

## **Part 2A of Form ADV: Program Brochure of**

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

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March 9, 2012

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

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

Stratos Wealth Partners, Ltd. is registered with the U.S. Securities and Exchange Commission. Note, however, that such registration does not imply a certain level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

### **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) Stratos introduced the SWMG Strategic Model Portfolio. A managed model portfolio for client accounts less than \$100,000.
- 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**

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. Its principal owner is Jeffrey A. Concepcion, President and Chief Executive Officer of Stratos Wealth Partners, Ltd. ("Stratos").

The following individuals are the principals/officers of Stratos:

Jeffrey A. Concepcion (Born 1965) is the President and Chief Executive Officer of Stratos, who founded the firm in 2008. Mr. Concepcion is also a registered representative and registered principal of LPL Financial Corporation.

Barbara J. Dull (Born 1955) is the Chief Compliance Officer of Stratos. Ms. Dull is also a registered representative and registered principal of LPL Financial Corporation.

Nancy E. Andrefsky (Born 1965) is the Chief Financial Officer of Stratos. Ms. Andrefsky is a Certified Public Accountant.

Daniel J. Jacoby (Born 1972) is the Chief Investment Officer for Stratos. Mr. Jacoby is also a registered representative of LPL Financial Corporation.

Sean P. Hesch (Born 1977) is the Director of Insurance for Stratos. Mr. Hesch is also a registered representative of LPL Financial Corporation.

Rachelle R. Kovacs (Born 1978) is the Director of Financial Planning for Stratos. Ms. Kovacs is also a registered representative of LPL Financial Corporation.

Stratos offers various investment advisory services to clients depending on the client's needs. The advisory services are more fully explained below.

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 consists of many independent IARs who maintain their own offices. Clients may be solicited by the IAR or referred to the IAR and engage the IAR for services. No clients are assigned by Stratos to a particular IAR. However, a client contacting the main office of Stratos to inquire of the services may be provided names of IARs within a geographic area of the client. Clients will choose whether or not to engage the IAR for services.

Most IARs are dually registered as IARs of Stratos and as Registered Representatives of LPL Financial Corporation ("LPL"). Therefore, the IARs may offer services through Stratos on a fee basis and conduct securities business on a commissionable basis through LPL. Additionally, the IARs may be insurance licensed and offer insurance products and services. Clients are advised IARs may receive fee compensation for advisory services offered through Stratos. Separately, IARs may also receive commission based compensation for securities business conducted through LPL and for insurance business.

Since IARs are generally independent contractors of Stratos, the experience, level of education, level and/or sophistication of services and fees will vary. However, the fees clients will pay for advisory services described below will not exceed the fee schedules set forth below. Further, clients are advised that they may pay more or less for similar services received by another client serviced by another IAR.

Most Stratos IARs will be required maintain a Series 6 or 7 securities registration. In the event an individual does not have a Series 6 or 7, or, had the Series 6 or Series 7 and surrendered the registration

as a result of not being registered with a broker/dealer in the last two years, the individual must be able to demonstrate continued activity and experience in the financial services industry or maintain an accepted professional designation (i.e., Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC), Certified Financial Analyst (CFA), Personal Financial Specialist (PFS), Certified Insurance Counselor (CIC). The minimum requirements to maintain these certifications are:

Certified Financial Planner (CFP)

1. Complete a CFP Board Registered Education Program (7 required courses) \*Certain individuals may challenge this status if they have certain academic degrees or credentials that fulfill the educational requirements: Certified Public Accountant (CPA), Licensed attorney, Chartered Financial Analyst® (CFA®), Doctor of Business Administration, Chartered Financial Consultant (ChFC), Ph.D. in business or economics, Chartered Life Underwriter (CLU)
2. Bachelor Degree or higher in any discipline, from an accredited college or university
3. Pass the CFP® Certification Examination
4. Meet the Experience requirement of at least three years of qualifying full time work experience.
5. Pass Fitness Standards for Candidates and Registrants and Background Check.
6. Pay Certification Fees (a onetime application fee of \$100 and a biennial certification fee of \$360)

Chartered Financial Consultant (ChFC)

1. Pass 7 required courses and two elective courses
2. Experience requirements and ethical standards, including three years of business experience immediately preceding the date of use of the designation are required; an undergraduate or graduate degree from an accredited education institution qualifies as one year of business experience and, when using formal education as qualifying experience, the remaining two years must immediately precede the date of the award.
3. Fees

Certified Financial Analyst (CFA)

