

# Part 2A of Form ADV Firm Brochure of

## **Stratos Wealth Partners, Ltd.**

30575 Bainbridge Road, Suite 100,

Solon, OH. 44139

440-519-2500

Fax 440-248-1943

[www.stratoswealthpartners.com](http://www.stratoswealthpartners.com)

March 9, 2012

This brochure provides information about the qualifications and business practices of Stratos Wealth Partners, Ltd. (Stratos). If you have any questions about the contents of this brochure, please contact your Stratos representative or Stratos Wealth Partners, Ltd. at **(440) 519-2500**. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Stratos Wealth Partners, Ltd. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **ITEM 1 COVER PAGE**

### **ITEM 2 MATERIAL CHANGES**

This Brochure is a disclosure document required to be delivered to clients by investment advisors. Since the last annual amendment on March 24, 2011, the following material changes have taken place.

- 1) Certain Stratos Wealth Partners Investment Advisory Representatives (IARs) may be dually registered as IARs with the registered investment advisory firm LPL Financial for the sole purpose of offering the LPL Retirement Plan Consulting Program.
- 2) Stratos Wealth Partners, Ltd., has entered into arrangements whereby its advisory services may be offered through financial institutions such as banks.
- 3) Stratos has entered into agreements where certain advisory services are offered through programs which utilize Fidelity Brokerage Services LLC and National Financial Services LLC (collectively "Fidelity") or Charles Schwab (Schwab) or TD Ameritrade as the custodian.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Director of Operations and Compliance, Barbara J. Dull at 440-519-2500.

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## **ITEM 4           ADVISORY BUSINESS**

### **Introduction**

Stratos Wealth Partners, Ltd. (Stratos) is an investment advisor registered with the Securities and Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940. Stratos has provided advisory services as a registered investment advisor since 2010. Note that registration as an investment advisor with the SEC does not imply a certain level of skill or training. As of February 24, 2012, Stratos' discretionary assets under management were \$379,263,759.23 in 2,149 accounts. Non-discretionary assets under management were \$172,037,600.74 in 798 accounts. The total assets under management were \$551,301,359.97 in 2,947 accounts.

Stratos' advisory services are made available to clients primarily through individuals associated with Stratos as investment advisor representatives ("IARs"). For more information about the IAR providing advisory services, client should refer to the Brochure Supplement for the IAR. The Brochure Supplement is a separate document that is provided by the IAR along with this Brochure before or at the time client engages the IAR. If client did not receive a Brochure Supplement for the IAR, the client should contact the IAR or Stratos at (440) 519-2500.

Stratos may also offer its advisory services through financial institutions such as banks. Stratos is not an affiliate of the banks in which its IARs maintain offices nor is Stratos or its IARs employees of the bank. Stratos pays a fee to the bank for the opportunity to conduct business on its premises and with banking clients. This fee is part of, and not in addition to, the fees paid by clients to Stratos.

### **Types of Advisory Services**

Stratos offers various types of advisory services and programs, including wrap programs, mutual fund asset allocation programs, advisory programs offered by third party investment advisor firms, financial planning services, retirement plan consulting services, and investment research.

This Brochure provides information about Stratos and the following types of advisory services that Stratos provides: financial planning and hourly consulting services, and advisory services related to advisory programs of third party asset management firms.

Stratos provides information in separate disclosure brochures for services offered through the following advisory programs: Stratos Wealth Management, Stratos Wealth Management II, Manager Access Network, Manager Access Select, Personal Wealth Portfolios, Optimum Market Portfolios, Model Wealth Portfolios, custodied at LPL Financial (LPL), Member FINRA/SIPC. If clients would like more information on such programs, clients should contact the IAR for a copy of the program brochure that describes such programs or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Stratos provides information in separate disclosure brochures for services offered through the following advisory programs: Advisor Wealth Management and Advisor Wealth Management II, Fidelity Managed These programs are custodied at Fidelity Brokerage Services LLC and National Financial Services LLC (collectively "Fidelity"), Member FINRA/SIPC. If clients would like more information on such programs, clients should contact the IAR for a copy of the program brochure that describes such program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Stratos provides information in a separate disclosure brochure for the services it offers through the Retirement Plan Consulting Program offered through LPL Financial. If the IAR participates in the Retirement Plan Consulting Program, the IAR will be dually registered with the LPL Financial Registered Investment Advisor firm. If clients would like more information on this program, clients should contact the IAR for a copy of the program brochure that describes this program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for LPL Financial.

## **Financial Planning Services**

As part of Stratos' financial planning services, Stratos, through its IARs, provides personal financial planning tailored to the individual needs of the client. The engagement terminates upon delivery of the financial plan. Stratos offers various types and levels of financial planning and consulting services. The level and type of services will vary among the Advisory Representative and will depend on the needs of the client. Services may include, but not be limited to, the following examples of services.

