as custodial fees, account maintenance fees and/or a portion of fund manager fees that the Client will pay indirectly through the cost of the fund. This compensation may be in addition to any advisory fee and may result in increased costs to the Client. This practice presents a perceived conflict of

interest, as IARs may receive a trail (12b-1 fee) on certain investments. To combat these conflicts, Sunbelt has implemented policies that are described in Item 5 under each applicable advisory program and/or service.

- Clients have the option to purchase investments recommended by Sunbelt's IARs through other persons who are not affiliated with Sunbelt.

C. Financial Planning Services

- Compensation for Financial Planning Services is structured as a fee that is negotiable at the sole discretion of the IAR depending upon a number of factors including, but not limited to, the amount of the assets being reviewed, the nature and extent of account relationships between Sunbelt and its affiliates with the Client, the type and complexity of services requested and other factors that the IAR deems relevant. The fee for the services shall be a total fixed fee which cannot exceed \$3,000.00. The fee may be payable annually, semi-annually or quarterly.
- The Client may pay the fee either by writing a personal check (made payable to, "Sunbelt Securities, Inc.") or by granting written permission to debit the fees from an existing account at Sunbelt. The Client may select whether or not they wish to be billed or wish to have the fees debited from an existing account.
- In the event that the Client elects to act on any recommendations made by the IARs, acting in their capacity as Registered Persons of Sunbelt, the Investment Adviser Representative may receive additional commissions, markups, markdowns or advisory fees if the Client chooses to implement any plan recommended and purchases a product or opens an account. This practice presents a perceived conflict of interest, as IARs may receive a trail (12b-1 fee) on certain investments. To combat these conflicts, Sunbelt has implemented policies that are described in Item 5 under each applicable advisory program and/or service.
- Payment for services is due according to the terms noted in the Financial Planning Agreement.
- Services must be rendered within six (6) months of payment if the upfront payment of any fee option is selected.
- For services that will be provided for a flat fee, or one-time only services, the Financial Planning Agreement will no longer be in effect once the services have been completed by the IAR and the Client has paid for the services.
- For ongoing Financial Planning Services, Sunbelt, the IAR or the Client may, upon written notice to the others, end the Financial Planning Agreement. In the event of cancellation, Sunbelt and/or the Investment Adviser Representatives may decide the amount to be charged to the Client based upon the time and resources expended. Generally, Clients will be charged for the portion of work performed and any unearned fees will be refunded to the Client, as applicable.
- Sunbelt and the IAR may receive compensation for the sale of securities or other investment products provided or sold to the Client following the provision of Financial Planning Services. This compensation may be in addition to any financial planning fee and may result in increased costs to the Client. This practice presents a perceived conflict of interest. To combat these conflicts, Clients to whom Sunbelt offers financial planning services are informed that they are free to select any broker/dealer, investment advisory firm or insurance agency for implementation of the advice and recommendations provided by Sunbelt's IAR.
- Clients have the option to purchase investments recommended by Sunbelt's IARs through other persons who are not affiliated with Sunbelt.

D. Third Party Money Manager/Sub-Advisor

- Sunbelt's IAR will receive a portion of the fee charged by the Third Party Money Manager/Sub-Advisor.