1. Complete the CFA Program (organized in 3 levels, each culminating in a 6 hour exam)
2. Meet the Experience requirement of four years of qualified investment work experience
3. Become a member of CFA Institute
4. Pledge to adhere to the CFA Institute of Code of Ethics and Standards of Professional Conduct on an annual basis
5. Apply for membership to a local CFA member society
6. Pay Fees

Personal Financial Specialist (PFS)

1. Must obtain and hold the CPA license
2. Complete comprehensive Personal Financial Planning (PFP) Education
3. Attain a Specified level of PFP Experience (PFS candidate must have 2 years of full time business or teaching experience or 3,000 equivalent hours in personal financial planning)
4. Pass a PFP Examination
5. Join the AICPA and be a member in good standing
6. Fees - Based on role industry and work status. For a chart of the fees, go to [www.aicpa.org](http://www.aicpa.org). Enrollment fee of \$65/new members.

Certified Insurance Counselor (CIC).

1. To attend CIC institutes you must be a licensed agent, broker, adjuster or solicitor; or have at least two years of full time experience in the insurance industry or as a risk management practitioner; or have served as a full time insurance faculty member at an accredited college or university.
2. Take five CIC institutes and pass all five CIC exams within five calendar years after you pass your first CIC exam.
3. To retain your license you are required to attend one regular institute or a James K. Ruble Graduate Seminar each year.
4. Annual Dues (\$90)

## **STRATOS WEALTH PARTNERS PORTFOLIO MANAGEMENT SERVICES**

Stratos offers the management options as further outlined below.

**Stratos Wealth Management (SWM)**, an unbundled or non-wrap program, involves the client paying a fee to Stratos and ticket or transaction charges on each transaction executed in the account. The exception is that there may be a select listing of securities (typically reserved to mutual funds) for which no transaction fees will be assessed. However, the security may be subject to a holding period to avoid early liquidation fees. For securities with holding periods, clients are not prevented from liquidating during the holding periods, however, there is a fee associated with liquidations during the holding period.

**Stratos Wealth Management II (SWM II)** a bundled or wrap program involves the client paying a single fee which will include asset management services and transactional fees. No separate transaction fees will be assessed. Clients should thoroughly read the disclosures under each program. Typically, SWM II will be more expensive for those managed accounts where there is less trading. Conversely, SWM II is more cost effective for clients who engage in frequent transactions. See Appendix 1, Stratos' Wrap Fee Program Brochure, for a more detailed discussion of the Wrap Fee Program.

Asset management services are offered on a discretionary and non-discretionary basis as agreed to between the client and the client's IARs. Non-discretionary accounts will involve Stratos discussing any changes in the client's portfolio with the client, and receiving client approval, prior to execution of the transactions. For discretionary accounts, Stratos will make changes within the client's portfolio as deemed appropriate by Stratos without delay and without contacting the client prior to the transaction. Clients will receive confirmations and statements reflecting all transactions in their account. However, in no circumstances shall Stratos have the discretionary authority to close the account or withdraw funds or securities, with the exception of Stratos' advisory fees on a quarterly basis.

Stratos provides asset management services on an ongoing basis based on the individual needs of the client. The management program through Stratos offers clients flexibility among payment structures, custodians, and management styles. Management will be on an active basis. Thus, Stratos will actively monitor the assets in the account and make changes deemed appropriate in light of the circumstances in the market, based upon the expertise of Stratos Advisors. As stated above, Stratos offers clients an option between:

- a) **Stratos Wealth Management (SWM)**. This platform is an unbundled program or non-wrap program (i.e., the client will pay Stratos a management fee and the client will pay transaction charges separately), Stratos offers customized individually managed portfolios or management based on model accounts. Stratos will determine and present to clients an asset allocation specific to the client based upon a client's individual investment goals, objectives, risk tolerance, and investment time horizon; or,

- b) **Stratos Wealth Management II (SWM II).** This is a “wrap program” structure or bundled program (i.e. clients pay a fee that is inclusive of management fees and covers transaction charges, thus, clients do not pay additional for transaction charges). See Appendix 1, Stratos’ Wrap Fee Program Brochure, for a more detailed discussion of the Wrap Fee Program.