- Retirement Planning
- General, Segmented and Comprehensive Financial Planning
- Educational Planning
- Cash Flow Analysis
- Estate Planning
- Budget Planning
- Tax Planning
- Insurance Needs Analysis
- Business Continuity, Succession and Exit Planning
- Asset Allocation Services
- Sports and Entertainment Management
- Executive Planning
- Corporate Benefit Consulting
- Other planning and consulting services as requested by the client and agreed to by the Advisory Representative

Stratos will gather financial information and history from clients, which may include, among other things, retirement and financial goals, investment objectives, investment horizon, financial needs, cash flow analysis, cost of living needs, education needs, savings tendencies, and other applicable financial information required by Stratos in order to provide the investment advisory services requested.

As stated above, the level and type of services will depend on the needs of the client. Depending on the services requested, clients may receive a written analysis, summary or plan. One or more meetings may be necessary with the client and may involve other professionals, as invited and agreed to by the client, such as attorneys and/or certified public accountants.

Stratos and IAR will not have any discretionary investment authority when offering financial planning.

## **Hourly Consulting Services**

As part of Stratos' hourly consulting services, Stratos, through its IARs, provides consulting services on an hourly basis. These services include, as selected by the client in the consulting agreement, advice regarding tax planning, investment planning, retirement planning, estate planning, cash flow/budget planning, business planning, education planning, and personal financial planning. The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. The IAR may or may not deliver to the client a written analysis or report as part of the services. The IAR tailors the hourly consulting services to the individual needs of the client based on the investment objective chosen by the client. The engagement terminates upon final consultation with the client.

Stratos and IAR do not have any discretionary investment authority when offering hourly consulting services. The IAR makes recommendations as to general types of investment products or securities that may be appropriate for client to consider, and may also provide recommendations regarding specific investments or securities.

Planning and consulting services are based on the client's financial situation at the time and are based on financial information disclosed by the client to Stratos. Clients are advised plans may contain certain assumptions that may be made with respect to interest and inflation rates and use of past trends and

performance of the market and economy. However, past performance is in no way an indication of future performance. Stratos cannot offer any guarantees or promises that clients' financial goals and objectives will be met. Further, clients must continue to review any plan or analysis and update the plan based upon changes in the client's financial situation, goals, or objectives or changes in the economy. Should a clients' financial situation or investment goals or objectives change, clients must notify Stratos promptly of the changes.

Clients are advised fees for planning and/or consulting services are strictly for the planning and/or consulting services. Therefore, clients may pay fees and/or commissions for additional services obtained, such as asset management or products purchased such as securities or insurance.

### **Third Party Asset Management Program (TAMP) Services**

Stratos makes available advisory services and programs of third party investment advisors. Under these TAMP programs, Stratos, through its IARs, provides ongoing investment advice to clients that is tailored to the individual needs of the client. As part of these TAMP services, the IAR typically obtains the necessary financial data from the client, assists the client in determining the suitability of the program, assists the client in setting an appropriate investment objective and assists the client in opening an account with the TAMP. In addition, depending on the type of program, the IAR may assist the client to select a model portfolio of securities designed by the TAMP or select a portfolio management firm to provide discretionary asset management services. It is the third party investment advisor (and not the IAR) that has client authority to purchase and sell securities on a discretionary or non-discretionary basis pursuant to investment objective chosen by the client. This authorization will be set out in the TAMP client agreement. The Brochure for the particular TAMP will explain whether clients may impose restrictions on investing in certain securities or types of securities.

In particular, Stratos currently offers advisory services through TAMPs sponsored by, among others: SEI, Brinker Capital, Symmetry Partners, Curian Capital, BTS Asset Management, Potomac Asset Management, and Mt. Yale Capital. Clients should refer to the Brochure, client agreement and other account paperwork for each TAMP for more detailed information about the services available under the program.

### **Additional Information about the SEI Program**

Stratos offers an asset allocation program (the "Program") through SEI. The Program is for long-term investing with differing strategies for allocating assets among no-load and load-waived mutual funds. Stratos assists client to determine the asset allocation model best suited to the client's investment objectives and risk tolerance. Clients may accept, reject or modify asset allocations.

There is no minimum account size requirement in order to participate in the Program.

SEI will provide model asset allocations for clients based on its capital market research. SEI develops and maintains a range of asset allocation portfolios. SEI has created asset allocation programs using mutual funds investing in stocks, bonds, and cash in order to try to meet varying client objectives.

SEI incorporates a formal rebalancing program to control risk. In rebalancing, SEI adjusts the weightings of the portfolios assets to maintain the original desired level of asset percentages in the portfolio. Rebalancing is generally made automatically if the underlying funds are out of the prescribed quarterly allocation by greater than a 2% variance. Rebalancing that results in redemptions and exchanges among the mutual funds in a client's account may result in taxable events for which capital gains taxes may apply. Clients are advised to consult with their tax adviser in these instances.

