

Item 1 – Cover Page



USI Securities, Inc.

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January 31, 2012

This Brochure provides information about the qualifications and business practices of USI Securities, Inc. If you have any questions about the contents of this Brochure, please contact us at (860) 652-3239. 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.

USI Securities, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

USI Securities, Inc. has not made any material changes to its business or this Brochure (also referred to as Form ADV Part 2A) since its last Brochure update on May 31, 2011.

Should any material changes be made, we will ensure that you receive a summary of these changes within 120 days of the close of our business fiscal year (which is December 31<sup>st</sup>) or, if required by regulation, sooner.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested, free of charge, by contacting Dan DeLoria (Compliance Officer) at (860) 368-2905 or [daniel.deloria@usi.biz](mailto:daniel.deloria@usi.biz).

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

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## **Item 4 – Advisory Business**

### **USI SECURITIES, INC.**

USI Securities, Inc. ("USI Securities") was established in 1998 and is registered with the Securities and Exchange Commission as both a broker-dealer and a registered investment advisor. The majority of USI Securities' business activity stems from its role as a broker-dealer, where securities transactions are conducted at the request of a client in return for a commission. The minority of USI Securities' business activity is derived from its role as a registered investment advisor, where investment advice and services are provided to clients for a fee.

### **ADVICE INCIDENTAL TO BROKERAGE SERVICES**

USI Securities is registered with the Securities and Exchange Commission as a broker-dealer under the Securities Exchange Act of 1934, and its principal business activity is as a securities broker-dealer. When acting as a broker-dealer, USI Securities may provide investment advice to its customers ("Brokerage Services Customers") which is incidental to the brokerage services provided to such customers and for which USI Securities does not receive any special compensation (i.e., compensation other than the usual and customary commissions paid by customers for brokerage services). Such incidental advice is provided by individuals who are registered representatives of USI Securities ("Broker-Dealer Representatives"). Incidental advice may also be provided by Broker-Dealer Representatives in the form of investment planning services or seminars which are also incidental to their brokerage services activities and for which no special compensation is received. Customers who receive only brokerage services from USI Securities, including Brokerage Services Customers who in the course of such brokerage services receive only such incidental investment advice from Broker-Dealer Representatives, are not considered by USI Securities to be investment advisory clients.

### **SUMMARY OF ADVISORY SERVICES**

USI Securities is also registered with the Securities and Exchange Commission as a Registered Investment Advisor. When USI Securities is acting as an investment advisor (rather than as a broker-dealer), the investment advisory services provided by USI Securities to its clients ("Clients") will solely be related to assisting Clients in selecting and

participating in mutual fund wrap-fee asset allocation programs and/or separate account investment management programs ("Referral Advisory Services").

## REFERRAL ADVISORY SERVICES

USI Securities will engage in Referral Advisory Services by entering into arrangements with certain other investment management firms<sup>1</sup> (the "Sponsor" or "Program Sponsor") which provide either mutual fund wrap fee asset allocation programs and/or separate account investment management programs (the "Program"). The separate account investment management programs are similar to more traditional advisory services. These separate account managers typically provide investment advice about specific individual equity or debt securities rather than mutual funds.

USI Securities offers Referral Advisory Services wherein certain Sponsors may require an Advisory Client to invest a specific minimum dollar value of assets in order to open an account for a certain Program of the said Sponsor. Depending on the individual Program, the minimum investments typically range from \$100,000 to \$1,000,000. Minimums in some programs may include a combination of one or more client accounts. The required investment minimum amount to participate in a particular Program is determined by the Program Sponsor and not by USI Securities. However, in certain circumstances and at the discretion of the Program Sponsor's management, the minimum investment amounts may be waived.

Certain Programs are designed specifically to address the needs of employer sponsored retirement plans (e.g., providing investment advice, investment monitoring, retirement plan administration and record-keeping, access to trust and payment agent services, employee education, participant level investment advice, etc.). Some programs offer a menu of services from which to choose, while others are designed as a comprehensive all-inclusive bundled solution. Individuals who are authorized to act on behalf of the Client (i.e., the retirement plan), as fiduciaries of the Plan, should carefully review the Program Sponsor's materials and agreement(s) to determine whether the Program services and the providers who deliver those services meet the Plan's specific standards and needs.

USI Securities' primary role will be to refer Clients to such Sponsors, and in that role will function as a "solicitor" within the meaning of Rule 206(4)-3 under the Investment Advisers Act of 1940. USI Securities will not actively manage the Client's assets, but will screen and select the Sponsors offering such Programs and will monitor their performance.