- Clients should be aware that Third Party Money Manager/Sub-Advisors may not be willing to negotiate their fees and Sunbelt is not authorized to negotiate a Third Party Money Manager/Sub-Advisor's fees.
- Fees charged to the Client by Third Party Money Manager/Sub-Advisors are debited directly from the Client's account. Compensation for Third Party Money Manager/Sub-Advisor accounts generally consists of: i) Management and advisory fees shared by the Third Party Money Manager/Sub-Advisor, Sunbelt and its IARs; ii) Transaction costs for the underlying securities; and iii) Custody fees.
- Some Third Party Money Manager/Sub-Advisors' fees may be separate from any advisory fee charged by Sunbelt.
- Fees paid by the Client to Third Party Money Manager/Sub-Advisors are established and payable according to the Third Party Money Manager/Sub-Advisor's fee schedule. Third Party Money Manager/Sub-Advisor accounts can only be closed by following the process described in the Third Party Money Manager/Sub-Advisor's disclosure documentation. Refunds of pre-paid fees may be obtained by the Client as noted in the Third Party Money Manager/Sub-Advisor's Client agreement.
- Sunbelt and the IAR may receive compensation for the sale of securities or other investment products provided or sold to the Client following the referral to the Third Party Money Manager/Sub-Advisors, including but not limited to: investment company securities, variable products, or other assets purchased within advisory accounts. Additionally, these products may have other internal expenses such as custodial fees, account maintenance fees and/or a portion of fund manager fees that the Client will pay indirectly through the cost of the fund. This compensation may be in addition to any advisory fee and may result in increased costs to the Client. This practice presents a perceived conflict of interest, as IARs may receive a trail (12b-1 fee) on certain investments. To combat these conflicts, Sunbelt's IARs will provide, at the time of opening a Third Party Money Manager's/Sub-Advisor's account, the Client with the applicable Third Party Money Manager's/Sub-Advisor's disclosure statement and account documentation, explaining the role and fees of Sunbelt, its IARs and the Third Party Money Manager/Sub-Advisor.
- Clients have the option to purchase investments recommended by Sunbelt's IARs through other persons who are not affiliated with Sunbelt.

Item 6 – Performance-Based Fees and Side-by-Side Management

Advisory fees that are based upon a share of capital gains or capital appreciation of assets of an advisory Client are commonly referred to as "performance-based fees." Sunbelt does not collect nor does it permit its IARs to accept performance-based fees. Sunbelt does not engage in side-by-side management.

Item 7 – Types of Clients

Sunbelt, through its IARs, offers investment advisory services to retail, entity and institutional Clients. Prior to opening an investment advisory account or engaging an IAR for any service through Sunbelt, Clients must complete a Sunbelt Brokerage Application and/or Customer Profile Form and any additional account documentation, contracts and/or agreements.

Unbundled Program and Sunbelt PM accounts require a minimum investment of \$25,000. This may be waived at the discretion of Sunbelt. No minimum investment is required for educational workshops/seminars and Financial Planning Services.

Clients wishing to participate in a Third Party Money Manager/Sub-Advisor program are advised to review the account opening documentation, as the minimum investment amounts vary for each program specific to that Third Party Money Manager/Sub-Advisor.

All types of advisory programs offered through Sunbelt may require that Clients maintain these minimum investment amounts after the account opening in order to continue receiving the services chosen by the Client.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Sunbelt IARs use various methods of analysis and investment strategies. Methods and strategies will vary based on the Sunbelt IAR providing advice. Models and strategies used by one IAR may be different than strategies used by other IARs. Some Sunbelt IARs may use just one method or strategy while other IARs may rely on multiple. Sunbelt does not require or mandate a particular investment strategy be implemented by its IARs.

Further, Sunbelt has no requirements for using a particular analysis method and Sunbelt IARs are provided flexibility (subject to Sunbelt's supervision and compliance requirements) when developing their investment strategies. Each IAR affiliated with Sunbelt selects from a variety of sources from which they obtain information and data concerning securities, which they use to formulate their individual investment strategy(ies). Clients are advised to become familiar with the sources of information used by their IAR and to ask any questions that they may have regarding those information sources. Prior to investing Clients should ensure that they understand and agree with the method(s) of analysis and investment strategy(ies) used by their IAR.

The following sections provide brief descriptions of some (not all) of the more common methods of analysis and investment strategies that are used by Sunbelt IARs.

A. Methods of Analysis

- **Fundamental.** Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, trying to determine a company's or security's true value by looking at all aspects of the business, including both tangible factors (e.g., machinery buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).
- **Technical.** This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.
- **Charting.** Charting is the set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest and other indicators, in order to

anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

- Cyclical. This method of analysis focuses on the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

Prior to investing, Clients should ensure that they understand and agree with the method(s) of analysis used by their IAR.