Clients will be charged a quarterly fee at the end of each calendar quarter based upon the value of the account on the last business day of the calendar quarter. Advisory fees are negotiable and are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds. In the event the account is opened on a day other than the first day of the calendar quarter, or closed on a day

other than the last day of the calendar quarter, advisory fees will be prorated based on the number of days during the calendar quarter during which the Account was open. If the Account was opened during the last ten (10) days of the calendar quarter, the advisory fee for the prorated number of days for which the Account was opened will be charged at the end of the next full calendar quarter. Additional deposits to the Account will be subject to the same billing procedures.

In addition to the advisory fees above, clients may incur charges imposed by SEI in connection with investments made through the SEI Program, such as SEI fund management fees, administrative servicing fees, SEI account maintenance fees, and other fees charged by SEI or the custodian for any IRA or qualified retirement account. Information regarding charges and fees assessed by SEI is further disclosed in the SEI Fund prospectus and in the SEI Client Agreement.

### **Referral Services for Investment Advisors**

Stratos and its IARs act as referral agents on behalf of third party investment advisors pursuant to a referral agreement. In such case, Stratos provides services to the third party investment advisor related to the referred client. The IAR provides the referred client a disclosure statement regarding the role of Stratos 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 advisor for advisory services. Please see Item 14 below for more information about these referral services and the related compensation.

## **ITEM 5 FEES AND COMPENSATION**

### **Financial Planning and Hourly Consulting Services**

Financial Planning/Consulting Fees are separate from advisory fees discussed elsewhere. Financial Planning/Consulting Fees are negotiable. Each IAR will negotiate a financial planning/consulting fee with the client and quote a fee prior to any services being rendered. IARs may charge based on a flat or hourly fee. The fee will be based on several factors including but not limited to: the services requested by the client, the complexity of the client's situation, the number of meetings required to complete the requested services, number of parties involved or other professionals, areas of review and analysis, staff resources, travel, time and research needed, and savings to the client as a result of the services. Further, IARs may charge different fees based on the IAR and the level of experience.

Flat fees generally range up to \$25,000 for individual planning services. For corporate benefit plans, consulting fees will generally be 10 basis points based on the value of plan assets. The plan will be valued annually. Up to 100% of the planning or consulting fee will be due upon execution of the Agreement with Stratos, unless otherwise negotiated. Stratos retains the ability to negotiate a payment schedule with the client.

Hourly fees will range up to \$500 per hour. Typically, clients will be provided an estimate of the amount of time needed for the services. A deposit in the amount of one-half (1/2) of the estimated fee may be requested in advance. Alternatively, clients may negotiate with the IAR to pay hourly fees in arrears on a monthly basis promptly upon receipt of an invoice from the IAR.

Clients may terminate, with written notice to Stratos, planning and/or consulting advisory services within five (5) business days after entering into the advisory agreement, without penalty. After five (5) business days of entering into the financial planning advisory agreement, clients may terminate upon Stratos' receipt of a client's written notice to terminate. Prepaid fees will be refunded to clients based on time spent by Stratos multiplied by the hourly rate. After completion and presentation of the services no refunds will be issued.

### Third Party Asset Management Programs

For TAMPs, clients pay an advisory fee as set out in the client agreement with the TAMP sponsor. The fee is typically negotiated among the TAMP sponsor, the IAR and the client. The TAMP sponsor may establish a fee schedule or set a minimum or maximum fee. The TAMP fee schedule will be set out in the Disclosure Brochure provided by the TAMP sponsor. The advisory fee typically is based on the value of assets under management as valued by the custodian of the assets for the account and will vary by program. The advisory fee typically will be deducted from the account by the custodian and paid quarterly in arrears or in advance. The advisory fee is often paid to the TAMP sponsor, who in turn pays a portion to Stratos. Stratos and the IAR share such portion of the advisory fee. A TAMP account may be terminated by a party pursuant to the terms outlined in the TAMP client agreement. The TAMP client agreement will explain how clients can obtain a refund of any pre-paid fee if the agreement is terminated before the end of a billing period.

There are other fees and charges imposed by third parties that may apply to investments in TAMP accounts. Some of these fees and charges are described below. The client may be charged commissions, markups, markdowns, or transaction charges by the broker-dealer who executes transactions in the TAMP account. There may be custodial related fees imposed by the custodian of assets for the program account. These additional fees and charges will be set out in the TAMP Brochure and the agreements executed by the client at the time the account is opened.

If assets are invested in mutual funds, ETFs or other pooled funds, there are two layers of advisory fees and expenses for those assets. Client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. Client will also pay the TAMP advisory fee with respect to those assets. The mutual funds and ETFs available in the programs often may be purchased directly. Therefore, clients could avoid the second layer of fees by not using the advisory services of the TAMP and IAR and by making their own decisions regarding the investment.

A mutual fund in a TAMP program account may pay an asset based sales charge or service fee (e.g., 12b-1 fee) that is paid to the broker-dealer on the account. Stratos and IARs are not paid these fees for TAMP program accounts.

