



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

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

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This brochure provides information about the qualifications and business practices of Stratos Wealth Partners, Ltd. (Stratos). If you have any questions about the contents of this brochure, please contact your Stratos representative or Stratos Wealth Partners, Ltd. at **(440) 505-5620**. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Stratos Wealth Partners, Ltd. also is available on the SEC's website at **www.adviserinfo.sec.gov**.

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.

Stratos Wealth Partners has made the following material changes within the last year.

1. The SWMG / Ibis Managed Portfolios have been renamed Fundamentum, In addition, models managed by Fundamentum have been added, and descriptions updated.
2. Advisory Account minimums have changed, based on the account type.
3. Stratos Wealth Partners has changed its Chief Compliance Officer to Matthew Dunn.
4. Stratos Wealth Partners will now vote proxies for certain trust clients where Stratos is required to vote on behalf of clients by agreement. Previously, Stratos did not vote proxies.

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 440-505-5620.



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## **ITEM 4        ADVISORY BUSINESS**

### **Introduction**

Stratos Wealth Partners, Ltd. (Stratos) is an investment advisor registered with the Securities and Exchange Commission ("SEC") pursuant to the Investment Advisers Act of 1940. Stratos has provided advisory services as a registered investment advisor since 2010. Note that registration as an investment advisor with the SEC does not imply a certain level of skill or training.

As of December 31, 2014, Stratos' discretionary assets under management were \$1,914,663,405 in 7586 accounts. Non-discretionary assets under management were \$354,863,725 in 1547 accounts. The total assets under management were \$2,269,527,130 in 9133 accounts.

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

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

### **Types of Advisory Services**

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

This Brochure provides information about Stratos and the following types of advisory services that Stratos provides:

1. Financial Planning Services;
2. Hourly Consulting Services; and,
3. Third Party Investment Adviser Account Management.

In addition to the services listed above, Stratos offers the following separate services described under different ADV Part 2As:

1. Managed Account Services
2. Wrap Fee Managed Account Services
3. Retirement Plan Consulting

Not all services are available to all clients, through all advisers, or in all states. In addition, services may not be available at all custodians.

If clients would like more information on such programs, clients should contact the IAR for a copy of the program brochure that describes such programs or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Stratos currently has agreements with the following broker-dealer custodians:

1. LPL Financial Corporation (“LPL”) Member FINRA/SIPC;
2. Fidelity Brokerage Services LLC and National Financial Services LLC (collectively “Fidelity”) Member FINRA/SIPC;
3. Charles Schwab (Schwab), Member FINRA/SIPC; and,
4. TD Ameritrade, Member FINRA/SIPC/NFA.

Stratos provides information in a separate disclosure brochure for the services it offers through the Retirement Plan Consulting Services offered through Stratos. If clients would like more information on this program, clients should contact the IAR for a copy of the program brochure that describes this program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for Stratos Wealth Partners, Ltd.

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

### **Financial Planning Services**

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

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

Stratos will gather financial information and history from clients, which may include, among other

things, retirement and financial goals, investment objectives, investment horizon, financial needs, cash flow analysis, cost of living needs, education needs, savings tendencies, and other applicable financial information required by Stratos in order to provide the investment advisory services requested.

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

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

### **Hourly Consulting Services**

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

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

Planning and consulting services are based on the client's financial situation at the time and are based on financial information disclosed by the client to Stratos. Clients are advised plans may contain certain assumptions that may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. Stratos cannot offer any guarantees or promises that clients' financial goals and objectives will be met. Further, clients must continue to review any plan or analysis and update the plan based upon changes in the client's financial situation, goals, or objectives or changes in the economy. Should a clients' financial situation or investment goals or objectives change, clients must notify Stratos promptly of the changes.

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

### **Third Party Investment Adviser Account Management Services**

**Stratos offers the following third party investment adviser ("TPIA") account management programs, not all programs are available to all clients, all advisers, or are offered in all states.**

Stratos makes available advisory services and programs of third party investment advisors. Under these TPIA programs, Stratos, through its IARs, provides ongoing investment advice to clients that is tailored to the individual needs of the client. As part of these TPIA services, the IAR typically obtains the necessary financial data from the client, assists the client in determining



the suitability of the program, assists the client in setting an appropriate investment objective and assists the client in opening an account with the TPIA. In addition, depending on the type of program, the IAR may assist the client to select a model portfolio of securities designed by the TPIA or select a portfolio management firm to provide discretionary asset management services. It is the third party investment advisor (and not the IAR) that has client authority to purchase and sell securities on a discretionary or non-discretionary basis pursuant to investment objective chosen by the client. This authorization will be set out in the TPIA client agreement. The Brochure for the particular TPIA will explain whether clients may impose restrictions on investing in certain securities or types of securities.

