

# 1st Global Advisors, Inc.

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## Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure

**12750 Merit Drive, Suite 1200  
Dallas, TX 75251**

**9/28/2015**

This wrap fee program brochure provides information about qualifications and business practices of 1st Global Advisors, Inc. 1st Global Advisors, Inc. is a Registered Investment Adviser. Registration does not imply a certain level of skill or training.

If you have questions about the contents of this brochure, please call the 1st Global Compliance Department at (214) 294-5000 or e-mail us at [Compliance@1stGlobal.com](mailto:Compliance@1stGlobal.com)

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 1st Global Advisors, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Material Changes

This section of the wrap fee program Brochure will summarize the specific material changes that have been made since the previous version of the wrap fee program Brochure was published. The types of changes that will be discussed in this summary will relate to the nature of the material changes we made to our policies, practices, or conflicts of interest. This will help you decide whether to review all or only certain portions of the wrap fee program Brochure or to contact us with questions about the changes that were made.

The previous version of this Brochure, dated September 23, 2014, has been amended as follows:

**Billing Methodology and Payment of Fees** – The following language was amended, “You may terminate your agreement with us within five business days of signing the agreement without incurring any charges. Furthermore, we or you may terminate the agreement at any time and for any reason, upon thirty (30) days written notice to the other party. You are responsible for fees during the period between notice and final termination, which is the end of the 30 day period. We may waive the 30 day written notice requirement at our sole discretion. No refund will be provided if the account terminates within the final 15 days of a calendar quarter. Accounts with no financial intermediary (no assigned financial advisor), will continue to pay our portion of the total advisory fee. This fee is to cover administrative services which may be provided until the account is transferred away from the Firm.”

We will provide you with a summary of any material changes to our wrap fee program Brochure by October 30 of each year. We may further provide other updated disclosure information about material changes, as necessary.

You may request a copy of our current wrap fee program Brochure at any time, without charge, by calling us at (214) 294-5000 or e-mailing us at [Compliance@1stGlobal.com](mailto:Compliance@1stGlobal.com).

Additional information about us is also available via the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with us who are registered, or are required to be registered, as our investment adviser representatives (“IARs”).

This brochure was last updated on September 28, 2015.

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## Services, Fees and Compensation

### Services

The Investment Management Solutions (“IMS”) platform is designed to provide an orderly, disciplined approach to the investment process. IMS offers a personalized platform for investing that includes customized portfolios, access to asset managers and consolidated account performance reporting.

Included in the IMS programs is IMS Unified Choice, a unified managed account (“UMA”) program designed to provide increased flexibility and control over other IMS programs. The IMS Unified Choice program allows for diversification of your portfolio through personalized asset allocation, utilizing individual asset managers (commonly referred to as separately managed accounts or SMAs).

We have entered into agreements with various asset managers to create and maintain the model portfolios in the program. In this respect, we will buy (or sell) for the account those securities that the respective asset managers have chosen to represent their model portfolios, which are listed in your IPS. In addition, we will buy (or sell) securities when the holdings in the asset manager’s model portfolios change due to market conditions, or when rebalancing so that your portfolio closely mirrors the portfolios that are being managed by the respective asset managers.

In addition to utilizing model portfolios developed by the asset managers, you and your IAR may choose to implement a portion of the account using mutual funds, ETFs, hedge funds, private equity, structured investments, non-publicly traded Real Estate Investment Trusts (REITs), limited partnerships (“LPs”) or individual bond ladders. Your IAR may recommend these products to supplement the investments in the model portfolios for each of the available portfolio types. In addition, if you do not have enough assets to meet the individual asset managers’ minimums, the IAR may recommend mutual funds, ETFs or bond ladders to represent a particular asset class. Please note, non-publicly traded REITs and LPs may only be sold by IARs who are also registered representatives of our affiliated broker-dealer, 1st Global Capital Corp. These products are only sold via commission and you must be a registered representative in order to sell products for a commission. We do not bill advisory fees on these assets.

A four-step process is used to provide investment advisory services to you under the program. First, you, with assistance of your IAR, will provide information regarding your financial situation by completing a profile describing your investment objectives, time horizon, risk tolerance and investment preferences. Under all circumstances, you will promptly notify IAR, or us of any material changes in the information furnished by you in the profile or otherwise material to your financial situation, investment objectives, time horizon, risk tolerance and investment strategy.

