



FORM ADV PART 2A- APPENDIX 1 GREENBOOK SELECT WRAP BROCHURE

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This brochure provides information about the qualifications and business practices of First Allied Advisory Services, Inc. If you have any questions about the contents of this brochure, please contact us at 800-223-0989. 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.

First Allied Advisory Services, Inc. is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

This wrap fee brochure details important disclosure information about certain wrap fee programs that we offer. We do offer other wrap fee programs that are not discussed in this brochure.

Additional information about First Allied Advisory Services, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2- Summary of Material Changes

You are receiving a copy of this brochure to ensure you have important information to assist you in making investment decisions about the programs and services described in this document. Each year you will receive a summary of material changes that were made to the brochure over the previous year with instructions on how to receive an updated copy of the brochure, if you would like one. You will also receive an updated brochure or summary of material changes whenever important information changes.

The changes that have been made to this document since our annual amendment in March 2011 are summarized below:

- *Ownership Change*

On November 1, 2011, First Allied Advisory Services, Inc. was acquired by First Allied Holdings, Inc. ("Holdings"). Holdings is controlled by Lovell Minnick Partners, LLC, an independent private equity firm providing equity capital for leveraged buyouts and private company recapitalizations and growth capital for developing companies. In the same transaction, Holdings also acquired affiliates First Allied Securities, Inc., First Allied Asset Management, Inc., and First Allied Wealth Management, which itself owns First Allied Retirement Services, Inc. and FASI Insurance Services, Inc. While the ultimate ownership has changed for each of these firms, the management structure for each of these firms remains the same.

- *New Advisory Programs*

We have created new advisory programs since our last annual update. Detailed information about each of our advisory programs is included in the appropriate disclosure brochure. Although we have several wrap fee program brochures, this brochure details all of our non-wrap programs. If you would like information on the wrap fee programs we offer, please speak to your financial advisor.

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Introduction

The Greenbook Select program was created by FAAS in 2010. This wrap brochure details the Greenbook Select program's features and requirements and also provides you with details about First Allied Advisory Services. First Allied Advisory Services offers other wrap and non-wrap programs that are described in separate brochures. Your IAR will provide you with the appropriate brochures describing these programs upon request. Throughout the remainder of this text, "we," "us," and "our" refers to FAAS.

Background

First Allied Advisory Services, Inc. ("FAAS"), a Delaware corporation, is an investment adviser registered with the Securities and Exchange Commission ("SEC"). Being registered does not mean that FAAS is endorsed by any regulatory authority; it simply means that FAAS is required to follow the rules established by the SEC. Representatives of FAAS' investment adviser are registered to conduct advisory business in each state where clients reside, according to each state's requirements.

FAAS was founded in 2007. On November 1, 2011, First Allied Holdings, Inc. ("Holdings") purchased FAAS from Advanced Equities Financial Corp. ("AEFC"), who had owned FAAS since its founding. In the same transaction, Holdings acquired several affiliated companies that offer financial products and services (see Other Financial Industry Activities and Affiliations section of Item 9- Additional Information on page 12 for more information). Holdings is controlled by Lovell Minnick Partners, LLC ("Lovell Minnick"), an independent private equity firm providing equity capital for leveraged buyouts and private company recapitalizations and growth capital for developing companies.

FAAS is not a custodian of any accounts. Accounts are custodied at Pershing, LLC ("Pershing"), Fidelity Investments ("Fidelity") or other approved custodians. The use of other custodians is limited, and may be allowed on a case by case basis with the approval of our management team. The majority of our custodial relationships are through an affiliated broker/dealer of ours, First Allied Securities, Inc. ("First Allied").

Our Corporate Structure

FAAS has approximately 175 investment adviser representatives ("IARs"). Our IARs are independent contractors and business owners. Each IAR is responsible for maintaining his own client relationships. The IARs contract with us to utilize our advisory programs in an effort to help their clients meet financial goals and needs.

You pay us fees for our programs and services. We pay a portion of these fees to your IAR. The IAR's share of the fee may be different for different advisory programs. This presents a conflict of interest for our IARs because they may have an incentive to recommend a certain advisory program. We address this conflict of interest in Item 9- Additional Information, starting on page 11. The fees we retain may also be different between IARs, depending on their agreement with us.

Our back office operations are split between Chesterfield, MO and San Diego, CA. In addition, First Allied provides account services to us. First Allied is a broker/dealer registered with the Financial Industry Regulatory Authority ("FINRA"). In addition to being registered as investment adviser representatives with us, the majority of our IARs are also registered representatives of First Allied.

Our IARs have branch offices across the United States. Each of our IARs is supervised by another individual registered with our firm. The supervisor is called a designated registered principal ("DRP") or designated supervisory principal ("DSP"). DRPs are registered individuals that have contracted to work with us, and are IARs themselves. DSPs are our employees and located in our home office in San Diego.

Our Principal Officers

Craig A. Junkins is Senior Managing Director of FAAS and has served as the senior executive of FAAS since its inception in 2006. Prior to that, Mr. Junkins served as the CEO for First Financial Planners, Inc., FFP Securities, Inc. and FFP Advisory Services, Inc. and worked for those two firms since February 2002. Prior to joining First Financial Planners, Inc. and FFP Advisory Services, Inc., Mr. Junkins was an Executive Vice President for AXA Advisors from 1998 to 2001.

Robin H. Rodermund currently serves as the Chief Operating Officer of FAAS. Ms. Rodermund has served in that position since September 2008. Ms. Rodermund began working for FFP Securities, Inc. and FFP Advisory Services, Inc. in 1990.