B. Investment Strategies

- Long Term Purchases. Investments held at least a year.
- Short Term Purchases. Investments sold within a year.
- Short Sales. A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.
- Margin Transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm.
- Option Writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.
- Tactical Asset Allocation. Allows for a range of percentages in each asset class (such as Stocks = 40- 50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.
- Strategic Asset Allocation. Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the Client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.
- Market Timing Services. Some Sunbelt IARs may provide a market timing service as a, or as part of, an investment strategy. In general, market timing is a strategy where the Sunbelt IAR will try to identify the best times to be in the market and when to get out. This service is designed to take advantage of stock market fluctuations by being invested based on the anticipated market direction. Clients should be aware that this strategy is considered an aggressive, higher-risk investment strategy.
- Modern Portfolio Theory. Proposes that investing in a predetermined asset mix derived from the efficient frontier (dictated to achieve a specific Client objective within a certain risk tolerance) and rebalancing with discipline, the portfolio is diversified across the various asset classes to mitigate unnecessary risk. This also provides for a portfolio that can operate without reliance on market timing and security selection; however, as with all equity investments positive returns are not guaranteed. In conjunction to investing in a diversified portfolio, each portfolio is constructed to meet specific parameters set forth in the individual Client’s investment needs and goals. These parameters can include, but are not limited to, tax efficiency, concentrated stock positions and management history.

Prior to investing, Clients should ensure that they understand and agree with the investment strategy(ies) used by their IAR.

C. Risk of Loss

Investing in securities involves risk of loss of principal that Clients should be prepared to bear. All securities are subject to some level of risk which could cause the value of the Client's securities to decrease in value, and in some cases, could result in a loss of the Client's entire investment. Furthermore, Clients must understand that past performance is not indicative of future results. Therefore, current and prospective Clients should never assume that future performance of any specific investment or investment strategy will be profitable. Further, depending on the different types of investments there may be varying degrees of risk. Clients need to be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, Sunbelt and its IARs cannot represent, guarantee or even imply that our services and methods of analysis can or will predict future results; successfully identify market tops or bottoms; or insulate a Client from losses due to market corrections or declines.

The following are some types of risk that could affect the value of a Client's portfolio:

- **Alternative Investment Risk:** Alternative investments, including private placements, are subject to substantial risks, including the absence of a public market, limited transferability, lack of liquidity, payment of significant fees to the general partner(s), and the potential for total investment loss. The alternative investment's ability to achieve its objectives and to pay its distributions (when applicable) depends on the sponsor's ability to appropriately invest, manage and/or operate the underlying investments within the offering.
- **Business Risk:** Whether because of management or unfortunate circumstances, some businesses will inevitably fail. This is especially true during economic recessions. For example, a company stock may become worthless in the event of a bankruptcy, which would result in a loss of capital to the shareholders.
- **Currency or Exchange Rate Risk:** Foreign securities face the uncertainty that the value of either the foreign currency or the domestic currency will increase or decrease; either of which may cause the value of the Client's portfolio to fluctuate.
- **ETF and Mutual Fund Risk:** When investing in an ETF or a mutual fund, there are additional expenses based on a Client's pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Leveraged and inverse ETFs may not be suitable for all investors and have unique characteristics and risks.
- **Foreign Risk:** Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market or economic developments and can perform differently from the U.S. market. Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability and differing auditing and legal standards.
- **Inflation Risk:** Uncontrolled inflation reduces the buying power of a dollar and may cause uncertainty among individual investors, possibly resulting in corporations backing away from projects which could further reduce the value of corporate equities.
- **Interest Rate Risk:** If the Federal Reserve pushes interest rates higher, the market prices of bonds may be affected. When interest rates rise, the market price of bonds falls.
- **Issuer-Specific Risk.** The value of a specific security can be more volatile than the market as a

whole and can perform differently from the value of the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers. The value of certain types of securities can be more volatile due to increased sensitivity to adverse issuer, political, regulatory, market or economic developments.