Stratos also offers clients in SWM and SWM II an option between:

- a) a customized individually managed portfolio; or
- b) a Stratos Wealth Management Group (SWMG) Managed Model Portfolio. Accounts managed based on a SWMG Managed Model Portfolio will be managed similar to other clients utilizing this model. There are no guarantees a portfolio managed based on a model will ensure positive results. Past performance is no guarantee of future results. Further, any model account assembled based on prior performance analysis has the benefit of having knowledge of all facts of the market and performance of securities after the fact.
- 1) Clients who select a SWMG Managed Model Portfolio are advised Stratos will charge the IAR an administrative fee. The administrative fee is based upon a percentage of the value of the account and will range from 14 to 28 basis points (.14% to .28%) depending on the size of the account participating in the SWMG Managed Model Portfolio (based on the schedule below). The administrative fee is for Stratos’, administration, investment research and oversight of the model portfolios on behalf of the IAR. Clients are advised the IAR may elect to charge the client a higher fee since Stratos will charge the 14 to 28 basis point fee for its management and administrative services to the IAR.
- c) a Stratos Wealth Management Group (SWMG) Strategic Model Portfolio. Accounts managed based on a SWMG Strategic Model Portfolio will be managed in a similar fashion as other SWMG Strategic Model Portfolios and SWMG Managed Model Portfolios as described in (b). Accounts in SWMG Strategic Model Portfolios may be under \$100,000 in value.
- 1) Clients who select a SWMG Strategic Model Portfolio are advised Stratos will charge the IAR an administrative fee. The administrative fee is based upon a percentage of the value of the account and will be 50 basis points. The administrative fee is for Stratos’, administration, investment research and oversight of the model portfolios on behalf of the IAR. Clients are advised the IAR may elect to charge the client a higher fee since Stratos will charge the 50 basis point fee for its management and administrative services to the IAR.

Accounts are custodied at LPL Financial Corporation (“LPL”), a registered broker/dealer, Member FINRA and SIPC. 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. Clients’ portfolios may consist of stocks, bonds, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable to the client by Stratos.

If the Stratos account is opened containing existing securities previously purchased through LPL or the IARs, LPL and/or the IAR may have already received commissions on the purchase. Additional commissions will not be charged, however, the fees discussed below will be charged.

If the Stratos account is opened with cash proceeds from the sale of securities sold through LPL or the IAR, LPL and/or the IAR may already have received commissions on the sale. The fees charged to the account are more fully discussed below.

Clients are advised that transactions in the account, account reallocations and rebalancing may trigger a

taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. Stratos does not offer tax advice and clients are urged to consult with their tax advisers.

## **LPL FINANCIAL CORPORATION SPONSORED ADVISORY PROGRAMS**

Stratos may provide advisory services through certain programs sponsored by LPL Financial Corporation (LPL), a registered investment advisor and broker-dealer, Member FINRA/SIPC. LPL serves as program sponsor, investment advisor and broker-dealer for the LPL advisory programs. Stratos and LPL may share in the account fee and other fees associated with program accounts. Accounts will be maintained and custodied at LPL Financial Corporation.

Below is a brief description of each LPL advisory program available to Stratos. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see the LPL Financial Form ADV Part 2 or the applicable program's Disclosure Brochure and the applicable client agreement.

Stratos and LPL Financial Corporation will enter into a co-advisory relationship with the client. A portion of the fee charged to the client and deducted from the client's account by LPL Financial Corporation will be retained by LPL Financial Corporation for portfolio management related services, transaction fees and administrative services. The balance of the fee will be paid to Stratos and a portion of Stratos' fee will be paid to the IAR.

Clients will be provided with a Disclosure Brochure for the program selected which will outline the program and its costs. Additionally, the Disclosure Brochures for each of the programs will outline the amount of the fee charged to clients that is allocated to LPL Financial Corporation, Stratos and other managers participating in the programs. The following programs are offered.

### **Model Wealth Portfolios Program (MWP)**

Minimum account size \$100,000, maximum fee of 2.50%.

MWP offers clients a professionally managed mutual fund asset allocation program. Stratos will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. Stratos will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL's Research Department consistent with the client's stated investment objective. LPL's Research Department is responsible for selecting the mutual funds within a model portfolio and for making changes to the mutual funds selected.

The client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds (including in certain circumstances exchange traded funds) and to liquidate previously purchased securities. The client will also authorize LPL to effect rebalancing for MWP accounts.

In the future, the MWP program may make available model portfolios designed by strategists other than LPL's Research Department. If such models are made available, Advisors will have discretion to choose among the available models designed by LPL and outside strategists. Investments in the Model Wealth Portfolios are subject to market risk, will fluctuate and may lose value.

### **Personal Wealth Portfolios (PWP)**

Minimum account size \$250,000, maximum fee of 2.50%.