Adam Antoniades is the Chief Executive Officer of First Allied Securities. He was formerly employed with First Allied Securities as President, CEO and Corporate Secretary from 1994 until 2004. Mr. Antoniades also served as President of AEFC from 2004 to 2009. Prior to his employment at First Allied, Mr. Antoniades was employed by Bishop Saxony Corporation as Corporate Secretary and with Berkeley Safe Deposit as Head Currency Trader.

Joel Marks is Chairman of First Allied Securities and has served in an executive leadership position since 2005. Joel previously served as Vice Chairman and Chief Operating Officer of AEFC and was a co-founder of JWGenesis Financial Corp. where he served as its Vice Chairman and Chief Operating Officer until it was acquired by Wachovia Securities in January 2001. Following the Wachovia acquisition, Mr. Marks served as Senior Vice President and Managing Director of Wachovia Securities through May 2002.

Janice Doza is the Chief Financial Officer and has served in that position since June 2008. Ms. Doza previously served as Chief Financial Officer and Controller for FFP Securities, Inc. until 2008. From April 2003 through March 2006 Ms. Doza served as Controller for First Financial Planners, Inc.

Luanne Borowski, Managing Director of Investment Advisory Compliance, has been the Chief Compliance Officer of First Allied Advisory Services, Inc. since July 2010. Ms. Borowski has also served as Chief Compliance Officer of First Allied Securities, Inc.'s investment adviser and First Allied Asset Management, Inc. since February 2007. Ms. Borowski first joined First Allied as an investment advisory compliance analyst in February 2002. Ms. Borowski previously served as Chief Compliance Officer of Asset Planning Associates, a broker/dealer, and Ken Stern & Associates, a registered investment adviser, from August 2000 until January 2002.

Devotion of Resources

Our employees working from the Chesterfield, MO office and certain First Allied employees in the San Diego, CA office devote a portion of their time to broker/dealer activities as well as the advisory activities of FAAS. Your IAR may also divide his time between broker/dealer activities and advisory activities and have responsibilities to both FAAS and First Allied. Depending on your IAR's individual business mix and client base, he may spend more or less time devoted to broker/dealer activities than other IARs.

In addition to broker/dealer activities and responsibilities, your IAR may also be engaged in one or more outside business activities. These outside activities may or may not be related to the financial services industry.

Our Advisory Activities

Through our IARs, we offer a variety of investment advisory programs and services for a fee. The following list includes some of our more common offerings:

- Assistance in selecting a portfolio manager
- Ongoing evaluation and review of portfolio managers
- Evaluation and review of portfolio composition
- Management of accounts
- Financial planning
- Consultation on client assets
- Active portfolio management

Portfolio management includes designing a portfolio through buying and selling stocks, bonds, mutual funds, options, managed futures, insurance products, private placements, and other securities. Our employees, including your IAR may personally buy and sell the same securities that you buy and sell. This conflict of interest is discussed fully in the Code of Ethics, Participation or Interest in Client Transactions and Personal Trading section in Item 9- Additional Information on page on page 13.

Our IARs are permitted to offer you advisory programs that are managed by themselves or by a third-party asset manager ("TPAM"). The TPAM may be a related party or an unrelated party. Each of the strategies in the Greenbook Select program is managed by an affiliated TPAM, First Allied Asset Management ("FAAM").

We take into account your investment goals and needs when recommending any advisory program or service. Our intention is to provide you with programs and services that will help you to meet your goals and needs. We will gather personal information when helping you choose a program or service. This information may include:

- Your investing experience
- How soon you need the money
- Your retirement goals
- Your current financial situation and future needs
- Your annual income
- Your ability to lose money
- Your ability to withstand market fluctuation
- Your personal instructions on how to invest

Please contact your IAR any time this information changes so that your IAR can review your existing accounts to see if any changes need to be made.

We offer both wrap and non-wrap programs. A wrap program is one in which you pay a single "wrapped" fee for both investment advisory and brokerage execution services. This wrap fee is not based on the number of transactions made in your account. It is based on the size of the account(s) we manage for you. If you invest in a non-wrap program, you may be subject to charges for each transaction in addition to the advisory fee. Wrap fees are generally higher for similar services than non-wrap fees.

Certain wrap programs that we offer are described in Item 4- Services, Fees and Compensation on this page. We offer additional wrap programs that are not detailed in this brochure and we also offer several non-wrap programs that are detailed in our Form ADV Part

2A disclosure brochure. Your IAR can provide you with these other brochures upon request. Some non-wrap programs that we offer are similar to the wrap programs that we offer. Your IAR will work with you to decide which program will best serve your needs.

Information on All Advisory Programs

Regardless of which advisory program or service you choose, your IAR will work with you to collect suitability information that will aid in the creation of recommendations. This suitability information is maintained on internal systems and documents. Your IAR is required to submit the completed suitability information to his supervisor for review and approval.

Custody of all Greenbook Select program accounts will be at Fidelity. The custodian will provide you with confirmations of all transactions and monthly or quarterly account statements. You may have the option of directing Fidelity to not send you confirmations. This suppression will not impact the delivery of account statements. Most of the strategies that are available in the Greenbook Select program are also available in other programs that we offer. Custody for assets of other programs is at Pershing. If you would rather have Pershing custody your assets, please notify your IAR.

Regardless of the program chosen, your IAR is responsible for ongoing review of your account(s), regular communication with you, and determining that the portfolio selected is appropriate for you based on your investment objective(s). Account activity is required to be reviewed quarterly.