- **Liquidity Risk:** Certain investments lack liquidity or the ability to access their principal quickly, without incurring substantial penalties, or the inability to sell the investment until sometime in the future.
- **Margin Risk:** Margin values could significantly increase if the position goes against the Client.
- **Market Risk:** The risk that changes in the overall market will have an adverse effect on individual securities, regardless of the issuer's circumstances.
- **Opportunity Risk:** Clients or IARs may choose a conservative product to invest in, which could cause the Client to miss out on market upswings which may have increased the value of securities with higher risk. The opposite is also true; market downturns could cause the Client to lose a significant amount of principal invested in higher risk securities, when their funds could have been invested in lower risk options.
- **Options Risk:** Holding options for long-term periods could weaken and/or reduce the value of the underlying stock, or create the possibility of a worthless position.
- **Portfolio Turnover Risk:** Portfolio turnover refers to the rate at which investments are replaced. The higher the rate, the higher the transaction and brokerage costs associated with the turnover which may reduce the return, if any, unless the securities traded can be bought and sold without corresponding commission costs. Active trading of securities may also increase a Client's realized capital gains or losses, which may affect a Client's tax obligation.
- **Regulatory risk:** Legislative, regulatory and/or judicial changes that impact businesses can drastically change entire industries.
- **Reinvestment Risk:** Clients may be unable to make additional purchases of a security already in their portfolio at the same rate at which the original purchase was made.
- **Short Sale Risk:** Positions have unlimited capability to increase in value, which in turn increases the Client's risk, as they would be required to purchase the securities at a high rate in order to cover the short sale.
- **Transactional Cost Risk:** The Client may incur significant transactional charges in an actively traded account. Frequent trading can decrease the value of a Client's account due to increased brokerage and transaction costs. In addition, frequent trading may cause taxable events to occur, which could increase the Client's tax burden.

Clients should understand and be willing to accept these and other types of risks before choosing to invest in securities or receive investment advisory services. Prior to investing, Clients should ensure that they have discussed and understand the types of risk(s) associated with the method(s) of analysis and investment strategy(ies) used by their IAR.

Item 9 – Disciplinary Information

While Sunbelt is committed to high principles of ethical trade and promotes a culture of compliance, Sunbelt is required to disclose all material facts regarding any legal or disciplinary events that may be material to a Client's evaluation of Sunbelt. Below is a list of those material events:

- On September 16, 2011, the State of Kentucky cited Sunbelt in its capacity as a Registered Investment Adviser for failure to properly register an Investment Adviser Representative, when that Representative was acting in such capacity within the State of Kentucky.
 - On or before November 30, 2011, Sunbelt paid a \$15,770.76 fine to Kentucky.
 - Sunbelt has complied with the Order issued by Kentucky and has devoted the time and resources necessary to ensure continual compliance with Kentucky statutes.

- On March 13, 2007, the National Association of Securities Dealers (“NASD”), now known as FINRA, alleged that Sunbelt in its capacity as a broker/dealer had not adopted, maintained and enforced written supervisory procedures reasonably designed to ensure compliance with municipal transaction reporting requirements of MSRB Rule G-14 (Real-time Transaction Reporting System (“RTRS”)).
 - Without admitting or denying the findings, Sunbelt consented to the sanctions and entry of findings. Sunbelt was fined \$5,000.00.
 - On or before April 30, 2007, Sunbelt paid the \$5,000.00 fine to the NASD.
 - Sunbelt’s policies and processes have undergone revision in order to prevent future violations.

Item 10 – Other Financial Industry Activities and Affiliations

Sunbelt is registered as a broker/dealer and as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Sunbelt is a member of the Financial Industry Regulatory Authority (“FINRA”), the Municipal Securities Rulemaking Board (“MSRB”) and the Securities Investor Protection Corporation (“SIPC”).

Below is information that all Clients should be aware of concerning areas of potential conflicts of interest:

A. Broker/Dealers

As stated under Item 4, Sunbelt is dually registered as both a broker/dealer and as a registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Customers may purchase securities which result in the payment of commissions through Sunbelt in its capacity as a broker/dealer; while Clients receive continuous asset management services and IARs receive a fee for assets under management through Sunbelt in its capacity as a registered investment adviser. This may create a perceived conflict of interest and Clients are advised to clarify the capacity through which individual products or services are offered and the type of payment that will be received.