If client transfers into a TAMP account a previously purchased mutual fund, and there is an applicable contingent deferred sales charge on the fund, client will pay that charge when the mutual fund is sold. If the account is invested in a mutual fund that charges a fee if a redemption is made within a specific time period after the investment, client will be charged a redemption fee. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting).

If client holds a variable annuity that is managed as part of a TAMP account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor. If client holds a UIT in a program account, UIT sponsors charge creation and development fees or similar fees. Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which clients may request from IAR.

If the TAMP program is a wrap fee program, clients should understand that the wrap fee may cost the client more than purchasing the program services separately, for example, paying fees for the advisory services of the TAMP and IAR, plus commissions for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:

- type and size of the account
- types of securities in the account
- historical and or expected size or number of trades for the account, and
- number and range of supplementary advisory and client-related services provided to the client.

The investment products and services available to be purchased in TAMP program accounts can be purchased by clients outside of a TAMP program account, through LPL or through broker-dealers or other investment firms not affiliated with Stratos or the TAMP.

## **ITEM 6                      PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

This Item is not applicable. Stratos and its IARs do not accept performance-based fees.

## **ITEM 7                      TYPES OF CLIENTS**

Stratos' advisory services are available for individuals, individual retirement accounts ("IRAs"), banks and thrift institutions, pension and profit sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 ("ERISA"), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities.

Stratos does not require a minimum asset amount for financial planning or hourly consulting.

For TAMPs, the TAMP sponsor typically establishes a minimum account value, which will be set out in the account opening documents with the TAMP sponsor.

## **ITEM 8                      METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

The IAR has access to various research reports and model portfolios to which he or she may refer in determining investment advice IAR provides to clients. The IAR chooses his or her own research methods, investment style and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable and has a risk of loss.

### **Types of Investments and Risks**

Stratos and IARs can recommend many different types of securities, including mutual funds, unit investment trusts ("UITs"), closed end funds, ETF/ETNs, variable annuity subaccounts, equities, fixed income securities, options, hedge funds, managed futures, and structured products. Investing in securities involves the risk of loss that clients should be prepared to bear. Described below are some particular risks associated with some types of investments available in the program.

- **Alternative Strategy Mutual Funds.** Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry.
- **Closed-End Funds.** Client should be aware that closed-end funds are not readily marketable. In an effort to provide investor liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis. Thus, clients may be unable to liquidate all or a portion of their shares in these types of funds.
- **Exchange-Traded Funds (ETFs).** ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company



under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.

- **Exchange-Traded Notes (ETNs).** An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer's ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks.

- **Leveraged and Inverse ETFs, ETNs and Mutual Funds.** Leveraged ETFs, ETNs and mutual funds, sometimes labeled "ultra" or "2x" for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual re-setting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions are magnified over time. Because of these distortions, these products should be actively monitored, as frequently as daily, and are generally not appropriate as an intermediate or long-term holding. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.

- **Options.** Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.

- **Structured Products.** Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

• **High-Yield Debt.** High-yield debt is issued by companies or municipalities that do not qualify for “investment grade” ratings by one or more rating agencies. The below investment grade designation is based on the rating agency’s opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer’s financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond’s market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.

• **Hedge Funds and Managed Futures.** Hedge and managed futures funds may be purchased by clients meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Client should be aware that these funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the fund during the repurchase offer.

• **Variable Annuities.** If client purchases a variable annuity that is part of the program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.

## ITEM 9 DISCIPLINARY INFORMATION

We do not have any legal or other disciplinary item to report. Stratos is obligated to disclose any disciplinary event that would be material to clients, or potential clients, when evaluating Stratos to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

## ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Most Stratos IARs are also Registered Representatives (RRs) of LPL Financial Corporation (“LPL”), a registered Broker/Dealer, member FINRA and SIPC. Clients are under no obligation to purchase or sell securities through IARs. However, if a client chooses to implement the recommendations, commissions may be earned by IARs as RRs of LPL in addition to any fees paid for advisory services. Commissions may be higher or lower at LPL than at other broker/dealers. IARs may have a conflict of interest in having clients purchase securities and/or insurance related products through LPL in that the higher their production with LPL the greater potential for obtaining a higher pay-out on commissions earned. Further, IARs may be restricted to only offering those products and services that have been reviewed and approved for offering to the public through LPL. They spend approximately 20% of their time offering securities products on a commission basis. However, the amount of time spent by each IAR will vary. Some IARs may spend significantly more or less time offering commissionable products and services through LPL.

Certain Stratos IARs are also dually registered as IARs of LPL Financial’s Registered Investment Advisor for the sole purpose of offering LPL’s Retirement Plan Consulting Program services.