PWP offers clients an asset management account using asset allocation model portfolios designed by LPL. Stratos will have discretion for selecting the asset allocation model portfolio based on each client's

investment objective. Stratos will also have discretion for selecting third party money managers (PWP Advisors) or mutual funds within each asset class of the model portfolio. LPL will act as the overlay portfolio manager on all PWP accounts and will be authorized to purchase and sell on a discretionary basis mutual funds and equity and fixed income securities. The overlay portfolio manager coordinates investment decisions of multiple investment managers to provide and makes investment choices for each individual client.

### **Manager Access Select (MAS)**

Minimum account size \$100,000 (exceptions may be considered), maximum fee of 3.00%.

Manager Access Select provides clients access to the investment advisory services of professional portfolio management firms for the individual management of client accounts. Stratos will assist clients in identifying a third party portfolio manager (Portfolio Manager) from a list of Portfolio Managers made available by LPL. The Portfolio Manager manages client's assets on a discretionary basis. Stratos will provide initial and ongoing assistance regarding the Portfolio Manager selection process.

Stratos, LPL Financial Corporation and the Portfolio Managers selected will share in a portion of the fee. Additional disclosure about fees and expenses is contained in the Disclosure Brochure.

### **Managed Access Network (MAN)**

Minimum account size \$100,000, maximum fee of 3.00%.

Stratos will assist the client with selecting one or more Portfolio Managers and assist the client with completing any applications in order to engage the Portfolio Managers. The Portfolio Manager(s) will manage the account and determine the securities to be purchased and sold within the account. 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 the client and manager.

Stratos, LPL Financial Corporation and the Portfolio Managers selected will share in a portion of the fee. Additional disclosure about fees and expenses is contained in the Disclosure Brochure.

Fees will be deducted from the account on a calendar quarterly basis in advance. However, the initial fee deduction will occur at the end of the month in which the account was established and will include a prorated fee for the initial month, in addition to the quarterly fees of LPL Financial Corporation, Stratos and the Portfolio Manager(s) for the upcoming quarter. Subsequent fee deductions will be made at the beginning of each calendar quarter based on the value of the account assets as of the close of business on the last business day of the preceding quarter. Additional deposits and withdrawals will be added or subtracted from the assets which may result in an adjustment of the fees to LPL Financial Corporation, Stratos and the Portfolio Manager(s).

### **Optimum Market Portfolios (OMP)**

This managed portfolio option offers clients the ability to participate in an asset allocation using Class I shares of the Optimum Funds, a series of mutual funds from Delaware Investments. Under OMP, clients will authorize LPL on a discretionary basis to purchase and sell Optimum Funds, pursuant to investment objectives chosen by the client, and to rebalance the account. Stratos will assist the client in determining the suitability of OMP for the client and assist the client in setting an appropriate investment objective. Stratos will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the client's investment objective.



Stratos will obtain financial data and information from the client and assist the client with determining the suitability of the Program and assist the client in setting an appropriate investment objective. The IAR will determine a portfolio deemed to be consistent with the client's stated investment objectives. LPL Financial Corporation will purchase Optimum Funds in amounts appropriate for the portfolio selected and periodically rebalance the account at a frequency selected by the client and/or amended by Stratos.

This management program is not considered tax efficient or tax managed. The minimum account size is \$15,000. Additional information about the program is provided in the LPL Disclosure document.

### **Potential Conflicts of Interest**

Transactions in LPL advisory program accounts are generally effected through LPL as the executing broker-dealer. Stratos receives compensation from LPL as a result of a client's participation in an LPL program. Depending on, among other things, the size of the account, changes in its value over time, the ability to negotiate fees or commissions, and the number of transactions, the amount of this compensation may be more or less than what the Stratos would receive if the client participated in other programs, whether through LPL or another sponsor, or whether the client paid separately for investment advice, brokerage and other services.

## **Item 5. Fees and Compensation**

### **Fees and Termination Provisions**

Advisory fees will be charged in advance on a calendar quarterly basis. Fees will be calculated based upon the value of the portfolio on the last business day of the just completed quarterly period. Advisory fees for Accounts opened on a day other than the first day of the calendar quarterly period or closed on a day other than the last business day of the calendar quarterly period will be prorated based on the number of days in the quarter. The initial fee for accounts established during a calendar quarter will be billed to the account in arrears at the beginning the calendar quarter following execution of this Agreement along with the first full calendar quarter's fee paid in advance. Therefore, for accounts established during a calendar quarter, the first fee paid by the client may be a large fee since it will be a combination of the first full calendar quarter fee paid in advance and a prorated fee for the remaining quarter in which the account was established. The initial fee will be calculated based on the value of the account on the last business day of the then current calendar quarter and prorated based on the number of days remaining in the quarter starting with the date the client executed the advisory agreement. (E.g., an account established on July 25, the initial fee will be invoiced to the account sometime within the month of October. The initial fee will be calculated using the value of the account on the last business day of September and will be prorated from the date the advisory agreement was signed to the end of September. Additionally, the fee deducted from the account, based on the example, will include the fee paid in advance for October through December and calculated based on the value of the account on the last business day of September.)