Clients who receive Financial Planning Services from Sunbelt IARs may purchase securities through Sunbelt. IARs may receive commissions, markups or markdowns as Registered Persons in connection with other securities transactions. This may be perceived as a conflict of interest. However, Sunbelt’s IARs maintain their independence because they have always been committed to their duties to each customer and regulatory obligations. The payment of a commission is not the determining factor when making a recommendation.

Clients are under no obligation to purchase products or services recommended by the IAR or through the IAR or otherwise through Sunbelt. Clients are free to implement recommendations through any broker/dealer or investment adviser. If the Client requests that the IAR recommend a broker/dealer, the IAR will recommend Sunbelt; however, the Client is under no obligation to effect transactions through Sunbelt.

National Financial Services, LLC (“NFS”) executes trades, settles securities transactions and custodies Client assets in general securities accounts, Unbundled Program and Sunbelt PM accounts. The commissions and/or transaction fees charged by Sunbelt and NFS may be higher or lower than those charged by other broker/dealer/custodians. Further, the fees charged by Sunbelt and NFS, or any other designated broker/dealer/custodian, may be exclusive or, and in addition to, Sunbelt investment advisory fees paid to IARs.

B. Independent Registered Investment Advisers

In addition to or in lieu of their registration as IARs of Sunbelt, certain Registered Persons have chosen to set up and register their own investment adviser entities. A Sunbelt Registered Person may establish a separate Registered Investment Adviser which is referred to as an Independent Registered Investment Adviser, and a Registered Person who affiliates with such an Independent Registered Investment Adviser is referred to as an Independent IAR. These Independent IARs are dually licensed in states that permit dual licensing and/or registration. An independent IAR may have three different but concurrent roles:

1. As a Registered Person with Sunbelt who may receive commissions for recommending securities;
2. As an IAR of Sunbelt who may receive a fee for rendering advisory services; and
3. As an Independent IAR of an Independent Registered Investment Advisor who may offer services outside of Sunbelt.

However, the Clients are under no obligation to purchase products recommended by their Independent IAR. These Independent Registered Investment Advisers are not affiliated with Sunbelt. Clients should be clear which entity the services are being offered through and that the appropriate Form ADV Part 2A and Brochure Supplement(s) have been obtained. It is important to note that the information of Clients using the services of these Independent Registered Investment Advisers will be shared with Sunbelt for the purpose of surveilling transactions in the Clients' account(s), as is Sunbelt's regulatory requirement.

C. Arrangements with Unaffiliated Investment Advisers

Sunbelt has developed several programs, previously described in Items 4 and 5, designed to allow Sunbelt's IARs to recommend and select unaffiliated investment advisers for Clients. The selected unaffiliated investment advisers will act as either third-party money managers or sub-advisers. Whenever an unaffiliated investment adviser is selected to manage all or a portion of the Client's assets, the outside investment adviser will be paid a portion of the fees the Client is charged and Sunbelt and its IAR will also receive a portion of the fees the Client is charged. Please refer to Item 5 for full details regarding the programs, fees, conflicts of interest and materials arrangements when selecting third-party money managers or sub-advisers. While Sunbelt's IARs endeavor at all times to put the interests of their Clients first as a part of Sunbelt's fiduciary duty, Clients should be aware that the receipt of commissions and additional compensation itself creates a conflict of interest and may affect the judgment of the IAR when making recommendations.

D. Accountant, Accounting Firm, Lawyer or Law Firm

Some IARs may provide tax, accounting and/or legal services through an accounting firm or law firm, as applicable. IARs providing these types of services do so outside of their affiliation with Sunbelt and the services are not offered through Sunbelt or endorsed by Sunbelt. Clients to whom Sunbelt offers advisory services are informed that they are under no obligation to use the accounting or legal services provided by Sunbelt's IARs and may use the account or legal firm and agent of their choosing.

E. Insurance Companies

Sunbelt's IARs may also be licensed life insurance agents with various insurance companies and may sell insurance products to advisory Clients. Therefore, the Client's IAR, in the capacity as a licensed life agent, may be able to implement insurance recommendations for advisory Clients electing to receive this service. In this event, Sunbelt's IARs, in their separate capacities as licensed insurance agents, will receive separate commission compensation for insurance and/or annuity sales.