Item 4- Services, Fees and Compensation

Fee Overview

The fees that you pay for advisory programs or services that we offer will depend on several different factors. The fees for advisory programs are generally based on the "Assets Under Management." This means that the account is charged a fee based on the account balance as of a certain date. These fees are negotiable between you and the IAR offering the service.

Greenbook Select program accounts are charged a quarterly advisory fee based on the account's balance on the last day of each calendar quarter (March 31, June 30, September 30, and December 31). If the last day of the calendar quarter falls on a day that the New York Stock Exchange is closed, we use the account balance on the last business day of the calendar quarter to calculate the advisory fee. This fee is charged in arrears for the management to be provided over calendar quarter. You will only be charged an advisory fee for the portion of a quarter that the account is under management. For new accounts, we will bill the account based on the account's balance on the last day of the next calendar quarter for the days in the quarter that your account was open. For accounts that are closing, you will only pay fees for the portion of the quarter that your account was receiving advisory services.

Advisory fees are deducted from the account. The account statements you receive from the custodian will reflect the deduction of these fees. Fees are deducted from the client account in the month following quarter end. In the event a deposit of \$5,000 or more on a single day or withdrawal of \$5,000 or more on a single day occurs, we will calculate the fee owed or refund due and adjust the normal fee charged at the end of the calendar quarter.

The advisory fee that your Greenbook Select program account is charged is split between a program (or platform) fee and a management fee.

Program Fees

The program fee will vary depending on which program or service you select. The program fee is an annual percentage of assets under management, billed quarterly. For the Greenbook Select program, the program fee is split between us and FAAM. This program fee is not negotiable. However, the program fee may be different based upon your IAR's relationship with FAAS. If your IAR has a different program fee, this will not change the total maximum advisory fee you pay, but it may present a conflict of interest (we address this conflict of interest in Item 9- Additional Information, starting on page 10).

Management Fee

The management fee is paid to the IAR servicing the account. This fee is negotiable and may be different than management fees that are agreed upon for different programs. It may also be different for each client.

Total Advisory Fee

You and your IAR will agree on your total advisory fee for each account prior to establishing the account. At any time, you and your IAR may agree to amend the original fee and submit a new advisory agreement with a different fee schedule. There are maximum allowable advisory fees for each program and will not allow you to be charged more than this amount. The maximum allowable advisory fee differs between programs, but is consistent for each IAR. This maximum advisory fee is noted on the investment advisory agreement.

Fee Schedules

Each advisory program has its own fee schedule. The fee schedule will outline the program fee and the management fee. Generally, the management fee is negotiable with your IAR. The program fee is paid to us and is non-negotiable. The amount of your advisory fee, as a percentage, may remain the same regardless of the size of your account, or the percentage may decrease as your account

balance increases. Your advisory fee will not increase, as a percentage, as your account balance increases. Fee schedules and other information about account charges for each wrap program we offer is listed here.

Greenbook Select Program

The Greenbook Select program offers you a choice of different strategies for your account. The Greenbook Select program is a third-party managed account program, for which we have hired an affiliate, FAAM, to manage the strategies. The strategies available in the program are:

- ETF Select
- U.S. Large Cap Select
- Yield Select
- Private Client Services
- Macro MPT

Your IAR will work with you to determine the most appropriate Greenbook Select strategy for your needs. Your IAR will obtain sufficient client information to be able to assist you in determining what strategy will best suit your investment objectives and financial goals.

The manager, FAAM, will be granted full trading authorization, meaning that they will execute the trades without first asking your permission. The Greenbook Select strategies mainly use exchange-traded funds (“ETFs”) and closed-end funds (“CEFs”). The manager may include other securities in the account.

FAAM will vote client proxies for Greenbook Select program accounts. You may revoke this authorization at any time by sending us written instructions naming another person who will vote proxies in the account(s). Information about FAAM’s proxy voting policy is available in FAAM’s Form ADV Part 2A disclosure brochure that your IAR has provided to you.

Each Greenbook Select program has a minimum amount that must be invested in the account. This amount differs between strategies, and is noted in the strategy descriptions below. Under certain circumstances, this minimum can be waived by acceptance of FAAS and FAAM.

ETF Select

ETF Select is designed as a comprehensive asset allocation strategy giving clients exposure to an actively managed blend of stocks, bonds, and alternative assets. ETFs are used to obtain asset class exposures. ETFs offer many advantages over mutual funds including precision, tax efficiency, liquidity, and lower expenses. In the ETF Select strategy, assets are strategically allocated across a wide range of asset classes, utilizing primarily ETFs, through a comprehensive investment process. There are five models available for ETF Select, ranging from the Income portfolio, which has an allocation of 20% equities and 80% fixed income, to the Equity Growth portfolio that is allocated to almost 100% equities. The minimum for investment in the ETF Select strategy is \$50,000.

The following table details the fee schedule for ETF Select accounts:

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$250,000	0.85%	1.55%	2.40%
\$250,000 - \$500,000	0.85%	1.05%	1.90%
\$500,000 - \$1,000,000	0.85%	0.65%	1.50%
\$1,000,000 and over	0.85%	0.40%	1.25%

Yield Select

The Yield Select strategy invests in highly liquid U.S.-listed securities, including equities, American Depositary Receipts (“ADRs”), and closed-end funds (“CEFs”). Its primary objective is to offer a balance between current income and future growth, with a bias toward risk management. The portfolio will be comprised of two parts: the first invests in CEFs representing both equity and fixed income asset classes and the second invests in individual stocks that have a high current dividend yield plus the potential for dividend growth. Between the two pieces, the goal is to establish a portfolio of approximately 40 positions that is diversified by asset class, sector and size that will generate current income through dividends, interest income and royalty payments plus offer the potential for long-term appreciation. The minimum for investment in the Yield Select strategy is \$50,000.