Stratos offers the following programs utilizing TPIA managers:

### **LPL Financial Sponsored Advisory Programs**

Stratos may provide advisory services through certain programs sponsored by LPL Financial Corporation (LPL), a registered investment advisor and broker-dealer. Below is a brief description of each LPL advisory program available through 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 ADV Part 2B and the applicable client agreement.

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

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

A minimum account value of \$15,000 is required for OMP.

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

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

A minimum account value of \$250,000 is required for PWP.

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

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. The Advisor 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, Advisor will have discretion to choose among the available models designed by LPL and outside strategists.

A minimum account value of \$25,000 is required for MWP.

### **Manager Access Select Program**

Manager Access Select provides clients access to the investment advisory services of professional portfolio management firms for the individual management of client accounts. Advisor will assist client 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. Advisor will provide initial and ongoing assistance regarding the Portfolio Manager selection process.

A minimum account value of \$100,000 is required for Manager Access Select, however, in certain instances, the minimum account size may be lower or higher.

### **Fees for LPL Advisory Programs**

The account fee charged to the client for each LPL advisory program is negotiable, subject to the following maximum account fees:

Manager Access Select	3.0%
OMP	2.5%
PWP	2.5%
MWP	2.5%

Account fees are payable quarterly in advance.

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. Associated persons of Advisor may also be registered representatives of LPL (see Item 7.C).

### **Potential Conflicts of Interest**

Transactions in LPL advisory program accounts are generally effected through LPL as the executing broker-dealer.

Advisor receives compensation 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 Advisor would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

### **Fidelity Advisory Programs**

Stratos may also provide advisory services through Fidelity as the broker-dealer custodian. Below is a brief description of each advisory program available at Fidelity.

**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 2A, Appendix 1 to the client. Stratos will deliver to client a copy of the Form ADV Part 2A 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 2A 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 2A, 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.

Clients should refer to the Brochure, client agreement and other account paperwork for each TPIA for more detailed information about the services available under the program.

In addition, Stratos may also refer advisory clients to other TPIA’s not associated with any of the programs described above.

## **Referral Services for Investment Advisors**

Stratos and its IARs act as referral agents on behalf of third party investment advisors pursuant to a referral agreement. In such case, Stratos provides services to the third party investment advisor related to the referred client. The IAR provides the referred client a disclosure statement regarding the role of Stratos and the IAR as a referral agent, but the IAR does not enter into an agreement with the client to provide ongoing investment advice. Instead, the client engages the third party investment advisor for advisory services. Please see Item 14 below for more information about these referral services and the related compensation.

## **ITEM 5 FEES AND COMPENSATION**

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

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

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

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

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

### **Third Party Investment Advisers**

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

explain how clients can obtain a refund of any pre-paid fee if the agreement is terminated before the end of a billing period.

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

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

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

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

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

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

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

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

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

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

## ITEM 7 TYPES OF CLIENTS

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

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

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

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

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

### Types of Investments and Risks

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

- **Alternative Strategy Mutual Funds.** Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry.

- **Closed-End Funds.** Client should be aware that closed-end funds are not readily marketable. In an effort to provide investor liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis. Thus, clients may be unable to liquidate all or a portion of their shares in these types of funds.

- **Exchange-Traded Funds (ETFs).** ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may

trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the “spread.” The spread varies over time based on the ETF’s trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.

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

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

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

- **Structured Products.** Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the

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

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

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

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

## **ITEM 9            DISCIPLINARY INFORMATION**

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

## **ITEM 10           OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**



Most Stratos IARs are also Registered Representatives (RRs) of LPL Financial Corporation ("LPL"), a registered Broker/Dealer, member FINRA and SIPC. Clients 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 as RRs of LPL in addition to any fees paid for advisory services. Commissions may be higher or lower at LPL than at other broker/dealers. IARs may have a conflict of interest in having clients purchase securities and/or insurance related products through LPL in that the higher their production with LPL the greater potential for obtaining a higher pay-out on commissions earned. Further, IARs may be restricted to only offering those products and services that have been reviewed and approved for offering to the public through LPL. 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 supervisory purposes or 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 give IAR an incentive to recommend an advisory relationship based on the compensation received rather than on the client's needs or best interests.

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 stated above, IARs are generally independent contractors. As such, the IARs have a direct incentive in the advisory fees being charged since a portion of the advisory fee collected by Stratos will be paid to the IAR for compensation for advisory services. Further, clients are advised that the amount paid by Stratos to the IAR will be based on the production of the IAR. Therefore, the higher sales the IAR produces the more

compensation the IAR will receive. Consequently, since production is a basis for determining the IAR's payout, and since a portion of the advisory fees will be retained by Stratos, there is a conflict of interest for the IAR to potentially charge a higher fee.