This practice presents a perceived conflict of interest, as IARs may have an incentive to recommend

insurance products be purchased through the IAR, thus increasing the IAR's compensation. Clients to whom Sunbelt offers advisory services are informed that they are under no obligation to use the insurance services provided by Sunbelt's IARs and may use the insurance firm and agent of their choosing.

Item 11 — Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

A. Code of Ethics

Sunbelt has adopted a Code of Ethics ("Code"), the full text of which is available to Clients and prospective Clients upon request. Sunbelt has several goals in adopting this Code. First, Sunbelt desires to comply with all applicable laws and regulations governing its practice. Sunbelt's senior management has determined to set forth guidelines for professional standards, under which all associated persons of Sunbelt are to conduct themselves. Sunbelt has set high standards, the intention of which is to protect Client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith and fair dealing with Clients.

B. Participation or Interest in Client Transactions

Independent IARs affiliated with Independent Registered Investment Advisers offer services outside of Sunbelt, may also receive commissions for underlying investments whether sold through Sunbelt or through another broker/dealer. Sunbelt has implemented supervisory procedures to review transactions and note exceptions that may require further inquiry.

Some IARs of Sunbelt may invest in the same securities that they sell/recommend to Clients. They may also make purchases for their own accounts at or about the same time as the purchases/sales are made in Client accounts. This presents a potential conflict of interest, because IARs may be tempted to place their trades before their Clients. IARs are required to act in the best interests of their Clients at all times. Sunbelt's process for addressing these conflicts is addressed under the "Personal Trading" section below.

C. Personal Trading

IARs associated with the Firm may buy, sell or recommend investment products identical to those purchased, sold or recommended to Clients for their personal account(s). It is the express policy of Sunbelt that Clients will receive the best execution price for the same side of the transaction at the time of order execution. This investment policy has been established, recognizing that some securities being considered for purchase and/or sale on behalf of Sunbelt's Clients trade in sufficiently broad markets to permit transactions by Clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with Sunbelt's records. Sunbelt's policy may not apply to certain types of securities, such as obligations of the U.S. Government, and shares in open-end mutual funds. Open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds by IARs are not likely to have an impact on the prices of the fund shares in which Clients invest.

Item 12 — Brokerage Practices

A. Selection of Broker/Dealers

Sunbelt believes that Sunbelt and National Financial Services, LLC provide best execution to its Clients. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker/dealers' services.

B. Research and Other Soft Dollar Benefits

Some Registered Investment Advisers receive products or services, other than execution of Client transactions, from broker/dealers or third parties in connection with using their services. These benefits may include but are not limited to: marketing assistance, educational assistance, statements, downloads of information, research tools, etc. These are referred to as "soft dollar benefits" and are considered a benefit because the firm does not have to pay separate fees to obtain the services. These services may be used by IARs on behalf of their Clients.

Sunbelt does not have any soft dollar arrangements and receives no benefits or research from any broker/dealer.

C. Brokerage for Client Referrals

Sunbelt's IARs do not receive Client referrals from a broker/dealer or third party. Thus, in selecting or recommending broker/dealers, Sunbelt does not consider whether Sunbelt or its IARs receive Client referrals from a broker/dealer or third party.

D. Directed Brokerage Accounts

Clients should be aware that not all firms require Clients to custody their assets at a specified custodian and may permit the Client to select the broker/dealer of their choice (referred to as "directing brokerage accounts").

Sunbelt does not permit Clients to direct brokerage accounts. As a result, IARs will recommend that a Client in need of brokerage and custodial services utilize National Financial Services, LLC. Transactions are generally executed through NFS, subject to Sunbelt's duty to obtain "best execution," a price that is as favorable to Clients as possible under the prevailing market conditions. While Sunbelt makes every attempt to obtain the best execution possible, there is no assurance that it will be obtained. Clients should consider whether Sunbelt's programs result in costs or other disadvantages to the Client as a result of possibly less favorable trade executions.