The following table details the fee schedule for Yield Select accounts:

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$250,000	0.75%	1.65%	2.40%
\$250,000 - \$500,000	0.75%	1.15%	1.90%
\$500,000 - \$1,000,000	0.75%	0.75%	1.50%
\$1,000,000 and over	0.75%	0.50%	1.25%

U.S. Large Cap Select (“USLCS”)

USLCS is a separately managed account strategy investing in highly liquid U.S.-listed equities. FAAM manages this program for investors seeking a risk-managed approach that strives to build and maintain wealth. USLCS seeks to outperform the S&P 500 index with a bias toward downside risk management. The strategy is designed to accommodate growing concern about market risk while still providing the participation in growth that is available through equity investing. In USLCS accounts, FAAM employs a disciplined methodology to identify opportunities to purchase stocks in large U.S. companies that the portfolio management team believes are poised for enhanced performance with a favorable risk/reward tradeoff. The minimum for investment in the USLCS strategy is \$100,000.

The following table details the fee schedule for USLCS accounts:

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$250,000	0.95%	1.55%	2.50%
\$250,000 - \$500,000	0.95%	1.30%	2.25%
\$500,000 - \$1,000,000	0.95%	1.05%	2.00%
\$1,000,000 and over	0.95%	0.75%	1.70%

Private Client Services (“PCS”)

We created the PCS strategy to provide higher net worth clients the opportunity to have some, or all, of their assets managed in one place. PCS is open to clients that will have at least \$500,000 invested in the program. Our IAR will work with you and FAAM to determine the most efficient allocations of your current accounts. The strategies available include a combination of the ETF Select, U.S. Large Cap Select, and Yield Select strategies described above used in combination with some customized options that FAAM can develop for you. These customized options may include:

- A laddered municipal bond portfolio designed to meet your specific investment time horizon. We will purchase multiple municipal bonds with staggered maturity dates in an attempt to diversify interest rate risk while providing regular cash flow.
- A structured products portfolio to provide limited downside protection and extra participation on the upside. Structured products come in many forms, but are typically short term investments (typically 18 to 36 months) that resemble bonds, but are issued by a bank and track an index. They do not pay interest like bonds, but instead pay a return at maturity if the index it is tracking increases, or returns a discounted amount of principal if the index is down over the time period.
- A covered call, or options, portfolio consisting of a bucket of individual covered call positions. A covered call involves the simultaneous purchase of a stock and sell of a call option, which means that someone can buy your stock at a specific price (“strike price”) when they choose to. It provides some protection against loss in exchange for participation in gains, as limited by the call’s strike price. Positions are diversified by sector, strike price, and expiration date. We try to select stocks that have attractive covered call opportunities.
- An options portfolio based on your current holdings that may have a low cost-basis or consist of a large percent of your holdings, such as company stock. We use options strategies to help provide cash flow from these low-basis positions. We can also help create option strategies that provide a systematic exit plan from highly concentrated positions. We may employ more complicated option techniques for these strategies. These techniques may involve the simultaneous purchase and sale of options at different expiration months and strike prices.

The fee schedule for the PCS strategy is:

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$1,000,000	0.55%	1.45%	2.00%
\$1,000,001 - \$2,500,000	0.50%	1.25%	1.75%
\$2,500,001 - \$5,000,000	0.45%	1.15%	1.60%
\$5,000,001 - \$7,500,000	0.35%	0.90%	1.25%
\$7,000,001 - \$10,000,000	0.35%	0.75%	1.10%
Over \$7,500,000	0.35%	0.65%	1.00%

Macro MPT

The Macro MPT strategy seeks to accomplish asset class diversification in keeping with the core tenants of Modern Portfolio Theory by investing primarily in ETFs, although CEFs or mutual funds may also be used when suitable and appropriate. The strategy’s objective is to outperform a diversified, static asset allocation approach by deploying a proprietary optimal allocation across 5-7 distinct asset classes (including equity, fixed income, and alternative investments) and by rebalancing a portion of the portfolio based on fluctuating market conditions. The Macro MPT strategy is no longer being offered for new Greenbook Select accounts.

Other Fees

Based on the activity in your account, you may pay more or less for a managed account than if you had a brokerage account or an account directly with a mutual fund company. Your IAR should be able to discuss with you the benefits of opening a managed account versus a brokerage or mutual fund account.

In your advisory account, you may be charged various fees by the custodian of the account. Our affiliate, First Allied, retains a portion of these custodian fees. Electronic funds and wire transfer fees, transfer taxes, transaction charges, exchange fees, and odd lot differentials are examples of fees that may be charged by the custodian. An account service schedule detailing all these fees will be provided to you upon account opening.

Item 5- Account Requirements and Types of Clients

Most programs we offer have account minimums (if the program requires an account). We offer wrap programs with a minimum as low as \$15,000. The programs described in this brochure have a minimum investment of \$50,000. If you have questions about other wrap fee programs not listed in this brochure, please ask your IAR to provide you with our other wrap fee brochures.

We generally will not allow accounts into a wrap fee program that do not meet the minimum, however we can make exceptions. If the account will have a hired manager, or subadviser, the manager must be willing to take the account below the minimum.

Our IARs open accounts for individuals, high net worth individuals, banking institutions, pension plans, profit sharing plans, charitable organizations, and other corporations and businesses. The majority of these accounts are opened for individuals not considered high net worth individuals.