Stratos Wealth Partners, Ltd. is also an insurance agency and offers insurance products and services for which commissions will be paid. IARs and other related persons of Stratos may be licensed with Stratos and/or various insurance companies. Stratos, its IARs and related persons have a conflict of interest to recommend clients purchase insurance products since commissions may be earned in addition to fees for advisory services. Clients are not obligated to purchase insurance products through Stratos or its IARs. IARs spend approximately 5% of their time offering insurance products. However, the amount of time spent by each IAR will vary. Some IARs may spend significantly more or less time offering insurance products and services. The principal business of Stratos is not to offer insurance products and services. Less than 10% of Stratos’ resources are dedicated to insurance business.

Certain IARs may be certified public accountants (CPAs) and offer accounting services through their accounting practice. Stratos does not endorse or recommend the services of the IARs in their capacity as CPAs. Further, none of the services offered by Stratos are to be considered legal or accounting services. Clients are under no obligation to participate in accounting services offered by IARs who may be CPAs.

As stated above, IARs are generally independent contractors. As such, the IARs have a direct incentive in the advisory fees being charged since a portion of the advisory fee collected by Stratos will be paid to the IAR for compensation for advisory services. Further, clients are advised that the amount paid by Stratos to the IAR will be based on the production of the IAR. Therefore, the higher sales the IAR produces the more compensation the IAR will receive. Consequently, since production is a basis for determining the IAR's payout, and since a portion of the advisory fees will be retained by Stratos, there is a conflict of interest for the IAR to potentially charge a higher fee.

Stratos may offer clients the option to utilize the management services of one or multiple third party managers. Stratos will assist clients with evaluating their financial situation and present to the clients one or more third party managers and assist the client with selecting a third party manager's service. Additionally, on an ongoing basis Stratos will be available to answer questions clients may have regarding their managed account and act as the communication conduit between the client and the manager. Stratos will periodically meet with the client to evaluate the client's account and third party manager. Stratos offers clients access to various third party managers including, but not limited to, Brinker Capital, SEI Investment Management, Symmetry Partners, Curian Capital, BTS Asset Management, Potomac Asset Management, and Mt. Yale Capital.

In addition, if the investment program recommended to a client is a wrap fee program the client will also receive Part 2A Appendix 1 of the Form ADV or equivalent wrap fee brochure provided by the sponsor of the program. Stratos will provide to each client all appropriate disclosure statements, including disclosure of solicitation fees to Stratos and its advisory associates. Clients will be charged an advisory fee by the third party manager (selected by the client).

Clients are advised that fees for such programs may be higher or lower than if the client directly obtained the services of the third party manager, or if the client obtained advisory services separately. Clients should read the third party manager's disclosure brochure for additional disclosure of its managed program.

For accounts that utilize a third party manager, client will establish a third party manager custody account at a qualified custodian. Stratos will not directly conduct any securities transactions on behalf of the client or participate directly in the selection of the securities to be purchased or sold for the client. Investment decisions are made by the third party manager in accordance with the agreement between client and manager.

Clients may pay transaction fees, account maintenance fees and other fees and expenses associated with maintaining the account. Fees will be charged by and collected by the third party manager and the third party manager will allocate Stratos' portion of the fee. Therefore, clients must refer to the third party manager's disclosure brochure for payment terms and conditions.

## **ITEM 11            CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics and Personal Trading**

Stratos has a fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. Stratos takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Stratos' policies and procedures. Further, Stratos strives to handle clients' non-public information in such a way to protect information from

falling into hands that have no business reason to know such information and provides clients with Stratos' Privacy Policy. As such, Stratos maintains a Code of Ethics for its IARs, supervised persons and staff.

The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about client transactions. Further, Stratos' Code of Ethics establishes Stratos' expectation for business conduct.

Stratos' Code of Ethics is distributed to each employee and Advisor at the time of hire/contract, and, as the Code is modified. In addition, Stratos requires an annual certification by all employees/Advisors regarding their understanding and compliance with the Code of Ethics. Stratos also supplements the Code with annual training and on-going monitoring of employee activity.

A copy of our Code of Ethics will be provided to any client or prospective client upon request. You may contact our Director of Operations and Compliance, Barbara J. Dull at 440-519-2500.

### **Participation or Interest in Client Transactions**

Most IARs are Registered Representatives with LPL and must execute securities transactions through LPL, unless IARs obtain authorization to execute securities transactions through another broker/dealer.

Related persons of Stratos (any advisory affiliate and any person that is under common control with Stratos) may buy or sell securities identical to those securities recommended to clients. Therefore, related persons may have an interest or position in certain securities that are also recommended and bought or sold to clients. Related persons will not put their interests before a client's interest. IARs may not trade ahead of their clients or trade in such a way to obtain a better price for themselves than for their clients. Stratos is required to maintain a list of all securities holdings for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. Clients have the right to decline any investment recommendation. Stratos and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

Stratos has established the following restrictions in order to meet its fiduciary responsibilities:

- 1) IARs shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with Stratos, unless the information is also available to the investing public upon a reasonable inquiry. No person shall prefer his or her own interest to that of the advisory client.
- 2) All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- 3) Stratos emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where a third party advisory services is granted discretionary authority in the client's account.
- 4) Stratos requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination.