Second, we take into consideration your investment risk tolerance, time horizon, objectives and investment preferences to score your profile and identify an appropriate portfolio type. Current portfolio types include ultra-conservative, conservative, moderate, growth and aggressive growth. We may change existing portfolio types or create new portfolio types if we feel it is appropriate to do so. After the portfolio type has been determined, the account will be invested into one or more model portfolios and/or a combination of mutual funds and ETFs. Recommendations are summarized in the Investment Policy Statement (“IPS”) for the account, which will be made available to you prior to implementation of each account that is fully diversified according to the appropriate portfolio type. Under certain circumstances IMS Unified Choice portfolios may be invested entirely in a single asset class. The single asset class portfolios may be invested in the Large Cap, Small Cap, International, Fixed Income and Real Estate asset classes only. No IPS will be created for single asset class portfolios.

Third, we process the transactions for your account as necessary so that the securities held in the account are representative of the model portfolio chosen, as described in the IPS. We place buy or sell transactions for the account to align your account with the investments that the respective asset managers have chosen for their model portfolios. Your account may also be populated with various mutual funds and ETFs available through our custodian, in addition to the model portfolios chosen for the account. At least one model portfolio must be chosen for the account.

Fourth, we will conduct continuing due diligence with regard to the asset managers available through the program. We will be responsible for screening, retaining, monitoring and, where necessary, replacing the asset managers responsible for investment decisions regarding their respective model portfolios under the program based on information provided by the 1st Global Advisors, Inc. Investment Committee.

Selecting the right portfolio type and model portfolios is critical to the long-term success of your investment strategies and objectives. We strive to match your account with those asset managers and model portfolios approved for use in the program whose investment style and characteristics best fit with your portfolio type. The advice provided by us, with respect to the

model portfolio, is dependent largely upon information provided by you. It is very important that accurate and complete information is provided to us. It is also imperative that you inform us of any changes in investment objectives, personal circumstances and investment restrictions, if any, which may affect our management advice, so that we can continue to provide management of your account in a manner appropriate to your specific circumstances. We request that you provide any necessary updates to the information on file with us by way of the custodial account statement provided at a minimum on a quarterly basis. The IAR will contact you at least annually to verify financial information on file with us, and to obtain any new or updated information concerning your financial situation that may reasonably be expected to affect our advice concerning the account.

#### Available Asset Managers

Asset managers currently available in the IMS Unified Choice program (subject to change without notice) include:

- |  |  |
|--|--|
| <input type="checkbox"/> Navellier & Associates Inc.,            | <input type="checkbox"/> Gannett Welsh & Kotler,             |
| <input type="checkbox"/> John Hancock Asset Management,          | <input type="checkbox"/> Geneva Capital Management Ltd,      |
| <input type="checkbox"/> Neuberger Berman LLC,                   | <input type="checkbox"/> Todd Asset Management,              |
| <input type="checkbox"/> Eagle Global Advisors LLC,              | <input type="checkbox"/> Delaware Investments,               |
| <input type="checkbox"/> RNC Genter Capital Management,          | <input type="checkbox"/> Chartwell Investment Partners,      |
| <input type="checkbox"/> Riverbridge Partners, LLC,              | <input type="checkbox"/> Ellesar Investment Management, LLC, |
| <input type="checkbox"/> Principal Global Investors, LLC,        | <input type="checkbox"/> PNC Funds, and                      |
| <input type="checkbox"/> Investment Management of Virginia, LLC, | <input type="checkbox"/> Laffer Investments, Inc.            |

We have engaged Dr. Arthur B. Laffer and Laffer Associates as an economic advisor to our Investment Management Solutions (IMS) investment committee and as a consultant to our executive management team. In this role Dr. Laffer and Laffer Associates provide analysis and advice regarding the current economic environment and its implications for not only the general business climate but also its impact on the decisions made by our IMS investment committee. Neither Dr. Laffer nor Laffer Associates are voting members of the IMS investment committee. Laffer Associates is a wholly owned entity of the Laffer family, including Dr. Arthur B. Laffer and Arthur B. Laffer, Jr. Laffer Investments, Inc. is an affiliate of Laffer Associates. Dr. Laffer is Chairman of both firms and Mr. Laffer is President of both firms.

