



**Item 1. Cover Page**

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

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

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**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**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Program Brochure. This brochure is filed as an update to the Stratos Wealth Partners, Ltd, Form ADV Part 2, AWM Program Brochure. Stratos' last annual update of this Brochure was March 28, 2013. Since then the following material changes have occurred.

- Stratos provides additional disclosure pertaining to Item 10 Other Financial Industry Activities and Affiliations surrounding the distinction between Brokerage and Advisory relationships and the roles its representatives may engage in with clients.

- Stratos provides additional disclosure pertaining to Item 12 Brokerage Practices surrounding compensation practices for Stratos and newly hired representatives.
- Stratos provides additional disclosure pertaining to Item 12 Brokerage Practices surrounding agreements entered into with Fidelity and Charles Schwab for research and soft dollar benefits and services and transition related expenses.
- Stratos provides additional disclosure pertaining to Item 14 Client Referrals and Other Compensation surrounding economic benefits Stratos may receive from someone who is not a client.

In future filings, this section of the Brochure will address only material changes that have taken place since this date.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer at 440-519-2500.

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#### **Item 4. Advisory Business**

Stratos Wealth Partners, Ltd. (Stratos) is an investment adviser registered with the Securities and Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940. Stratos was founded in 2008 and has provided advisory services as a registered investment adviser since 2010. Note that registration as an investment adviser 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 also a registered representative of LPL Financial Corporation and 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.

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

As of March 15, 2013, Stratos' discretionary assets under management were \$860,747,824.52 in 4,213 accounts. Non-discretionary assets under management were \$198,402,389.84 in 1,225 accounts. The total assets under management were \$1,059,150,214.36 in 5,438 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.

## STRATOS WEALTH PARTNERS PORTFOLIO MANAGEMENT SERVICES

Stratos offers management options as further outlined below.

- **Advisor Wealth Management (AWM)**, 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 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,
- **Advisor Wealth Management II (AWM 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, AWM II will be more expensive for those managed accounts where there is less trading. Conversely, AWM II is more cost effective for clients who engage in frequent transactions. See Appendix 1, Stratos' Advisor Wealth Management Wrap Fee Program Brochure, for a more detailed discussion of the Wrap Fee Program.

In each of these programs, Clients may have a customized individually managed portfolio managed by the IAR, or participate in various model portfolios designed by IAR(s) consistent with the client's stated investment objective. A model portfolio will be managed similar to other clients utilizing the model. There are no guarantees a portfolio based on a model will ensure positive results. Past performance is no guarantee of future results. In either case, the IAR provides ongoing advice on the selection or replacement of a portfolio based on the client's individual needs. The IAR may choose more than one portfolio to be managed for the client's account.

Additionally, Stratos makes available the following Programs:

- **Fidelity Managed Account Resources® (MAR)** - a managed account program offered through Envestnet Asset Management, Inc. (Envestnet). The MAR Program enables IAR to choose from a selection of advisory programs and money managers. This is a wrap program and Stratos will deliver their Form ADV Part 2, Appendix 1 to the client. Stratos will deliver to client a copy of the Form ADV Part 2 or a comparable disclosure document for Envestnet and each Money Manager engaged to manage assets under the MAR Program. Please refer to these documents for complete description of the services offered, the program, fees charged and minimum account requirements. Envestnet is an investment management firm that provides Stratos with a range of advisory services through the program identified.
- **Fidelity Separate Account Network® (SAN)** – Clients should be advised that Fidelity also offers a Separate Account Network program ("SAN Program"), a unified platform for managed portfolios. Money Managers in the SAN Program are different than those available via the MAR Program and Stratos IAR is responsible for performing due diligence on such Money Managers and programs as well as negotiating pricing. The SAN Program enables IAR to have the ability to build separately managed account portfolios from a vast network of managers to meet client needs which will be managed by designated SAN Managers on a discretionary basis. The minimum investment required by each individual SAN Manager must be met. Please refer to the SAN Manager's Form ADV Part 2 or comparable disclosure document provided to you by your

Stratos IAR. This is a wrap program and Stratos will deliver to client a copy of their Form ADV Part 2, Appendix 1.

Some managers under the SAN program may require an additional client advisory agreement with you in addition to the agreement you sign with Stratos. For a complete description of the services offered, the programs, the fees charged and minimum account requirements, please refer to the separate disclosure brochure (such as Part 2A of Form ADV) maintained by the Money Manager as provided by your Financial Advisor.

Clients should carefully review these additional disclosure brochures for important and specific details including, among other things, fees, experience, investment objectives and risk guidelines, and disclosure of the money manager's potential conflicts of interest.

Client and IAR together determine which program to engage. Asset management services are offered on a discretionary basis as agreed to between the client and the client's IAR(s). For discretionary accounts, IAR will make changes within the client's portfolio as deemed appropriate by IAR 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.