Clients may make additions to the Account or withdrawals from the Account. Additional assets deposited into the Account after it is opened will be charged a pro-rata fee based upon the number of days remaining in the then-current quarterly period. Additionally, partial withdrawals from the account will result in a prorated refund or credit of fees to the account. Fee adjustments for additional deposits to the account and partial withdrawals from the account will be calculated in arrears or in the next quarterly period billing cycle. Fee adjustments will be calculated based on the value at the time of the additional deposit or partial withdrawal. No fee adjustments will be made for Account appreciation or depreciation.

The advisory fees payable upon initial implementation of the account may be paid by the client upon receipt of the invoice from Stratos or collected directly from the account (provided the client has given Stratos written authorization for Stratos to deduct the fees directly from the account). Advisory fees for all subsequent periods may be paid by the client upon receipt of the invoice from Stratos or collected directly from the account. Clients will be provided with an account statement reflecting the deduction of the

advisory fee. If the Account does not contain sufficient funds to pay advisory fees, Stratos has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. The client may reimburse the account for advisory fees paid to Stratos, except for ERISA and IRA accounts.

Fees are negotiable and are not based on a share of capital gains/losses upon or capital appreciation/depreciation of the funds or any portion of the funds.

Clients may terminate their Agreement with Stratos as follows: (1) for new clients, Clients may, without penalty, terminate upon written notice within five (5) business days after entering into the Agreement; or (2) thereafter, upon receipt of written notice, by either Client or Adviser, provided that such termination does not cause the client to forfeit any prepaid fees, or such otherwise forfeitable fees are reimbursed to client. In the event of termination after five (5) business days from the execution of this Agreement, Client will be entitled to a prorated refund of any prepaid quarterly advisory fee based upon the number of days remaining in the quarter after the termination date.

### Stratos' Two Fee Schedules

As disclosed above, Stratos offers clients a choice between two fee schedules. Stratos reserves the right to amend the fee schedule at any time upon 30-days prior written notice to the client.

- (1) **Stratos Wealth Management (SWM)** – these clients pay a fee to Stratos plus transaction charges. Typically, this option may be more economical for those managed accounts where there is less trading or where mutual funds with no transaction fees will be primarily utilized in the management of the portfolio.
- (2) **Stratos Wealth Management II (SWM II)** – these clients pay a single fee to Stratos and clients will not pay any other transaction fees, with the exception of account maintenance fees. As more fully described in Part 2A Appendix 1 of Form ADV: *Wrap Fee Disclosure Brochure*, this is considered a “wrap program” since the fee paid by the client includes Stratos’ management fee and Stratos will allocate a portion of the fee to the broker/dealer for transaction charges incurred in the account. Additionally, a portion of the wrap fee retained by Stratos will be allocated to the client’s IAR(s). Typically, a wrap program is more expensive than other managed programs since the fee paid by the client includes the management fee and takes into consideration transaction costs that Stratos may incur. Further, a wrap program may be more beneficial to a client who engages in active trading, and where securities transactions will be executed where transaction fees will be assessed.

Additionally, depending on the IAR, all of a client’s managed accounts may be aggregated together to determine the fee breakpoint (see charts below). Therefore, clients with multiple managed accounts will be charged a fee considering the account values in total. Clients will pay a flat fee on all assets under management. Alternatively, some IARs may charge a corresponding fee based on each account size. Therefore, clients with multiple accounts may pay a different fee depending on the account size.

### Stratos Wealth Management (SWM) Fees

Account Size			Maximum Annual Fee
\$0	to	\$1,000,000	2.75%
\$1,000,001	to	\$2,000,000	2.50%
\$2,000,001	to	\$3,000,000	2.25%
Over \$3,000,000			2.00%

*Transaction Charges:*

In addition to the advisory fees above, SWM clients will pay a transaction charge for each transaction. Transaction charges are not assessed by Stratos and Stratos does not share in the transaction charges. The transaction charges are assessed by the broker/dealer executing the transaction and may be changed at any time by the broker/dealer. The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management. Fees are charged by the broker dealer / custodian.