Stratos may offer clients the option to utilize the management services of one or multiple third party managers. Stratos will assist clients with evaluating their financial situation and present to the clients one or more third party managers and assist the client with selecting a third party manager's service. Additionally, on an ongoing basis Stratos will be available to answer questions clients may have regarding their managed account and act as the communication conduit between the client and the manager. Stratos will periodically meet with the client to evaluate the client's account and third party manager. In addition, if the investment program recommended to a client is a wrap fee program the client will also receive Part 2A Appendix 1 of the Form ADV or equivalent wrap fee brochure provided by the sponsor of the program. Stratos will provide to each client all appropriate disclosure statements, including disclosure of solicitation fees to Stratos and its advisory associates. Clients will be charged an advisory fee by the third party manager (selected by the client).

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

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

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

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

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

Stratos has a fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. Stratos takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Stratos' policies and procedures. Further, Stratos strives to handle clients' non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides clients with Stratos' Privacy Policy. As such, Stratos maintains a Code of Ethics for its IARs, supervised persons and staff.

The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material

non-public information about client transactions. Further, Stratos' Code of Ethics establishes Stratos' expectation for business conduct.

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

A copy of our Code of Ethics will be provided to any client or prospective client upon request. You may contact our 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.

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

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

If the client desires instead to purchase securities in a brokerage account through IAR acting as a Registered Representative of LPL, LPL, and IAR will receive brokerage-related compensation for those services, such as commissions and/or trail fees. Stratos receives a percentage portion of the brokerage-related compensation. Information regarding such brokerage compensation is provided at the time of a brokerage transaction.

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

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

## **ITEM 12      BROKERAGE PRACTICES**

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.

Stratos is assessed an “oversight fee” by LPL Financial based on all assets held away from LPL. This fee is passed on to the IAR of record. Due to this fee, IAR’s have a financial incentive to recommend the use of LPL Financial as the broker-dealer custodian for client accounts.

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).

1. Brokerage for Client Referrals. Stratos does not recommend brokerage for client referrals.
2. Directed Brokerage. Stratos does not engage in directed brokerage transactions for clients.

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

#### Aggregation

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

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

### **ITEM 13 REVIEW OF ACCOUNTS**

For financial planning, the client agreement for financial planning services terminates upon delivery of the plan. However, clients are encouraged to update their financial plans annually. Such annual review may be conducted at the election of the client and a new agreement for services between Stratos, the client and the IAR will be required. The review may consist of a new personal financial plan if the client's circumstances and/or goals have changed (updated financial plan). Alternatively, the review may be a comparison of the client's current assets and goals as stated in the personal financial plan (progress report). All financial plans are reviewed by Stratos' Director of Financial Planning.

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

regarding the account.

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

### **Client Referrals**

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

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

### **Other Compensation**

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 Stratos sponsored wrap fee programs. Stratos receives research or other products or services other than execution from broker-dealers 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 TPIA 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 awards or other things of value offered by the TPIA to the IAR. For example, a TPIA 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 TPIA program account over other programs and services.

Stratos has entered into referral agreements with independent third party investment advisors, pursuant to which Stratos and IARs receive referral fees from the third party investment advisors in return for referral of clients. Stratos refers clients to such firms as Brinker Capital, BTS Asset Management, Curian Capital, Potomac Fund, and Symmetry Partners. Because Stratos is engaged by and paid by the third party investment advisor for the referral, any recommendation regarding a third party investment advisor as part of a referral presents a conflict of interest. Stratos addresses this conflict by providing the client with a disclosure statement explaining the role of Stratos and IAR and the referral fee received by Stratos and IAR. For more information regarding these arrangements, refer to Item 4.

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

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

LPL makes available to Stratos other products and services that benefit Stratos but may not benefit its clients' accounts. Some of these other products and services assist Stratos in managing and administering clients' accounts. These include software and other technology that provide access to client account data, such as trade confirmation and account statements; facilitate trade execution and allocation of aggregated trade orders for multiple client accounts; provide research, pricing information and other market data; facilitate payment of Stratos' fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Stratos' accounts, including those accounts not maintained at LPL. LPL may also make available to Stratos other services intended to help Stratos manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business



succession, regulatory compliance and marketing. In addition, LPL may make available, arrange and/or pay for these types of services rendered to Stratos by independent third parties. LPL may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to Stratos.

#### **ITEM 15 CUSTODY**

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

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

#### **ITEM 16 INVESTMENT DISCRETION**

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

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

#### **ITEM 17 VOTING CLIENT SECURITIES**

In general, Stratos does not vote proxies for clients. In certain limited cases, Stratos may be required by agreement to vote proxies on behalf of a client. Proxy voting policies and procedures are available for clients for whom Stratos is required to vote proxies.

#### **ITEM 18 FINANCIAL INFORMATION**

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

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

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