Our clients may have both advisory accounts and brokerage accounts. Our representatives may offer you advisory services, brokerage services, or both, depending on your needs.

Item 6- Portfolio Manager Selection and Evaluation

We review each of the managers or platforms that provide the management services that we offer before we allow the manager to be selected in one of our programs. We also conduct an annual review to ensure that the manager is still suitable for our programs. We call these processes “due diligence.”

Our due diligence process for new programs or managers starts with an initial screening process of a registered investment adviser. This consists of a review of data including the amount of assets under management, the ownership structure, and any regulatory or legal issues. If an adviser meets our requirements for these areas, we start a more thorough review of the adviser. A comprehensive questionnaire is completed by the adviser.

Along with reviewing the questionnaire, a more detailed review of the initial data is conducted, including:

- The ownership structure,
- Employees, including investment professionals, marketing and client service staff,
- Regulatory, legal and compliance issues of the adviser,
- The manager’s performance, both current and historical, and
- The investment adviser’s financial statements.

The program or manager is then presented to our internal review committee for approval.

Our annual review process for existing programs or managers follows along the same guidelines as the initial process. However, unless material information is discovered during this annual review, additional approval is not required to continue the relationship with the investment adviser.

FAAM is the only choice for portfolio manager for the Greenbook Select program. By investing in our Greenbook Select program, you and your IAR are choosing FAAM to make investment decisions for your account. Others programs that we offer give you the ability to choose from a suite of managers. These other programs are detailed in separate disclosure brochures that your IAR can provide to you upon request.

Item 7- Client Information Provided to Portfolio Managers

The information that we provide to the managers varies depending on the amount of information the manager requests. Non-public information is information about you that is not available to the public. Your social security number, your net worth, and your annual income are examples of non-public information. Public information is information about you that is readily accessible to the public. Public information may include your name, phone number, and address.

Should you select a program in which FAAM, one of our affiliates, serves as the manager, we will provide FAAM with all identifying information about your account, including non-public information.

For all accounts, your IAR will have access to all of the non-public information you provided when opening the client account. This information is protected in accordance with our Privacy Policy. A copy of our Privacy Policy is available on our website (<http://www.firstallied.com/privacyPolicy.php>). A copy is provided to you after you open an account with us and annually thereafter.

Item 8- Client Contact with Portfolio Managers

Your IAR serves as the contact point for any questions or changes you have related to your accounts. FAAM is not generally available for you to speak with. However, your IAR may be able to facilitate contact with the manager on your behalf.

Item 9- Additional Information

Conflicts of Interest

Neither FAAS nor our IARs accept mutual fund trailers in accounts subject to the Employee Retirement Income Security Act (ERISA) or similar rules. This includes IRA, 401k, or other employer-sponsored retirement accounts. These trailers are credited back to the client when received or credited to the balance due for the next advisory fee. However, as a broker/dealer, our affiliate, First Allied, and our IARs who are registered representatives of First Allied's broker/dealer may accept trailers from mutual fund companies in non-ERISA accounts. This presents a conflict of interest in that the receipt of these mutual fund trailers may give your IAR an incentive to recommend mutual funds based on compensation to be received. We encourage our IARs to utilize advisory-share class mutual funds, when appropriate, to avoid these fees.

Your IAR may receive a higher percentage of management fees for certain programs. This presents a conflict of interest in that your IAR may benefit from recommending certain programs based on the difference in compensation he receives. To mitigate this conflict of interest, we require that any program you invest in must be suitable for your investment goals and financial needs. In addition, the increased percentage that your IAR may receive for certain programs will not increase the total advisory fee that you pay for those programs.

The program fee we charge your IAR for a particular program may vary among our IARs. If your IAR is charged a lower program fee, he may receive higher overall compensation even though you would not pay a higher total advisory fee. This presents a conflict of interest to your IAR because he could recommend a program for which he receives a larger portion of the total fee. One way that we address this conflict is by ensuring that the fees you pay for any program are suitable, regardless of your IAR's fee arrangements.

Performance-Based Fees

Your IAR is not permitted to charge fees based solely on your account's performance.

Methods of Analysis, Investment Strategies and Risk of Loss

Types of Risk

Various types of risk are involved when investing in securities. Economic risk, market risk, currency risk, inflation risk, liquidity risk, and credit risk are examples of the types of risks your account may be subject to.

Assessing Risk

While some types of risk can be mitigated by investment strategies, many of these risks cannot be eliminated completely. Your IAR will work with you to make sure that you are comfortable with the risks associated with the type of investments that are in your account.

Risk of Loss

You should know that all types of securities investing involve risk. Your account value can both increase and decrease over time. You should not invest in any product if you are not prepared to bear a potential loss.

Past performance does not guarantee future results.

Disciplinary Information

FAAS and its affiliates have been the subject of various regulatory and disciplinary findings by various states and regulatory bodies. The information in this section may impact your decision to do business with us.

In late 2009, the Securities Division of the state of Indiana found FFP Advisory Services, Inc., and certain principal officers who are now principal officers of FAAS, to be in violation of code 23-2-1 of the Indiana Securities Act. The specific violations involved inadequate and incorrect disclosures for investments in various insurance products. These violations occurred when the principal officers were employed by FFP Advisory Services, Inc., a registered investment adviser. FFP Advisory Services, Inc. was never affiliated with First Allied, FAAS, or AEFC.

After considering the circumstances, FFP Advisory Services, Inc. decided that it was in its best interests to settle the matter with the state of Indiana. As part of the settlement, FAAS agreed to pay a penalty of \$187,500 to the state of Indiana.