We do not receive, directly or indirectly any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. The fees include, among others:

- Accounts with hedge funds and managed futures funds will be assessed an annual Alternative Investment Administrative fee by the funds not to exceed \$50.00 per position, subject to a maximum of \$100.00 per account per year.
- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds/Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on Mutual funds or annuities);
- Odd-Lot differentials;
- Deferred sales charges (charged by Mutual funds);
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions ;

Stratos may, on occasion, aggregate trades for clients and provide clients an average execution price. The fixed transaction costs charged by the broker/dealer for these aggregated trades will be assessed on an individual pro-rated basis.

### **Stratos Wealth Management II (SWM II) Fees**

#### **Wrap Fee**

<u>Account Size</u>	<u>Maximum Annual Fee</u>
\$0 to \$1,000,000	3.00%
\$1,000,001 to \$2,000,000	2.75%
\$2,000,001 to \$3,000,000	2.50%
Over \$3,000,000	2.25%

Clients will not be charged transaction charges for SWM II transactions. However, mutual fund expenses and charges, as disclosed below, will apply.

#### **Applicable to SWMG Managed Model Portfolio and SWMG Strategic Model Portfolio**

The administrative fee is for Stratos', administration, investment research and oversight of the model portfolios on behalf of the IAR. Stratos will charge an administrative fee based on the schedule below for investment administration, investment research and oversight of the model portfolios. The administrative fee will be charged to the IAR. However, the IAR may elect to charge the fee to the client by increasing the fee paid by the client. Therefore, clients are advised the SWMG Managed Model Portfolio and SWMG Strategic Model Portfolio options maybe more costly.

Applicable to SWMG Managed Model Portfolio

Account Size		Stratos Annual Administrative Fee	
\$100,000	to	\$249,999.99	28 basis points (.28%)
\$250,000	to	\$499,999.99	24 basis points (.24%)
\$500,000	to	\$749,999.99	22 basis points (.22%)
\$750,000.00	to	\$1,249,999.99	20 basis points (.20%)
\$1,250,000.00	to	\$4,999,999.99	18 basis points (.18%)
\$5,000,000.00	to	\$24,999,999.99	16 basis points (.16%)
\$25,000,000	and above		14 basis points (.14%)

Applicable to SWMG Strategic Model Portfolio

Account Size	Stratos Annual Administrative Fee
<\$100,000	50 basis points (.50%)

In addition to the investment advisory fee, clients may pay fees for custodial services, account maintenance fees, and other fees associated with maintaining the Account. Stratos does not share in any portion of such fees. Additionally, clients may pay their proportionate share of the fund's management and administrative fees and sales charges, as well as the mutual fund adviser's fee of any mutual fund they purchase. Such fees are not shared with Stratos and are compensation to the fund-manager. Clients should read the mutual fund prospectus prior to investing.

Clients may terminate investment advisory services obtained from Stratos, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Stratos. Clients will be responsible for any fees and charges incurred by client from third parties as a result of maintaining the Account, such as transaction fees for any securities transactions executed and Account maintenance or custodial fees. Thereafter, clients may terminate investment advisory services upon Stratos' receipt of clients' written notice to terminate. Should a client terminate investment advisory services during a quarterly period, the client will be issued a pro-rata refund of the advisory fee for the quarterly period from the date of termination to the end of the quarterly period.

Certain mutual fund shares may be required to be held for a minimum time period, generally 90-days to six months. In the event that such shares are redeemed prior to the end of the minimum holding period, they may be subject to a redemption fee. The fee may be assessed by the broker/dealer through whom the transactions are executed or directly by the mutual fund sponsors as described in their prospectuses. Such fees are not shared with Stratos and are compensation to the broker/dealer or mutual fund sponsor. Again, clients should read the mutual fund prospectus prior to investing.

Certain mutual funds utilized in managed accounts may pay ongoing trail compensation pursuant to a 12b-1 distribution plan or other such plans, as described in the fund's prospectus. Such compensation will be paid to LPL Financial Corporation ("LPL"). LPL will not pass any portion of such compensation on to IARs for those accounts participating in a managed program. In addition, for investments exceeding \$1 million into a fund family, LPL and/or IARs may receive payments as described in the fund's prospectus usually ranging from .25 – 1.00%. In the event clients elect to redeem shares out of the mutual fund family within twelve to twenty-four months, depending upon the fund, the client may incur a contingent deferred sales charge.

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

Stratos does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees). Our advisory fee compensation is charged only as disclosed above. Stratos does not engage in Side-By-Side Management.