For clients with assets held in custody through a Fidelity BrokerageLink account, clients may grant their IAR limited trading authority to place orders on their behalf. This limited trading authority is authorized through a form which is filed with Fidelity.

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 and its IAR(s) 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 IARs.

The customized individually managed portfolios managed by the IAR may be in accounts that are custodied at Fidelity Brokerage Services LLC and National Financial Services LLC (collectively "Fidelity"), a registered broker/dealer, Member FINRA and SIPC, or Charles Schwab (Schwab), a registered broker/dealer, Member FINRA/SIPC, or TD Ameritrade, Inc., Member FINRA/SIPC/NFA.

The model portfolios designed and managed by IAR(s), and the MAR and SAN accounts are custodied at Fidelity Brokerage Services LLC and National Financial Services LLC (collectively "Fidelity"), 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, ETF/ETNs, 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 Fidelity, Schwab, TD Ameritrade or the IARs, Fidelity, Schwab, TD Ameritrade 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 Fidelity,

Schwab, TD Ameritrade or the IAR, Fidelity, Schwab, TD Ameritrade 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.

### **Potential Conflicts of Interest**

Transactions in MAR and SAN advisory program accounts are generally effected through Fidelity as the executing broker-dealer. Stratos receives compensation from Fidelity as a result of a client's participation in one of these programs. 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 Fidelity 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 of 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 pro-rated 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 an 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 an 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) **Advisor Wealth Management (AWM)** – 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) **Advisor Wealth Management II (AWM 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. It is a benefit to the client to have an IAR that aggregates accounts. 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.

### Advisor Wealth Management (AWM) Fees

<u>Account Size</u>			<u>Maximum Annual Fee</u>
\$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, AWM 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 custodied with Fidelity which hold Alternative Investments will be charged a \$50 annual custodial fee per position subject to a maximum of \$150.00 per account per year. There is a \$100 charge per transaction if it is a transaction based fund, and there is a \$25 transfer/re-registration fee.
- 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.

### **Advisor Wealth Management II (AWM II) Fees**

#### Wrap Fee

Account Size		Maximum Annual Fee
\$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 AWM II transactions. However, mutual fund expenses and charges, as disclosed below, will apply.

Accounts custodied with Fidelity which hold Alternative Investments will be charged a \$50 annual custodial fee per position subject to a maximum of \$150.00 per account per year. There is a \$100 charge per transaction if it is a transaction based fund, and there is a \$25 transfer/re-registration fee.

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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.

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.

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 Fidelity, Schwab or TD Ameritrade. Fidelity, Schwab or TD Ameritrade will not pass any portion of such compensation on to Stratos or IARs for those accounts participating in a managed program. 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.

Transactions in the MAR and SAN advisory program accounts are generally effected through Fidelity as the executing broker-dealer. Stratos receives compensation from Fidelity as a result of a client's participation in these programs. 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 Fidelity or another sponsor, or whether the client paid separately for investment advice, brokerage and other services.

#### **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
- Corporations or other business entities
- Governmental plans, municipalities
- Not for profit entities
- Bank or thrift institutions
- Retirement Plans

The AWM and AWM II accounts do not have any requirements for minimum account sizes. Minimum account size requirements for the MAR and SAN advisory programs offered by Stratos are outlined in the Disclosure Brochure for each money manager engaged.

Clients will be provided with a separate 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 Envestnet, Fidelity, Stratos and other managers participating in the programs.

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

Affiliated and unaffiliated service providers may develop asset allocation models. The Stratos IAR may also develop asset allocation models or use others from outside independent sources. Each IAR develops his or her own methods of analysis, sources of information, and investment strategies. As such, recommendations by IARs and individual investment portfolios will differ.

Tools available to IARs through Envestnet and other third party providers may also be used to analyze client portfolios and generate proposals to allow the IAR to help select appropriate programs and products for a client.

A variety of methods and strategies may be utilized when formulating investment advice and managing client assets. Methods of analysis may include, but are not limited to:

- Charting;
- Fundamental Analysis and
- Technical Analysis

Charting Analysis: Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of charting analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Fundamental Analysis does not attempt to anticipate market movements. This represents a potential risk, as the price of a security can move up or down along with the overall market, regardless of the economic and financial factors considered in evaluating the security.

Technical Analysis – The risk of the analysis using mathematical and statistical modeling is that they may not accurately predict future investment patterns. Day to day changes in the market prices of investments may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of analysis using more subjective criteria is that the information obtained to make the analysis may be inaccurate and skew the analysis. In addition, measuring (or weighting) the criteria will likely be inconsistent from one analysis to another and could adversely affect the investment decisions.