In addition to the incident above, certain FAAS IARs have been censured or censured and suspended by non-SEC regulators for violations related to suitability deficiencies, delinquency of payment of state taxes, insurance deficiencies, sales of unregistered securities. In one case, a FAAS IAR's insurance application was denied by a state.

Our affiliate, First Allied has also been the subject of various regulatory and disciplinary findings by various states and regulatory bodies. Although the findings are against our affiliate, First Allied, the following information may be pertinent to your decision to do business with us.

In late 2009, the SEC filed an enforcement action against a former First Allied representative. The SEC alleged that the representative engaged in unauthorized and fraudulent trading in two customer accounts. The SEC also alleged that we violated certain SEC rules and that we failed to reasonably supervise this registered representative.

After considering the surrounding circumstances, we determined that it was in our best interests to settle the matter. The alleged rule violations were in connection with our supervision of the representative and deficiencies in our e-mail system.

As part of the settlement, we agreed to accept a censure and pay disgorgement and interest (approximately \$1.46 million) and a fine (\$500,000). In addition, the SEC's order requires us to cease and desist from committing or causing any future violations of certain books and records provisions. We also agreed to hire an independent consultant to review our policies and procedures and our system for implementing its policies and procedures.

We consented to the issuance of the order without admitting or denying the SEC's findings. A copy of the SEC order is available online at <http://www.sec.gov/litigation/admin/2010/34-61655.pdf>.

In addition to the incident above, First Allied has been censured by multiple state insurance authorities for failing to renew its state insurance licenses. In addition, First Allied has been found to have failed to supervise adequately in certain instances, by non-SEC regulatory bodies. Some of the firms that First Allied has purchased have also been censured by regulatory bodies.

More information on all of these items, and other items not summarized above, can be found on FINRA's BrokerCheck® (<http://brokercheck.finra.org>). Your IAR's disciplinary history can also be viewed on BrokerCheck®.

Other Financial Industry Activities and Affiliations

Broker/Dealer Affiliation

As mentioned previously, our affiliate, First Allied is broker/dealer. Some of our officers and principals are engaged in business both with our investment adviser and with First Allied's broker/dealer. Some of our officers spend up to 90% of their time on First Allied's broker/dealer activities, and the remaining 10% on our investment advisory activities. Other officers devote 100% of their time to our investment advisory activities. In addition, most of our IARs are affiliated with both our registered investment adviser and the affiliated broker/dealer.

As a broker/dealer, First Allied places trades for clients for the purchase and sale of stocks, bonds, options, mutual funds, variable insurance products, and private placements. First Allied sometimes participates in initial public offerings, and offers our clients the opportunity to participate in private funding through an affiliate. Since the majority of our IARs are registered with First Allied, these services may be available to you if your IAR is also registered with First Allied.

Because we use an affiliated broker/dealer to process some of our business, a conflict of interest exists. The conflict involves the determination of whether advisory business (fee-based) or brokerage business (commission-based) is more suitable for the client. Because we can offer both services to you, we could be conflicted about which business to recommend. We attempt to mitigate this risk by keeping the investment advisory activities totally separate from the broker/dealer activities. Ultimately, our IARs will discuss with you which type of business will best help you meet your goals.

Related Financial Industry Entities

We are affiliated with other registered investment advisers. Our parent company, Holdings, owns two other investment advisers (besides us):

- First Allied Securities, Inc. ("First Allied")
- First Allied Asset Management, Inc. ("FAAM")

We work closely with both First Allied and FAAM. We co-sponsor programs with First Allied and we use FAAM as a third-party asset manager in many of our programs. A conflict of interest exists due to these affiliations. We attempt to mitigate this risk by ensuring that policies and procedures are in place requiring our IARs to exercise their fiduciary responsibilities when recommending investments to clients. Our IARs' recommendations must only take into account what programs or services are best for clients.

In addition to the firms listed above, Holdings also owns First Allied Retirement Services, Inc. ("FARS"). FARS is a pension administration firm that provides pension services to pension plan sponsors. Neither First Allied nor our IARs receive any

compensation for referring clients to FARS. Greenbook Pension Services and Advanced Equities Pension Services are other names under which FARS operates. FARS own Associates in Excellence, which is another pension administration firm that provides pension services to pension plan sponsors.

Holdings also owns FASI Insurance Services, Inc. ("FAIS"). FAIS is an insurance general agency that offers insurance products through licensed agents. Many agents offering insurance through FAIS are also First Allied registered representatives.

Our principals, employees and representatives may have responsibilities to any of these listed affiliates. Certain administrative and payroll expenses for employees of any affiliate may be allocated among all of the affiliates. Allocation of these expenses is not determined by assets referred to any affiliate.

Certain affiliates may make markets in securities, and may buy and sell for their own accounts. These affiliates and their personnel may own an interest in or buy or sell for their own accounts, the same securities which may be purchased or sold for the account of advisory clients.

Other Financial Industry Activities

In addition to the related entities noted above, we also conduct business with other investment advisers that are owned or operated by registered representatives of our affiliated broker/dealer. These investment advisers may enter into a selling agreement with us to offer our programs. We are not responsible for supervising or managing these investment advisers.

Some of our IARs may work in a bank or credit union locations. We do not supervise any IAR's bank or credit union responsibilities. If the bank or credit union will receive any fees that you pay, our IARs are required to disclose this to you.

In addition to being investment adviser representatives, some of our IARs are also accountants. We do not supervise their accounting activities. Any tax advice you receive from your IAR is part of an outside business activity and is totally separate from the IAR's affiliation with us.