## **Item 7 – Types of Clients**

We provide our services to a number of Clients:

- Individuals
- Trusts, estates and charitable organizations
- Private equity (Consulting only)
- Corporations or other business entities
- Governmental plans, municipalities
- Not for profit entities
- Institutions
- Retirement Plans

While Stratos SWM, SWM II and the SWMG Strategic Model Portfolio do not have any requirements for minimum account sizes, as discussed above, SWMG does. For the SWMG Managed Model Portfolio, the minimum account size is \$100,000.

Minimum account size requirements for the LPL sponsored advisory programs offered by Stratos follow.

Model Wealth Portfolios (MWP) : \$100,000.00

Personal Wealth Portfolios (PWP) : \$250,000.00

Manager Access Select (MAS) : \$100,000.00

Manage Access Network (MAN) : \$100,000.00

Optimum Market Portfolios (OMP) : \$15,000.00

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

Stratos provides asset management services on an ongoing basis based on the individual needs of the client. The management program through Stratos offers clients flexibility among payment structures, custodians, and management styles. Management will be on an active basis. Thus, Stratos will actively monitor the assets in the account and make changes deemed appropriate in light of the circumstances in the market, based upon the expertise of Stratos Advisors. As stated above, Stratos offers clients an option between:

- a) **Stratos Wealth Management (SWM).** This platform is an unbundled program or non-wrap program (i.e., the client will pay Stratos a management fee and the client will pay transaction charges separately), Stratos offers individually customized managed portfolios or management based on model accounts. Stratos will determine and present to clients an asset allocation specific to the client based upon a client's individual investment goals, objectives, risk tolerance, and investment time horizon; or,

- b) **Stratos Wealth Management II (SWM II).** This is a “wrap program” structure or bundled program (i.e. clients pay a fee that is inclusive of management fees and covers transaction charges, thus, clients do not pay additional for transaction charges). See Appendix 1, Stratos’ Wrap Fee Program Brochure, for a more detailed discussion of the Wrap Fee Program.

Stratos also offers clients an option between:

- a) a customized individually managed portfolio; or
- b) a Stratos Wealth Management Group (SWMG) Managed Model Portfolio. The SWMG models are managed within a broad allocation range. These ranges are based on the specific objective of each model. Our Growth model has an equity range of 60%-90%, Moderate 40%-60%, and Conservative 20%-40%. In staying true to our objective, we also focus on the allocations of our underlying fund managers. We use both a quantitative and qualitative approach to selecting managers. Our managers must meet certain risk adjusted performance criteria over market cycles, demonstrate the ability to add alpha while taking on lower risk relative to their peer group. As an overlay manager, SWMG will make tactical trades within the portfolios. These trades are designed to be opportunistic, as well as mitigate risk. Our tactical trades will range between 3%-8% of the portfolio, on average. We monitor our portfolios on a daily basis and hold weekly investment committee meetings.

Accounts managed based on a SWMG Managed Model Portfolio will be managed similar to other clients utilizing this model. There are no guarantees a portfolio managed based on a model will ensure positive results. Past performance is no guarantee of future results. Further, any model account assembled based on prior performance analysis has the benefit of having knowledge of all facts of the market and performance of securities after the fact.

1) Clients who select a SWMG Managed Model Portfolio are advised Stratos will charge the IAR an administrative fee. The administrative fee is based upon a percentage of the value of the account and will range from 14 to 28 basis points (.14% to .28%) depending on the size of the account participating in the SWMG Managed Model Portfolio (based on the schedule below). The administrative fee is for Stratos’, administration, investment research and oversight of the model portfolios on behalf of the IAR. Clients are advised the IAR may elect to charge the client a higher fee since Stratos will charge the 14 to 28 basis point fee for its management and administrative services to the IAR.

- c) a Stratos Wealth Management Group (SWMG) Strategic Model Portfolio. Accounts managed based on a SWMG Strategic Model Portfolio will be managed in a similar fashion as other SWMG Strategic Model Portfolios and SWMG Managed Model Portfolios as described in (b). Accounts in SWMG Strategic Model Portfolios may be under \$100,000 in value.

1) Clients who select a SWMG Strategic Model Portfolio are advised Stratos will charge the IAR an administrative fee. The administrative fee is based upon a percentage of the value of the account and will be 50 basis points. The administrative fee is for Stratos’, administration, investment research and oversight of the model portfolios on behalf of the IAR. Clients are advised the IAR may elect to charge the client a higher fee since Stratos will charge the 50 basis point fee for its management and administrative services to the IAR.

Accounts are custodied at LPL Financial Corporation (“LPL”), a registered broker/dealer, Member FINRA and SIPC.