### **NOTE:**

- (1) This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of Stratos' 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.

- (2) Open-end mutual funds and/or the investment sub-accounts which may comprise a variable life insurance product 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 and/or variable insurance products by IARs are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by the Stratos' investment policies and procedures.

In accordance with Section 204A of the Investment Advisers Act of 1940, Stratos also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by Stratos or any person associated with Stratos.

As part of financial planning services or hourly consulting services, an IAR may provide recommendations as to investment products or securities. To the extent that IAR recommends that client invest in products and services that will result in compensation being paid to Stratos and the IAR, this presents a conflict of interest. The compensation to IAR and LPL may be more or less depending on the product or service that the IAR recommends. Therefore, the IAR has a financial incentive to recommend that a financial plan or consulting advice be implemented using a certain product or service over another product or service. The client is under no obligation to purchase securities or services through Stratos and the IAR.

If the client decides to implement the financial plan or consulting advice through an advisory program or service, the IAR will provide client at the time of engagement with a Brochure, client agreement and other account paperwork that contain specific information about fees and compensation that the IAR and Stratos will receive in connection with that program. The Brochures are also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

If the client desires instead to purchase securities in a brokerage account through IAR acting as a Registered Representative of LPL, LPL and IAR will receive brokerage-related compensation for those services, such as commissions and/or trail fees. LPL provides information regarding such brokerage compensation at the time of a brokerage transaction and also on its website at [www.lpl.com](http://www.lpl.com).

When considering whether to implement a financial plan through IAR and Stratos, clients should discuss with the IAR how Stratos and IAR will be compensated for any recommendations in the plan. It is important to note that clients are under no obligation to implement a financial plan through Stratos. Clients should understand that the investment products, securities and services that an IAR may recommend as part of financial planning and hourly consulting are available to be purchased through broker-dealers, investment advisors or other investment firms not affiliated with Stratos.

Client should understand that Stratos and IAR, as either an IAR or as a registered representative of LPL, may perform advisory and/or brokerage services for various other clients, and that Stratos and IAR may give advice or take actions for those other clients that differ from the advice given to the client. The timing or nature of any action taken for the account may also be different.

## **ITEM 12            BROKERAGE PRACTICES**

- A. Depending on specific client needs, one broker-dealer or custodian may offer better transaction costs/order processing than another and those differences are evaluated by the IAR prior to opening a client account. Stratos, as an investment adviser, owes a legal and fiduciary duty to its clients, including a duty to seek best execution of client transactions and to make full and fair disclosure to clients about any soft dollar arrangements. While best execution policies of the custodians are monitored, they are not the only determining factor that would influence opening an account at one custodian or another. Important items like stability, reputation, research, trading platforms, administrative efficiencies, client friendly statements and other service oriented tasks are also considered in the evaluation and selection of a custodian. The lowest cost trade execution is not always the determining factor for the selection of a custodian. However, the client has the right to inquire about opening accounts at these various institutions.

1. Research and Other Soft Dollar Benefits. Stratos receives research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions (“soft dollar benefits”). Stratos may recommend (or use) the use of a broker-dealer who provides useful research and services. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. Soft dollar benefits are not used to service all Stratos clients. Stratos will not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. Clients may pay commissions higher than those charged by other broker-dealers in return for research services. Stratos may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used in part to purchase research services that are not used to benefit that specific client. Stratos derives a benefit from these services to the extent these soft dollars pay for expenses it would otherwise be required to pay for or produce itself. Fees charged to clients will not be reduced by the value of the services and a conflict of interest may exist as there is an incentive to Stratos to select or recommend the use of a broker-dealer or custodian based on its interest in receiving the research or services, rather than on the clients’ interest in receiving most favorable execution.

Stratos intends to use such soft dollars generated by client accounts to obtain only such research, services or products as permitted under the safe harbor afforded by Section 28(e).

2. Brokerage for Client Referrals. Stratos does not recommend brokerage for client referrals.

3. Directed Brokerage. Stratos does not engage in directed brokerage transactions for clients.

In connection with TAMP programs, the TAMP sponsor may require that clients direct brokerage to a broker-dealer, including the TAMP sponsor or broker-dealer affiliated with the TAMP sponsor. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to a broker, clients may be unable to achieve the most favorable execution of client transactions and may pay more in transaction charges than other broker-dealer firms. Therefore, directed brokerage may cost clients more money. For more information about the brokerage practices of a TAMP sponsor, clients should refer to the Disclosure Brochure for the applicable TAMP.

### Aggregation

In placing orders to purchase or sell securities in accounts, IARs may elect to aggregate orders (that is, consolidate smaller orders for the same security into a large order, which, generally results in transaction cost savings). In so doing, IARs will not aggregate transactions unless aggregation is consistent with its duty to seek best execution. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all transactions executed by the IAR in that security on a given business day, with transaction costs shared pro-rata based on each client’s participation in the transaction. IARs will prepare, before entering an aggregated order a written statement (“Allocation Statement”) specifying the participating client accounts and how the IAR intends to allocate the order among those clients.