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<sup>1</sup> For purposes of this document, the term "investment management firm" equates to SEC registered investment advisor.

Advisor Representatives will typically assist Clients in determining which of such Programs match their investment objectives.

USI Securities' Advisor Representatives will assist Clients in opening an account with the Sponsor selected and will take reasonable steps to meet with and interview such Clients periodically thereafter, either in person or by telephone, regarding their financial circumstances and investment objectives and any changes that have occurred thereto. USI Securities' Advisor Representatives will also be available to Clients on an ongoing basis to receive instructions and to convey to the Sponsor any changes in financial circumstances or investment objectives. On a periodic and regular basis USI Securities' Advisor Representatives will also assist each Client in conducting a review of the Client's accounts under the Program to determine whether the account has been managed in a manner consistent with their Program's investment objective and policy.

Clients should carefully review the Program Sponsor's Form ADV Part 2A (including the Appendix 1 wrap fee program brochure, if applicable), as well as the Program Sponsor's investment advisory agreement, for detailed information regarding the services rendered in connection with a particular Program.

**USI Securities, Inc. provides indirect investment advice insofar as it assists referral advisory clients in selecting a third-party investment advisory firm (i.e., the "Program Sponsor") and an associated investment management program (i.e., the "Program"). USI Securities, Inc. does not formulate or directly provide investment advice (and never has custody or discretion over client assets). Consequently, it also does not provide investment management services. Therefore, as of December 31, 2010 it has \$0.00 in assets under management.**

## **Item 5 – Fees and Compensation**

### **FEES FOR REFERRAL ADVISORY SERVICES**

USI Securities will not charge Clients a separate fee for participating in any of the Referral Advisory Services Programs which are made available to them. The Client will pay a fee to the Program Sponsor, and then the Program Sponsors providing such Programs will pay USI Securities a Solicitor's Fee. The total advisory fee is a combination of a generally non-negotiable portion that represents fees payable to the Program Sponsor and a negotiable portion that is paid out as a Solicitor's Fee to USI Securities. Each Advisor Representative has the ability to discount the portion of the advisory fee that is eventually paid to USI

Securities as a Solicitor's Fee. The total advisory fee for Referral Advisory Services (whether through the utilization of either a mutual fund asset allocation wrap-fee program and/or a separate account investment management program) will not be greater than 2.50% of average daily net assets invested in the Programs offered, nor less than the portion attributable to the Program Sponsor. Clients typically pay advisory fees quarterly, and USI Securities will be compensated on the same schedule as the Sponsors.

In general, the advisory fees for Referral Advisory Services are deducted from the Advisory Client's accounts on a quarterly basis, provided that the Client has given written authorization to the Program Sponsor for the automatic deduction. Depending upon the Program being utilized, the Program Sponsor may charge advisory fees either in advance or in arrears of when services are actually rendered. The client may terminate the contract at any time. In the event of contract termination, regardless of whether fees are charged in advance or in arrears of when services are actually rendered, the advisory fees will be prorated for the number of days in which the accounts were open.

The Program Sponsor (particularly for those Programs involving employer sponsored retirement plans) may provide additional Solicitor compensation to USI Securities in the form of a one time payment, commonly referred to as a "finder's fee". This additional compensation to USI Securities is only paid in the first year of an Client's relationship with the Program Sponsor and will be fully disclosed to the Client. The payment of this compensation will not result in higher fees being charged to the Client.

#### OTHER FEES, CHARGES, AND EXPENSES FOR REFERRAL ADVISORY SERVICES

This section provides general information regarding fees, charges and expenses that may apply beyond the total advisory fee (described above). Such charges, fees, expenses and commissions are exclusive of and in addition to the total advisory fee, and USI Securities will not receive any portion of them.

In addition to the total advisory fee, assets invested in mutual fund portfolio shares and/or exchange traded funds are subject to various other fees and expenses that are paid by those portfolios, but ultimately borne by clients as shareholders. These expenses, which are described in the portfolio's prospectuses, may include investment advisory, administration, distribution, transfer agent, custodial, legal, audit, and other customary fees/expenses related to investments in mutual funds.

For those Clients that utilize separate account investment management programs, the separate account manager(s) selected within the Program will typically charge a portfolio management fee that may or may not be included in the total advisory fee charged by the

Program Sponsor. Some separate account investment managers may be willing to negotiate a lower portfolio management fee in certain circumstances. These circumstances typically involve the investment of a significantly higher level of assets than is usual, as determined by the Program's Sponsor.