Some of our IARs may be real estate agents. Activities related to real estate are not undertaken as part of the IAR's representation of our registered investment adviser.

Some of our IARs may be involved in other outside businesses. Activities related to these outside businesses are not undertaken as part of the IAR's representation of our investment adviser. The amount of time that IARs devote to outside business activities varies.

Your IAR's outside business activities are reported on the Form ADV Part 2B Brochure Supplement that your IAR will deliver to you when he starts discussing advisory programs and services with you.

We are involved in several industry advocacy groups. These groups generally provide a forum for industry professionals to gather and discuss current and proposed regulations. Our membership in these groups helps us to better educate and supervise our IARs.

Code of Ethics

Overview

Pursuant to SEC rule 204A-1, we have adopted a Code of Ethics ("COE") to establish rules of conduct for all supervised persons. Supervised persons are individuals that are associated with our firm who are involved with offering or providing advisory services. Supervised persons may also include our home office employees. Your IAR and all individuals in your IAR's branch office are supervised persons. The COE recognizes our IARs fiduciary responsibility to clients. The COE instructs our IARs to conduct their affairs in such a manner as to avoid:

- Serving their own interests ahead of clients' interests
- Taking inappropriate advantage of their position
- Engaging in unacceptable actual or potential conflicts of interest

A copy of our COE is available upon request by calling our Compliance department at 800-223-0989.

We do not permit our IARs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest.

Our supervised persons may, however, invest in the same securities that the IAR or another supervised person recommends to clients. This presents a conflict of interest. This conflict is mitigated by our COE and Compliance Manual. Our IARs are not permitted to disadvantage clients while trading their own accounts. We also have surveillances in place that allow us to ensure that this conflict is avoided.

Our supervised persons are not permitted to recommend to or use discretionary trading authority on behalf of clients at or about the same time that the IAR or another supervised person in the IAR's branch office or responsible for supervising the IAR buys or sells the same securities for their own account(s). This presents a conflict of interest. We have established surveillance systems that check trading patterns between supervised persons and clients. These surveillances allow us to ensure that even if a supervised person unintentionally trades in the same security as a client, the client will not be disadvantaged.

Brokerage Practices

Soft Dollar Benefits

Some firms in the industry receive benefits in exchange for delivering business to a broker/dealer or other third-party. These benefits are known as “soft dollars.” Soft dollar benefits are generally defined as benefits (besides normal fees) received from a firm in exchange for doing business with the firm. These benefits may include access to software, hardware, research, and/or office space. We do not receive any soft dollar benefits from choosing the broker/dealer through which we effect trades. However, because we are affiliated with our broker/dealer, we may receive favorable arrangements with certain vendors due to soft dollar benefits our affiliate may receive.

Directed Brokerage

We do not permit clients to direct us to execute transactions through a specified broker/dealer other than First Allied or another approved broker/dealer. All client transactions for the Greenbook Select program are effected through Fidelity. First Allied also provides some operational support for the Greenbook Select program. We believe that the combination of Fidelity and First Allied allows us to achieve best execution because of their business relationships with FAAM, our access to First Allied’s trading department, our ability to rely on Fidelity’s and First Allied’s financial stability, and First Allied’s overall service to us and our IARs. Best execution factors include timeliness of execution, trader expertise, better pricing, and responsiveness. In addition, certain advisory programs are only available through us and our affiliates and these programs allow your IAR to offer you a program or service that you cannot obtain elsewhere.

Aggregation of Client Trades

In an effort to both obtain best execution and deliver the best possible service to you, we will aggregate client trades when appropriate. Aggregating trades is generally defined as “bunching” or combining trade orders for the same securities. Aggregating trades will not affect the transaction charges on such transactions. We try to average price our trades, which means that all clients that purchased the same security at the same time receive the same price, regardless of the number of shares. It is not always possible to average price trades, and some clients may receive a better price than other clients based on execution.

When an aggregated trade order cannot be filled completely, we will generally attempt to distribute the shares received proportionately based on the number of shares that were meant for each account. In certain circumstances average pricing an order that has not been filled entirely may not be in the best interest of each client. In these instances we will allocate the shares among the clients in a manner we believe to be fair to each client. We are under no obligation to aggregate trade orders or to average price transactions.

Review of Accounts

As mentioned previously, each of our IARs is supervised by another of our representatives. Advisory accounts are also reviewed by an IAR’s supervisor. We have created several different electronic surveillances to aid in this supervision. The surveillances include checks for:

- registration status
- loss in equity of accounts
- inappropriate use of discretionary trading authority
- purchase of low-priced securities
- trading activity in personal accounts
- having an excessive margin balance
- holding a disproportionate amount of a security in an account

Many of these surveillances are run daily and others are run monthly or quarterly. The frequency of the surveillance is determined by the nature of the underlying event. All of the surveillances listed above may not be used on all advisory accounts. We take into account who is managing your advisory account. If one of our IARs is the manager, all of these surveillances will be used. If a TPAM is managing your account, some of these surveillances will ***not*** be used.

Your IAR may provide you with reports created by Albridge Wealth Reporting Solutions (“Albridge”). Albridge is a reporting vendor that we have contracted with to enable your IAR to create reports for your accounts. These reports may encompass performance information for your account(s).

The custodian of your account will also send you account statements on a monthly or quarterly basis. Although the information provided in the Albridge reports your IAR may deliver to you has been retrieved from sources believed to be reliable, we urge you to compare the holdings listed on the custodian’s statement to those listed on the Albridge reports. Should you note any discrepancies, please contact us at 800-223-0989.