Laffer Investments, Inc. is an asset manager available on the IMS Unified Choice program. This presents a potential conflict of interest because an affiliate of Laffer Investments, Inc., Laffer Associates, advises the IMS investment committee which is responsible for choosing the asset managers available on the IMS Unified Choice program.

Additionally, our CEO Tony Batman serves on the board of The Laffer Center for Supply-Side Economics. Founded in 2011, this organization is dedicated to preserving and promoting the core tenets of supply-side economics. The Laffer Center is named after Dr. Arthur B. Laffer and seeks to be the leading source for supply-side research and thought, including the research and published works of other economists and thought leaders whose ideas have played an instrumental role in the supply-side movement in the United States and abroad. As described above, Dr. Laffer is affiliated with Laffer Consultants and Laffer Investments, Inc. As a voting member of the IMS investment committee, Mr. Batman votes on which asset managers are made available on the IMS Unified Choice program.

When consulted, we may recommend Laffer Investments, Inc. to our IARs if appropriate given a client's investor profile. It should be noted, however, that neither we nor our IARs receive any additional benefit from utilizing Laffer Investments, Inc. over any other asset manager available on the IMS Unified Choice program. Our IARs ultimately decide which asset managers to recommend to you and they are under no obligation to recommend Laffer Investments, Inc.

#### Special Product Considerations

The IMS Unified Choice program also offers access to alternative investments such as fund of funds hedge funds, private equity, structured investments and non-publicly traded REITs and LPs. Unlike hedge funds, private equity and structured investments, non-publicly traded REITs and LPs are non-billable assets. Please note, non-publicly traded REITs and LPs may only be sold by

IARs who are also registered representatives of our affiliated broker-dealer, 1st Global Capital Corp. These products are only sold via commission and you must be a registered representative in order to sell products for a commission.

The hedge funds and private equity will only be made available to qualified purchasers, qualified clients or accredited investors as those terms are defined under applicable securities laws. The hedge funds and private equity will only be made available to those clients whose profile identifies a Moderate, Growth or Aggressive Growth portfolio type. Specifically, your scored profile must be "moderate" or above in order to be able to purchase hedge funds or private equity in an account. A client scoring "moderate" but choosing "conservative" may purchase hedge funds or private equity in limited circumstances. You are permitted to choose "conservative" and still purchase a hedge fund or private equity only when it is required for account "grouping" purposes and not because you feel a need to accept less risk than the "moderate" scoring would indicate. We permit this only for instances where you have a group of accounts that are managed together at a risk score of "moderate" or above, and the account in which the hedge funds or private equity will be purchased requires a "conservative" allocation to support the necessary allocation to fixed income across all accounts. For example, you may choose to be more heavily weighted in fixed income securities in one account, an account with a conservative allocation, and more heavily weighted in equity securities in another account, an account with a more aggressive allocation. When taken in total, your grouped portfolio must be a moderate, growth or aggressive growth allocation to choose these investments. We have the discretion to waive these guidelines for unforeseen circumstances that do not violate our fiduciary obligation.

Structured investments are available only to those clients with a "conservative," "moderate," "growth," or "aggressive growth" risk profile.

You are limited to an investment of up to a maximum of 10% of stated net worth in a hedge fund(s) and/or private equity. In addition, up to a maximum of 30% of your portfolio may be allocated to hedge funds, private equity, structured investments and/or non-publicly traded REITs and LPs. You are limited to an investment of no more than 10% of the account value in a private equity hedge fund or any single buffered return enhanced note (BREN) offering (a type of structured investment). The rest of the account will be allocated to the appropriate portfolio type as determined by the profile. The percentage allocated to each asset class within the portfolio type will be proportionately reduced by the percentage of the portfolio allocated to any alternative investments.