In addition, Clients may pay separate transaction-based commissions for execution (i.e., an advisory fee plus brokerage commission arrangement). Thus, the investment manager's fee is for asset management services only. It may happen that an investment manager assists in facilitating brokerage transactions for establishing custodial services, but the costs of such transactions and services are not included in the investment manager's fee. Rather, such costs are a separate expense of the Client.

Certain Programs may include alternative investments (e.g., real estate investment trusts, hedge funds, notes, private placements, and/or other pooled investment vehicles) that are subject to various other fees and expenses that are paid by the investment manager, but are ultimately borne by Clients who invest in these alternative investments. These expenses, which are described in the Offering Materials, may include investment advisory, administration, distribution, transfer agent, custodial, legal, audit, brokerage, appraisal, accounting, and other customary fees/expenses related to investments in the respective type of investment vehicle.

Some investment management firms may offer an advisory fee plus brokerage commission arrangement or an all-inclusive wrap fee arrangement, in which case the Client selects the most favorable fee option based on the Client's objectives and preferences. The wrap fee option may cost more or less than purchasing such services separately. In some cases where the Client's account will have relatively low turnover rates, the wrap fee option may be more costly.

Additionally, Clients may incur certain charges imposed by custodians, brokers, third-party investment managers, and other third-party providers. Such fees may include, but are not limited to, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, other fees and taxes on brokerage accounts and securities transactions, recordkeeping and administrative fees, etc.

Comparable programs or services may be available from sources other than these Program Sponsors for fees which may be lower, or higher, than those discussed and/or specified above.

Please review the prospectuses, offering materials and/or other comparable documents for each investment recommended by the Program Sponsor for a description of applicable fees, charges and expenses associated with the investments. Also, please review the Program Sponsor's Form ADV Part 2A (including the Appendix 1 wrap fee program

brochure, if applicable), as well as the Program Sponsor's investment advisory agreement for details regarding fees, charges and expenses which are directly and/or indirectly related to the Program and services provided through the Program Sponsor.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

USI Securities, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Client should carefully read all materials provided by a Program Sponsor to determine whether Client will be subject to this type of fee structure through a given Program.

#### **Item 7 – Types of Clients**

USI Securities, Inc. provides Referral Advisory Services to individuals, high net worth individuals, trusts, and corporate pension and profit-sharing plans. In addition, USI Securities may also offer Referral Advisory Services to charitable institutions, foundations, endowments, municipalities, and other U.S. institutions.

USI Securities offers Referral Advisory Services wherein certain Sponsors may require an Advisory Client to invest a specific minimum dollar value of assets in order to open an account for a certain Program of the said Sponsor. Depending on the individual Program, the minimum investments typically range from \$100,000 to \$1,000,000. Minimums in some Programs may include a combination of one or more client accounts. The required investment minimum amount to participate in a particular Program is determined by the Program Sponsor and not by USI Securities. However, in certain circumstances and at the discretion of the Program Sponsor's management, the minimum investment amounts may be waived.

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

USI Securities, Inc., as a “solicitor”, may refer Clients to a particular Program Sponsor based upon a multitude of factors. These factors include, but are not limited to: the USI Securities

advisory representative's familiarity with a given Program; features and benefits provided by the Program that appear to align with the needs and goals of the Client; structure, costs, and past performance history of Program Sponsor; presentation materials available for education of the Client; etc.

The Program Sponsor, in execution of its duties to Client, may choose to utilize any method of securities analysis or investment strategy that it deems appropriate in fulfilling its obligations to the Client. USI Securities, Inc. encourages the Client to carefully read all materials provided by the Program Sponsor to ensure Client's understanding of these important factors. USI Securities will assist the Client by helping them to understand these matters, answering Client questions, and obtaining additional information from the Product Sponsor (if so requested by the Client).

**Investing in securities involves risk of loss that Clients should be prepared to bear.**

USI Securities, Inc. does not guarantee that the investment advice of any Program Sponsor will be profitable or that any Program Sponsor will be able to meet the investment objectives of any Client. Past performance should never be viewed as a guarantee of future performance.