Client Referrals and Other Compensation

Solicitors are individuals who refer clients to an entity with which the solicitor is not affiliated. Solicitor’s arrangements allow individuals to receive compensation for referring a client to us. The compensation paid to a solicitor is a portion of the advisory fee that you pay. All solicitor’s arrangements that our IARs are involved in must be approved by our Compliance department.

Solicitors to First Allied

We have solicitor's arrangements with persons who are not our IARs. If a solicitor is going to receive any portion of the advisory fee that you pay, the solicitor will provide you with disclosure when he refers you to an IAR. You will sign this disclosure, acknowledging this fact. We mitigate any conflicts of interest in relation to these arrangements by ensuring that you will not pay higher fees because of the solicitation agreement.

FAAS Acting as a Solicitor

Our IARs have the ability to refer, or "solicit," clients to other investment advisers. Our IARs can solicit advisory business for FAAS and our IARs can solicit advisory business for unaffiliated investment advisers. These unaffiliated investment advisers must be approved by us before any of our IARs are permitted to refer clients to them. If our IARs are soliciting advisory business for any investment adviser, this will be disclosed to you by issuance of a disclosure statement and a written acknowledgement. We mitigate any conflicts of interest in relation to these arrangements by ensuring that you will not pay higher fees because of the solicitor's arrangement. The investment advisers that we solicit to provide a variety of management services, as outlined in each investment adviser's disclosure brochure. In general, they provide management strategies and investment models to advisory clients. The investment adviser will pay a portion of the advisory fee, as disclosed to you in the written acknowledgement, to us for soliciting clients. We will share a portion of this fee with your IAR. In exchange for this fee, the IAR is providing services including investor profiling, selection of managers, and ongoing account monitoring.

Other Compensation Payable to First Allied

We offer a wide variety of approved products to our IARs to serve your needs. We have designated a subset of approved products as "Product Sponsors." Product Sponsors offer an assortment of approved products. They also train and educate our registered representatives on products and industry-related topics.

Product Sponsors pay extra compensation to us and our affiliates; however clients do not pay more to purchase these products through us than clients would pay to purchase them elsewhere. This extra compensation is based in part by the total amount of assets that our IARs refer to their products and services. There may be a financial incentive to promote certain products because of this extra compensation. We believe that these relationships do not compromise the advice provided by First Allied registered representatives. Sometimes we receive payments from firms that are not Product Sponsors to recognize our sales efforts. All companies may pay us in connection with the sale of certain products. They may also pay for training, educational meetings or conferences, and entertainment for our registered representatives, as permitted by industry rules. Additional disclosure and a listing of companies who pay additional compensation to us may be obtained at www.firstallied.com or by contacting us at 800-223-0989.

Some investments pay higher commissions than others. Commissions on equities are usually greater than those on bonds. Investments in limited partnerships generally pay higher commissions than investments in equities.

Custody

As mentioned previously, we do not custody your account assets. Your account assets are custodied by Fidelity. Fidelity will send you account either quarterly or more frequently. You should review the account statements carefully and compare these account statements with the Albridge reports your IAR may give to you. Should you note any discrepancies, please contact us at 800-223-0989.

Occasionally, IARs may accept stock certificates from clients and forward them to the broker/dealer for delivery to the client's account with the custodian. Because of this, we meet the regulatory definition of having custody of client securities and are required to hire an independent accounting firm to review our procedures with these certificates. This audit is conducted each year. More information about the results of the audit can be found through the SEC's Investment Adviser Public Disclosure website, www.adviserinfo.sec.gov, by selecting "Investment Adviser Firm" and typing our name into the "Firm Name" field.

We ask that any checks you write for deposit into your account be made payable to the custodian of your account.

Investment Discretion

Overview

We do not have discretion over your assets. However, when you invest in one of our advisory programs we may attain a trading authorization. Depending on which advisory program you choose, you will grant us one of three levels of trading authorization:

- Limited trading authorization
- Full trading authorization
- No trading authorization

Limited Trading Authorization

Limited trading authorization allows us to use discretionary trading authority over purchases and sales of approved investment company securities. Investment company securities include mutual funds, unit investment trusts, and exchange-traded funds. In the Greenbook Select program, you are not granting any party limited trading authorization.

Full Trading Authorization

Full trading authorization allows us to purchase and sell equities, fixed income products including bonds and certificates of deposit, options, and any other security traded on a national exchange. In the Greenbook Select program, FAAM will have full trading authorization.

No Trading Authorization

For the Greenbook Select program, because your account is managed by FAAM, you do not grant us or your IAR any trading authority. The account agreement that you sign details your designation of full trading authorization to FAAM who is managing your account. In these cases you are granting trading authorization, but not to us or your IAR.

Voting Client Securities

We do not accept authority to vote client proxies. However, your IAR is permitted to aid you in the filling out of the client proxies you receive. FAAM will vote proxies on your behalf for your Greenbook Select program account. You may revoke this authorization at any time by sending us written instructions naming another person who will vote proxies in your account(s).

Financial Information

Prepayment of Fees

We do not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Generally, advisory fees for account management are paid quarterly in advance. For consulting or financial planning, fees are occasionally prepaid more than six months from delivery of services. In these instances, the amount of prepayment will not exceed \$1,200 per client.

FAAS' Financial Condition

We are required to inform you of any financial conditions that are reasonably likely to impair our ability to meet contractual commitments to you. Currently, there are no financial conditions that would impair our ability to meet our contractual commitments to you. Should any arise, we will notify you according to SEC guidelines.