E. Aggregation

Sunbelt's IARs may aggregate orders in a block trade or trades when securities are purchased or sold through the same broker/dealer for multiple advisory accounts. The IAR must reasonably believe that the block order is consistent with Sunbelt's duty to seek best execution and may benefit each Client participating in the aggregated order. The average price per share of each block trade is allocated to each account that participated in the block trade. Accounts that participate in the same block trade are charged transaction costs, if applicable, in accordance with their advisory contracts.

If a block order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This must be done in a way that does not consistently advantage or disadvantage particular Client accounts. For example, partial fills generally are filled pro rata among participating accounts.

Not all IARs aggregate orders. Clients are encouraged to ask their IAR about aggregate orders.

Item 13 — Review of Accounts

Each IAR will monitor Client accounts and will conduct a review of accounts periodically. Factors that may stimulate additional reviews include, but are not limited to, significant market corrections, large deposits or withdrawals from an account, substantial changes in the value of a Client's portfolio and a change in the Client's investment objectives or risk tolerance.

In addition to the account reviews conducted by IARs, Sunbelt utilizes the following systems and procedures to supervise Client accounts:

- Unbundled Program and Sunbelt PM accounts are supervised through electronic and manual transactional review systems for supervisory review.
- Other investment advisory products and services are reviewed through a number of internal reports run by Sunbelt.
- Sunbelt periodically examines all places of business. During this examination a sampling of accounts and/or transactions are reviewed by the auditor.

Any discrepancies identified may trigger additional reviews of Client accounts, during which Sunbelt may request that IARs supply information concerning their Clients' accounts and/or portfolios.

As a reminder, on at least a quarterly basis, Clients receive account statements from the qualified custodian at which their account is held. Clients are strongly advised to carefully review all statements upon receipt.

Item 14 — Client Referrals and Other Compensation

Sunbelt has entered into a referral agreement with independent third party investment advisers, pursuant to which Sunbelt and IARs receive referral fees from the third party investment advisers in return for referral of Clients. The IAR provides the referred Client a disclosure statement regarding the role of Sunbelt and the IAR as a referral agent, but the IAR does not enter into an agreement with the Client to provide ongoing investment advice. Instead, the Client engages the third party investment adviser for advisory services. This practice presents a perceived conflict of interest, as Sunbelt and its IARs are engaged and paid by the third party investment adviser for the referral. Sunbelt addresses this conflict by providing the Client with a disclosure statement explaining the role and the referral fees of Sunbelt and its IARs.

Item 15 — Custody

Because many Clients authorize Sunbelt to debit fees for investment advisory services directly from their accounts, Sunbelt is deemed to have "custody" of Client funds and/or securities. Because Client accounts are actually custodied through NFS, the Client will receive account statements from NFS and not directly from Sunbelt. Clients are strongly urged to review their NFS statement and to compare them to any documentation and/or information supplied by their IAR.

Item 16 — Investment Discretion

Sunbelt's IARs have full discretion over a Client's Unbundled Program or Sunbelt PM account. The IAR has full judgment over the selection and amount of securities to be purchased or sold for their account, or the amount of securities to be bought or sold, without obtaining the Client's prior consent or approval. However, the IAR's investment authority may be subject to specified investment objectives, limited to mutual funds or guidelines and/or conditions imposed by the Client. For example, a Client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry.

Full discretion is limited and does not extend to the withdrawal or transfer of funds. Discretion is granted in writing by the Client and is listed on the Agreement or Unbundled Agreement, as applicable, at the time of execution of the document.

Item 17 — Voting Client Securities

Sunbelt and its IARs will not take any action or give any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which the Client's assets may be invested. Generally, all proxy materials will be sent directly to the Client. All proxy related materials received directly by Sunbelt or its IARs will be forwarded to the Client for direct action and the Client understands and agrees that the Client retains the right to vote all proxies which are solicited for securities held in the investment advisory account.

Item 18 — Financial Information

There are no financial conditions that will reasonably impair Sunbelts ability to meet contractual commitments to its Clients. Sunbelt has never been the subject of a bankruptcy proceeding.