Clients' portfolios may consist of stocks, bonds, ETF/ETNs, 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 may maintain multiple accounts with a representative, some of which are subject to an investment advisory relationship through Stratos, while other accounts of the same client may operate under a brokerage relationship through LPL. When acting in an investment advisory capacity the advisor is acting under a fiduciary duty to the client where the standard of care when recommending securities to clients is higher than in the case of a brokerage relationship, where the standard is suitability of the recommended security. 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. The amount of time spent by each IAR offering securities products on a commission basis as a RR of LPL will vary. Some IARs may spend significantly more or less time offering commissionable products and services through LPL.

As discussed previously, certain associated persons of Stratos are Registered Representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about Stratos' clients, even if client does not establish any account through LPL Financial. If you would like a copy of the LPL Financial privacy policy, please contact our Chief Compliance Officer at 440-519-2500.

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.

Certain Stratos IARs may also be dually registered as IARs of other investment advisers not affiliated with Stratos. The potential for receipt of fees and other compensation may create conflicts of interest and provide the IAR an incentive to recommend an advisory relationship based on the compensation received, which may bias the advice presented.

Stratos Wealth Partners, Ltd. advisors offer insurance products and services for which commissions will be paid. IARs and other related persons of Stratos may be licensed with 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 previously stated, 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.

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 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 Chief Compliance Officer 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. LPL Financial is the broker-dealer selected by Stratos for the conduct of its commission based brokerage business and to provide custodial services for advisory accounts held on LPL platforms. Factors considered in selecting LPL include the stability and size of LPL along with the variety of programs and flexibility in commission rates advisors may charge. Stratos receives referral bonuses from LPL which are based on the trailing 12 month commission production history of newly hired representatives, as well as a percentage portion of the commissions and bonuses the representatives generate at LPL. Stratos has also selected Fidelity Brokerage Services, Charles Schwab and TD Ameritrade as broker-dealers to provide custody services for advisory accounts in specific cases where the client would be best served. Factors considered in selecting these firms include stability, reputations, trading platforms, and continuing with a current custodian. Newly hired representatives may receive from LPL forgivable loans, upfront cash and various forms of start-up expense coverage based on their trailing 12 month commission production history for electing to join LPL and Stratos. This may provide an incentive for the representative to change firms in order to obtain these forms of compensation.

Best Execution. 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 has entered into agreements with Fidelity Brokerage Services, Charles Schwab and TD Ameritrade for the provision of these services and in some cases for transition related expenses. Stratos may have an incentive to select or recommend Fidelity Brokerage Services or Charles Schwab or TD Ameritrade based on our interest in receiving these benefits, rather than on the client's interest in receiving most favorable execution. These arrangements are disclosed more fully in separate Brochures applicable to clients utilizing Fidelity, Schwab or TD Ameritrade as custodian.

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).

**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. 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.

Fidelity, Schwab or TD Ameritrade, as the custodian, provides clients with regular written reports regarding their accounts. In addition, Fidelity, Schwab or TD Ameritrade sends to clients trade confirmations and account statements showing transactions, positions, and deposits and withdrawals of principal and income. Fidelity, Schwab or TD Ameritrade does not send trade confirmations for systematic purchases, systematic redemptions and systematic exchanges. Stratos provides detailed quarterly performance reports describing account performance and positions.

Some managed accounts either send confirmations for each securities transaction in the client's account direct from the account custodian as they occur and others bundle them to be sent with the periodic statement mailing.

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

##### **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**

- A. Stratos receives referral bonuses from LPL which are based on the trailing 12 month commission production history of newly hired representatives, as well as a percentage portion of the commissions and bonuses the representatives generate at LPL. Newly hired representatives may receive from LPL forgivable loans, upfront cash and various forms of start-up expense coverage based on their trailing 12 month commission production history for electing to join LPL and Stratos. This may provide an incentive for the representative to change firms in order to obtain these forms of compensation.

Stratos may utilize other broker-dealers for custody and execution services in another Stratos sponsored wrap fee program (AWM II). 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. 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 has entered into agreements with Fidelity Brokerage Services and Charles Schwab and TD Ameritrade for the provision of these services and transition related expenses. Stratos may have an incentive to select or recommend Fidelity Brokerage Services or Charles Schwab or TD Ameritrade based on our interest in receiving these benefits, rather than on the client's interest in receiving most favorable execution. The Fidelity agreement provides for payment of up to \$5,000 in transition related expenses for each approved invoice. The Schwab benefit arrangement provides for the reimbursement of transfer of account exit fees for an approximate value of \$50,000 and technology and marketing support of up to \$50,000 for the first year of custody. Stratos generally limits the use of these custodians and advisors must be approved by the External Custodian Committee at Stratos.