All investments bear different types and degrees of risk. While the Program Sponsor's investment strategies are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. And while diversification and asset allocation are effective strategies to help you manage risk, they do not guarantee against loss. Clients should always be cognizant of the fact that obtaining higher rates of return on investments entails accepting higher levels of risk. The Program Sponsors' investment strategies are designed to seek a balance between risks and rewards to achieve the stated investment objectives. Clients need to ask questions about investment risks they do not understand. USI Securities' advisory representatives would be pleased to discuss any questions you may have regarding these Programs or, where appropriate, refer you to a representative of the Program Sponsor.

**Item 9 – Disciplinary Information**

USI Securities, Inc., as a registered investment adviser, is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our firm or the integrity of our firm's management. USI Securities, Inc. has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

USI Securities is actively engaged in the business activity of a securities broker-dealer. USI Securities spends approximately 85% of its time on securities brokerage activities. USI Securities engages primarily in the sale of various types of securities; including, but not limited to, mutual funds, variable life insurance, and variable annuities. Additionally, USI Securities may engage in the sale of general securities as an introducing broker to a clearing broker on a fully-disclosed basis.

USI Securities is also a licensed insurance agency offering traditional insurance products (e.g., life insurance, annuities, disability insurance, and long-term care insurance).

Advisory representatives of USI Securities, Inc. (in its role as a registered investment advisor) are typically also both registered representatives of USI Securities, Inc. (in its role as a securities broker-dealer) and insurance agents with USI Securities, Inc. (in its role as a licensed insurance agency).

Certain USI Securities Broker-Dealer Representatives/Agents (who may also be Advisory Representatives of USI Securities) may provide certain modular planning services (e.g., retirement planning, education funding planning, estate liquidity planning, long-term care planning, disability insurance planning, etc.) and may sometimes identify themselves as “financial planners” or by some similar title. The Broker-Dealer Representatives/Agents will not charge for the design of these financial strategies, but hope that the prospective client will select them to implement the strategies through the purchase of various financial products. These services are not related to USI Securities’ registered investment advisor. In the event that these financial strategies are implemented through the purchase of securities or insurance products, then the Broker-Dealer Representative/Agent will be compensated through commissions.

As noted above, USI Securities effects securities transactions in its primary business as a securities broker-dealer. In this capacity, USI Securities receives other compensation in the form of dealer concessions and/or 12b-1 fees, from which USI Securities pays compensation to its Broker-Dealer Representatives. USI Securities’ Broker-Dealer Representatives may also receive insurance commissions from various insurance companies, as compensation for the sale of various insurance products to individuals who may also be Advisory Clients and/or Brokerage Services Customers of USI Securities.

Clients who receive Referral Advisory Services offered through USI Securities may also have securities transactions which are unrelated to such programs or services effected for them by USI Securities, and, with respect to such transactions, USI Securities will treat such individuals as Brokerage Services Customers. USI Securities will not directly effect individual securities transactions as a part of the operation of any Referral Advisory Services Program, nor does USI Securities provide brokerage services for the underlying mutual funds included in a mutual fund wrap-fee asset allocation program.

The services and/or products offered by USI Securities, Inc. in its role as either a securities broker-dealer or a licensed insurance agency are completely separate and distinct from its role as a registered investment advisor soliciting the investment advisory services of third-party investment management firms (i.e., Referral Advisory Services).

USI Securities assists its Clients receiving Referral Advisory Services in selecting from a number of mutual fund wrap-fee asset allocation programs and/or separate account investment management programs that are offered by different investment management firms. Should Clients participate in such a Referral Advisory Program, then said Client will pay a fee to the Program Sponsor. The Program Sponsor will in turn pay a portion of this fee to USI Securities as a Solicitor's Fee.

USI Securities is a wholly owned subsidiary of USI Consulting Group ("USICG").

USICG is primarily a services provider to employee benefits programs, but is also a licensed insurance agency. They have a highly specialized focus in the area of employer sponsored qualified retirement plans and offer a comprehensive array of services designed to address the specific needs of retirement Plan Sponsors (e.g., plan design, consulting, actuarial services, recordkeeping, administration, etc.).

Certain advisory representatives of USI Securities, Inc. are dually registered as advisory representatives of USI Advisors, Inc.: a registered investment advisor and sister company of USI Securities, which is also wholly owned by USICG. USI Advisors specializes in providing investment advice to institutional clients (e.g., employer sponsored retirement plans, endowments, etc.).

USI Securities is also affiliated with Kibble & Prentice Holding Company, a registered investment advisor, which is wholly owned by USI Insurance Services LLC (which wholly owns USICG).

## **Item 11 – Code of Ethics**

USI Securities, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at USI Securities, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

USI Securities, Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Dan DeLoria (Compliance Officer, 860-368-2905).