If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will be allocated pro-rata based on the Allocation Statement. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement so that all client accounts receive fair and equitable treatment.

## **ITEM 13 REVIEW OF ACCOUNTS**

For financial planning, the client agreement for financial planning services terminates upon delivery of the plan. However, clients are encouraged to update their financial plans annually. Such annual review may be conducted at the election of the client and a new agreement for services between Stratos, the client and the IAR will be required. The review may consist of a new personal financial plan if the client’s

circumstances and/or goals have changed (updated financial plan). Alternatively, the review may be a comparison of the client's current assets and goals as stated in the personal financial plan (progress report). All financial plans are reviewed by Stratos' Director of Financial Planning.

For TAMP services, IARs review on an ongoing basis client accounts and meet with clients to review such items as accounts statements, quarterly performance reports, and other information or data related to the client's account and investment objective. The TAMP sponsor or custodian of the TAMP account assets send clients regular written reports and statements regarding the account.

#### **ITEM 14            CLIENT REFERRALS AND OTHER COMPENSATION**

Stratos has no arrangements where someone who is not a client provides an economic benefit to Stratos for providing investment advice or advisory services

##### **Client Referrals**

Stratos may enter into arrangements with individuals ("Solicitor") whereby the Solicitor will refer clients to Stratos which clients may be a candidate for the investment advisory services offered by Stratos. In return, Stratos will agree to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with Stratos for advisory services. Compensation to Solicitor will be an agreed upon percentage of Stratos' advisory fee. Stratos' referral program is in compliance with the federal regulations as set out in 17 CFR Section 275.206(4)-3. The solicitation/referral fee is paid pursuant to a written agreement retained by both the investment adviser and the Solicitor. The Solicitor will be required to provide the client with a copy of Stratos' Form ADV Part 2 and a Solicitor Disclosure Brochure prior to or at the time of entering into any investment advisory contract with Stratos. Solicitor is not permitted to offer clients any investment advice on behalf of Stratos. Clients' advisory fee will not be increased as a result of compensation being shared with Solicitor.

Stratos and its IARs may offer advisory services on the premises of unaffiliated financial institutions such as banks. Stratos has entered into agreements with the financial institutions pursuant to which Stratos shares compensation, including a portion of the advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals.

##### **Other Compensation**

The IAR, Stratos and Stratos employees may receive additional non-cash compensation from advisory product sponsors. Such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. Advisory product sponsors may also pay for education or training events that may be attended by Stratos employees and IARs.

The IAR recommending a TAMP program to the client receives compensation as a result of the client's participation in the program. This compensation includes a portion of the advisory fee and also may include other compensation, such as bonuses, awards or other things of value offered by the TAMP to the IAR. For example, a TAMP may pay additional marketing payments to Stratos, its employees and/or IARs to cover fees to attend conferences or reimbursement of expenses for workshops, seminars presented to IARs clients or advertising, marketing or practice management. The amount of this compensation may be more or less than what the IAR would receive if the client participated in LPL advisory programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. Therefore, the IAR may have a financial incentive to recommend a TAMP program account over other programs and services.

Stratos has entered into referral agreements with independent third party investment advisors, pursuant to which Stratos and IARs receive referral fees from the third party investment advisors in return for referral of clients. Stratos refers clients to such firms as Brinker Capital, BTS Asset Management, Curian Capital, Potomac Fund, and Symmetry Partners. Because Stratos is engaged by and paid by the third party investment advisor for the referral, any recommendation regarding a third party investment advisor as part of a referral presents a conflict of interest. Stratos addresses this conflict by providing the client

with a disclosure statement explaining the role of Stratos and IAR and the referral fee received by Stratos and IAR. For more information regarding these arrangements, refer to Item 4.

In some cases, the third party investment advisers pay additional marketing payments to Stratos, its employees and/or IARs to cover fees to attend conferences or reimbursement of expenses for workshops, seminars presented to IAR's clients or advertising, marketing or practice management.

Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from client assets. Any 12b-1 fees paid on mutual funds purchased in a Stratos Wealth Partners managed account are not passed to IARs and will be retained by LPL.

LPL makes available to Stratos other products and services that benefit Stratos but may not benefit its clients' accounts. Some of these other products and services assist Stratos in managing and administering clients' accounts. These include software and other technology that provide access to client account data, such as trade confirmation and account statements; facilitate trade execution and allocation of aggregated trade orders for multiple client accounts; provide research, pricing information and other market data; facilitate payment of Stratos' fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Stratos' accounts, including those accounts not maintained at LPL. LPL may also make available to Stratos other services intended to help Stratos manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, LPL may make available, arrange and/or pay for these types of services rendered to Stratos by independent third parties. LPL may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to Stratos.