Clients' portfolios may consist of stocks, bonds, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable to the client by Stratos.

Clients are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. Stratos does not offer tax advice and clients are urged to consult with their tax advisers.

#### *Risk of Loss:*

Securities markets fluctuate substantially over time. All investments in securities include a risk of loss of money invested (principal) and any unrealized profits (i.e., profits in the account that have not been liquidated, sometimes called "paper profits"). In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets Stratos manages that may be out of our control. We cannot guarantee any level of performance or that you will not experience a loss of your account assets.

Stratos does not represent, warrant or imply that the services or methods of analysis used by Stratos can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Stratos will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals.

No guarantees can be offered that client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Stratos will provide a better return than other investment strategies.

### **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 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 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 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.

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.

### ***Potential Conflicts of Interest***

Transactions in LPL advisory program accounts are generally effected through LPL as the executing broker-dealer. Stratos receives compensation from LPL as a result of a client's participation in an LPL program. Depending on, among other things, the size of the account, changes in its value over time, the ability to negotiate fees or commissions, and the number of transactions, the amount of this compensation may be more or less than what the Stratos would receive if the client participated in other programs, whether through LPL or another sponsor, or whether the client paid separately for investment advice, brokerage and other services.

As discussed below, Stratos has in place a Code of Ethics that provides for Stratos and its Advisor Representatives to exercise its 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.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions And Personal Trading**

### **Code of Ethics**

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 supplement 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.

## **Item 12. Brokerage Practices**

### **A.1. Research and Other Soft Dollar Benefits**

Stratos from time to time enters into Soft Dollar agreements with custodian broker/dealers. However, no soft dollar agreement exists between Stratos and LPL Financial.

**A.2. Brokerage For Client Referrals** – Stratos does not recommend brokerage for client referrals.

### **A.3. Directed Brokerage**

Stratos does not engage in directed brokerage transactions for clients.

### **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**

Stratos maintains a compliance program designed to conduct periodic reviews of client accounts. Stratos relies in part upon the systems in use by LPL which reviews program accounts using a risk based exception reporting system that flags accounts on a quarterly basis for criteria such as performance, trading activity, and concentration. The Chief Compliance Officer of Stratos oversees the process for reviewing flagged accounts. IARs are required to meet and document reviews with clients on at least an annual basis. Such meetings may include review of accounts statements, quarterly performance reports, and other information or data related to the client's account and investment objectives. Clients may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, IARs will monitor for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections. Clients are advised that they should notify their IAR promptly of any changes to the client's financial goals, objectives or financial situation as such changes may require the IAR to review the client's portfolio and make recommendations for changes.

LPL, as the custodian, provides clients with regular written reports regarding their accounts. LPL provides detailed quarterly performance reports describing account performance and positions. LPL also provides an additional year-end report for accounts not established on a calendar quarter basis. In addition, LPL sends to clients trade confirmations and account statements showing transactions, positions, and deposits and withdrawals of principal and income. LPL does not send trade confirmations for systematic purchases, systematic redemptions and systematic exchanges.

Some managed accounts suppress the sending of confirmations for each securities transaction in the client's account direct from the account custodian unless the client requests they be sent. For other accounts, clients will be provided with confirmations for each securities transaction executed in the client's account direct from the account custodian unless client has requested that confirmations be suppressed.

#### **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 to Stratos' clients.

##### **Client Referrals**

Stratos may enter into arrangements with individuals or firms ("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, like 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 Third Party Asset Management Program (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 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.

#### **Item 16. Investment Discretion**

Clients may grant Stratos authorization to manage a client's account on a discretionary basis. Discretionary authorization provides Stratos the ability to determine the securities to be purchased and sold and when such securities are purchased and sold. Client will grant such authority to Stratos by execution of the client agreement. Client may terminate discretionary authorization at any time upon receipt of written notice by Stratos.

Additionally, clients are advised that:

- 1) Clients may set parameters with respect to when accounts should be rebalanced;
- 2) IARs must obtain written client consent to establish any mutual fund, variable annuity, or brokerage account;
- 3) Stratos requires the use of IAR's broker/dealer for sales in commissionable mutual funds or variable annuities, which are conducted on a non-discretionary basis;

- 4) Stratos will not have the ability to withdraw client's funds or securities from the account, with the exception of deduction of Stratos' advisory fees from the account (if client has provided written authorization for automatic deductions).

#### **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 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.

As noted above, Stratos has full discretionary authority over the trading in certain clients' accounts. 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.

#### **Item 19. Requirements for State-Registered Advisers**

Not Applicable

## **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.