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. 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 where LPL is the custodian 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 held and cleared on a fully-disclosed basis through Fidelity Brokerage Services LLC and National Financial Services LLC (collectively "Fidelity"), a registered broker/dealer, Member FINRA and SIPC, or Charles Schwab (Schwab), a registered broker/dealer, Member FINRA and SIPC, or TD

Ameritrade, Inc., a registered broker/dealer, Member FINRA/SIPC/NFA. Fidelity will execute and clear purchase and sale orders directed to it by Envestnet, Sub-Advisor(s) or Stratos. Schwab will execute and clear purchase and sale orders directed to it by Stratos. TD Ameritrade will execute and clear purchase and sale orders directed to it by Stratos. Fidelity, Schwab or TD Ameritrade will also be Custodian for the account assets. Clients will receive from Fidelity, Schwab or TD Ameritrade monthly/quarterly statements detailing each Client's securities and cash balances, deposits, withdrawals, transactions, charges or transfers. 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 grant Stratos, Envestnet or designated Sub-Advisor(s) 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.

Additionally, clients are advised that:

- 1) IARs must obtain written client consent to establish any mutual fund, variable annuity, or brokerage account;
- 2) 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;
- 3) 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).

For clients with assets held in custody through a Fidelity BrokerageLink account, clients may grant their IAR limited trading authority to place orders on their behalf. This limited trading authority is authorized through a form which is filed with Fidelity.

#### **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. Additional information regarding Envestnet and/or Sub-Advisor(s) voting of proxies or consents can be found in the Envestnet Form ADV Part 2 Narrative Brochure.

#### **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 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

## **PRIVACY NOTICE**

### **Privacy Pledge**

Respecting and protecting individual client privacy has been vital to our business. We believe you have a right to know what we do with the information we gather about you in connection with the services provided by us. By sharing our Privacy Principles, we trust that our individual clients will better understand how we keep client information private and secure while using it to provide services and products.

We know that you are concerned with how your personal and financial information is treated. We want to assure you that we are safeguarding this important information. Our privacy policy is based on the laws governing privacy and our own high standards of protecting privacy.

### **Privacy Policy**

This Privacy Policy explains the following:

- Protecting the confidentiality of our client information
- Who is covered by the Privacy Policy
- The types of information we have about you and where it comes from
- The types of information we share, why and with whom

### **Protecting the Confidentiality of Client Information**

We take our responsibility to protect the privacy and confidentiality of client information very seriously. We maintain physical, electronic and procedural safeguards that comply with federal standards to store and secure information about you from unauthorized access, alteration, and destruction. The only employees who are authorized to access your personal and financial information are those who need to have it to provide products or services to you.

### **Who is covered by the Privacy Policy**

This Privacy Policy applies to individuals who are clients or former clients of Stratos Wealth Partners, Ltd. We provide our Privacy Policy to clients when they open a new account(s) and offer it to them periodically on client quarterly reports.

This policy statement may be changed at any time. We will notify you if we make any material changes in this policy statement which broaden when we may share your information. Above all, we value your trust and your confidence in our ability to manage and protect your important personal information.

### **Information We Have Collected About You**

We limit the collection, use and retention of client information to what we reasonably believe will help us determine suitability, offer services, administer our business, manage our risks, and meet applicable laws and regulations.

For example, we may receive information about you from various sources, including:

- your requests for Stratos Wealth Partners, Ltd. products or services, such as your financial information on a new account application;
- your transactions with us, such as your account balance and transaction history;
- customer reporting agencies (credit bureaus) such as your credit history;
- telephone calls with you.

You have the right to view and correct any personal and financial information we may collect about you. If you believe any of the information we have collected about you is wrong, we would welcome your help in making corrections. Please contact us as shown below if you wish to view or correct this information. Please be aware that information obtained from a report prepared by an insurance support organization may be retained by the insurance support organization and disclosed to other persons.

### **Information We Share with Others**

We will share your personal and financial information only with authorized employees, representatives, affiliates, and trusted third parties whose services are required to assure the highest level of service to you. We will not disclose personal or financial information about you or about other customers or former customers, except as authorized by law, as described in this policy statement or as otherwise communicated to you. For example, we may share information with regulatory authorities and law enforcement officials and provide information to protect against fraud. From time to time, we enter into agreements with other companies that provide services to us or make our products and services available to you. These companies may receive information about you, but they are limited in their use of this information.

In addition, it is often necessary to share customer information with other companies, including our affiliates, that assist us with usual business activities including, but not limited to, account administration, customer service, transactions processing and delivery of account statements.

Other than as stated above, we do not share personally identifiable information we have about you with anyone nor do we sell any information about our customers to anyone.

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

If you have any questions or concerns about our privacy policy or would like a more detailed explanation of our privacy practices, please do not hesitate to contact Stratos Chief Compliance Officer at (440) 519-2500 or (866) 553-9882.

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