## **Item 12 – Brokerage Practices**

The Program Sponsors that USI Securities, Inc. has selected for its Referral Advisory Services offer Programs typically classified as turnkey asset management programs. They are a complete bundled solution designed to meet a Client's needs.

USI Securities, Inc. does not receive any form of soft dollar benefits (i.e., soft dollar benefits are arrangements under which products or services are obtained by an advisor from or through a broker-dealer in exchange for the direction by the advisor of client brokerage transactions to the broker-dealer), nor does it receive any form of other compensation beyond the fully disclosed and Client negotiated Solicitor's Fee.

In regards to Referral Advisory Services, USI Securities does not directly refer or suggest brokers to its Clients with respect to underlying transactions which may be executed as a part of a mutual fund wrap-fee asset allocation program and/or separate account investment management program in which such Clients participate. However, Program Sponsors may refer, suggest, or require that a Client utilize a specific broker-dealer in connection with participating in some Referral Advisory Services Programs. The details regarding this practice are disclosed to the Client in their agreement with the Program Sponsor.

If a client chooses to utilize the Program Sponsor's services, and a particular broker-dealer in connection with the Program Sponsor's services, the charges incurred may or may not be higher than through a competitor. USI Securities does not receive any products, research or services from other brokerage firms in connection with such transactions.

In relation to Referral Advisory Services, USI Securities, Inc. does not have the authority to determine: 1) the securities to be bought or sold; 2) amount of the securities to be bought or sold; 3) broker or dealer to be used; and/or 4) commission rates to be paid. These decisions are made by the Program Sponsor, often with no input from the Client.

### **Item 13 – Review of Accounts**

USI Securities' Investment Committee will conduct an annual review of the various Referral Advisory Services offered to Clients. These reviews will be for the purpose of determining whether additional or different services should be offered. USI Securities' Investment Committee may review any of the aforementioned services as needs and circumstances dictate and will review new services and/or various other materials as opportunities arise.

In relation to Referral Advisory Services, Program Sponsors who exercise discretion in the management of Clients' assets within a particular Program will review exception reports to identify any inconsistencies in actual client asset allocations versus the target/model asset allocations that were recommended. Program Sponsors will provide clients with regular reports, the nature and frequency of which are determined by such Program Sponsors. These reports are typically distributed to clients on a quarterly basis.

The USI Securities Advisor Representative will meet periodically, either in person or by telephone, with the Client to:

- Review the Client's financial situation, investment objectives, and current portfolio;
- Determine whether the account has been managed in a manner consistent with their Program's investment objective and policy; and
- Communicate any material changes in the Client's financial situation to the Program Sponsor (where applicable), so that the Program Sponsor can assess whether any actions are necessary on the Program Sponsor's part, relative to the Program Sponsor's investment advisory obligations.

## **Item 14 – Client Referrals and Other Compensation**

The only compensation that USI Securities, Inc. receives is the “Solicitor’s Fee”, which is a portion of the total advisory fee paid by the Client in relation to Referral Advisory Services.

The total advisory fee is a combination of a generally non-negotiable portion that represents fees payable to the Program Sponsor and a negotiable portion that is paid out as a Solicitor's Fee to USI Securities. Each Advisor Representative has the ability to discount the portion of the advisory fee that is eventually paid to USI Securities as a Solicitor's Fee.

The Solicitor’s Fee is always fully disclosed and agreed to, in writing, by the Client.

## **Item 15 – Custody**

USI Securities, Inc. never has custody of any Referral Advisory Services Client’s assets.

However, Program Sponsors may or may not have custody of a Client’s assets. Program Sponsors will typically utilize a qualified custodian to hold Client assets.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains clients’ investment assets. USI Securities, Inc. urges you to carefully review such statements and compare such official custodial records to the account statements that the Program Sponsor may provide to you. The Program Sponsor’s statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

USI Securities, Inc. offers Referral Advisory Services and acts as a Solicitor for third-party investment advisors; therefore, USI Securities never has discretion over Client assets.

Program Sponsors may have discretion, depending upon the Program selected for investment.

Please read all materials provided by the Program Sponsor to determine their level of involvement in determining securities purchased or sold, selection of broker-dealers and/or qualified custodians, etc.

The Program Sponsor will usually receive discretionary authority from the client, at the outset of an advisory relationship, in order to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, the Program Sponsor observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, the Program Sponsor's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to the Program Sponsor in writing.

### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, USI Securities does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. USI Securities, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.