## **ITEM 15 CUSTODY**

Accounts are often custodied at LPL Financial Corporation ("LPL"), a registered broker/dealer, Member FINRA and SIPC, or qualified custodians as chosen by Client and IAR or through other third party investment advisors who have select custodial relationships. Stratos will not maintain custody of clients' funds or securities, with the exception of deduction of Stratos' fees from clients' accounts that are authorized in the advisory agreement between clients and Stratos.

For TAMP programs client assets are maintained at a custodian other than LPL. In such case, the client will complete account paperwork with the outside custodian that will provide the name and address of the custodian. The client will receive statements and reports directly from the custodian, rather than from LPL. Clients should refer to the statements and reports that they receive from the custodian or TAMP sponsor. Clients should review these statements and reports carefully.

## **ITEM 16 INVESTMENT DISCRETION**

With respect to financial planning and hourly consulting services, Stratos and the IAR do not have any discretionary investment authority.

In a TAMP program, the client typically authorizes the third party investment advisor to purchase and sell securities on a discretionary or non-discretionary basis pursuant to the investment objective chosen by the client. This authorization will be set out in the TAMP client agreement. Stratos and the IAR do not have discretion on TAMP program accounts.

## **ITEM 17 VOTING CLIENT SECURITIES**

Clients are advised that Stratos does not vote proxies on clients' behalf or take responsibility in any way to ensure client's securities are voted. Clients will receive their proxies directly from their custodian. If clients have questions they may contact their IAR. Clients retain the responsibility for voting their own proxies.



**ITEM 18            FINANCIAL INFORMATION**

Stratos does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Since Stratos does not have custody of client funds or securities, should Stratos encounter a financial condition that would impair Stratos' ability to meet its commitments under contracts with clients, such financial condition will not have a negative impact on client accounts.

Stratos has not been the subject of a bankruptcy petition in its history.

## ***STRATOS WEALTH PARTNERS, LTD., PRIVACY NOTICE***

Stratos Wealth Partners, Ltd., values our customers and makes it a top priority to safeguard the confidential information of our customers. We are committed to protecting your privacy and maintaining your trust and confidence.

Stratos Wealth Partners, Ltd., collects information about you to assist us in providing services and products to help you meet your financial goals and objectives and provide high standards of customer service. Additionally, information is obtained from you in order to help us fulfill our legal and regulatory requirements. Information collected may vary depending on the products and services requested and the scope of your engagement with us.

### **Information Collected About You**

Stratos Wealth Partners, Ltd., collects nonpublic personal information about you from the following sources:

- ◆ Information provided on applications and related forms, such as name, address, telephone number, Social Security or Tax Identification number, birth date, net worth, annual income, information about your personal finances, financial information such as bank accounts, and medical information if insurance services are provided.
- ◆ Information about your transactions with us, such as account balances, payment history, account numbers, and account activity.
- ◆ Information from your employer, association, or benefit plan sponsor regarding any group products we may provide or assist in reviewing on your behalf.
- ◆ Information from consumer reporting agencies, such as credit bureau reports and other information relating to your creditworthiness. Additionally, information may be obtained such as demographics depending on the products and services you are requesting from us.

We do not disclose information to nonaffiliated third parties about our current or former customers, except as permitted by law. However, should for any reason our policy change, we will notify you by providing you with an amended Privacy Notice prior to making disclosure of your nonpublic information to nonaffiliated third parties that are not permitted under law.

### **Policies and Practices to Protect Your Personal Information**

We train our staff to take caution in handling personal information. We restrict access to nonpublic information about you to staff that need to know such information, who assist in providing products and services to you, or who assist in the administration of the office, in order to maintain confidentiality of your information. Further, we limit staff access to information to only those who have a business or professional reason for knowing such information. Limited access is given to nonaffiliated third parties, as permitted by law, in order to execute securities transactions on your behalf, or in order to provide account maintenance or customer service on your accounts.

If you close your account, cease services with us, or become an inactive customer, we will continue to adhere to the privacy policy disclosed herein, unless we notify you by providing an amended Privacy Notice.

### **Disclosure of Personal Information**

We may disclose personal information obtained from you to financial service providers that service or provide support to your accounts, as permitted under law, such as:

- ◆ Securities broker/dealers.
- ◆ Other investment advisers.
- ◆ Insurance agents and insurance companies.
- ◆ Investment companies.
- ◆ Third-party administrators and vendors hired to effect, administer or enforce transactions or services in your accounts.
- ◆ Consumer reporting agencies in connection with your application or renewal of insurance coverage.

We will not share information about you with nonaffiliated third parties, unless we have provided you with an updated Privacy Notice and provided you with an opportunity to approve or disapprove of the sharing of your information.

Additionally, we may be required by law or regulation to disclose information to third parties such as in response to a subpoena, to prevent fraud, to comply with rules and regulations to which we are subject, in response to inquiries from industry regulators, and in order to comply with our broker/dealer's policies with whom our associated persons may be registered.

We will affirm our Privacy Policy annually in writing, provided you maintain an ongoing relationship with us.