Special rebalancing considerations will be made for those accounts incorporating an allocation to alternative investments. We may experience limited opportunities to redeem shares of a hedge fund and/or private equity because the underlying securities may not be available for sale for long periods of time and hedge funds and private equity impose restrictions on repurchase offers further limiting exit strategies and redemptions. Due to these restrictions, the portion of your account allocated to the asset allocation model will be rebalanced independent of the hedge fund and/or private equity portion of the account. The structured investments will be made available in various maturities as outlined in the offering document. As such, the portion of your account allocated to the asset allocation model will be rebalanced independent of the structured investment portion of the account as well. Once the structured investment matures, you and the IAR will make a determination as to the disposition of the funds and will have an opportunity to rebalance the entire account at that time.

For qualified clients, we offer access to other illiquid alternative investments, such as non-publicly traded REITs and limited partnership interests. Please note, non-publicly traded REITs and LPs may only be sold by IARs who are also registered representatives of our affiliated broker-dealer, 1st Global Capital Corp. These products are only sold via commission and you must be a registered representative in order to sell products for a commission. Unlike hedge funds, private equity and structured investments, these are non-billable assets and are typically only in the account for reporting purposes. We rebalance your asset allocation independent of these products as well. The illiquid alternative portion of the account, which includes hedge funds, private equity, structured investments, non-publicly traded REITs and LPs generally may not exceed 30% of the account. We may waive these requirements under circumstances we deem to be appropriate.

The amount and type of non-publicly traded REIT or LP permissible in an account is based on the risk profile. Please see below for details:

- Ultra-conservative: not permitted at all.
- Conservative: "growth"-focused products not permitted (only "income" and "income and growth" products permitted); Max 10% of account value in "income" and "income and growth" sector products.
- Moderate: all REITs permitted; Max 10% of account value in "growth" focused and "income" and "income and growth" sector products.
- Growth: all REITs permitted; Max 15% of account value in "growth" focused and "income and growth" sector products.

- Aggressive: all REITs permitted; Max 20% of account value in “growth” focused and “income” and “income and growth” sector products.

The Dividend Reinvestment Program (DRP) is generally not permitted when purchasing a REIT inside of an IMS account.

We also offer access to a Business Development Company (“BDC”). The BDC is a non-billable asset and has special suitability considerations. A client must have a risk tolerance/model of conservative or above and the maximum initial purchase amount is 10% of the total account value.

#### Restrictions on Types of Investments

You are permitted to place reasonable restrictions on which individual, or types of, securities you do not wish to be included in the account, within reasonable parameters set by us and asset managers. We will not substitute another security for the restricted one or request that the asset manager designate a substitute security. We will use cash to represent the portion of the account that would have been made up of the restricted securities. Performance of accounts with such restrictions may differ from accounts without such restrictions, possibly producing lower overall results. Restrictions are administered on the date of purchase only, and no restriction will be deemed breached as a result of changes in a security following its purchase.

#### Establishing an Account

In order to participate in the IMS Unified Choice program, you will need to establish a brokerage account with 1st Global’s custodian National Financial Services LLC. (“NFS”) All trades, save some fixed income trades executed by fixed income asset managers, will be referred to 1st Global Capital Corp., an affiliated broker-dealer under common ownership, for execution. You are advised that a conflict of interest exists since the broker-dealer may receive compensation on some transactions. All assets in the IMS Unified Choice program will be custodied through NFS.

You will also need to execute an Investment Advisory Agreement with us in order to participate in the IMS Unified Choice program. The Investment Advisory Agreement outlines the services provided to you through the IMS Unified Choice program, and the terms and conditions governing the investment advisory relationship with us. By entering into the Investment Advisory Agreement with us, you grant discretionary authority to us to initiate transactions for the account, as described in this Brochure and the agreement.

Security transfers can take several weeks to complete. Securities are subject to market price risk while in transfer phase. There is no guarantee that transferred securities (stocks, bonds, or mutual funds) can be liquidated in your best interest. Liquidating trades will be entered as market orders. No specific consideration is given to timing or price levels.

#### Monitoring and Review

We manage the portfolio type and model portfolios to maintain consistency with your IPS. We will monitor the performance of the account and the model portfolios/mutual funds/ETFs/hedge fund(s)/private equity/structured investments/REITs/LPs/bond ladders comprising the account. We will rebalance the account when an asset class is out of tolerance by more than 5%. Asset managers may also prompt rebalancing trades when making changes to their model portfolio. You grant us the authority to maintain the account in accordance with the portfolio type as stated in the IPS provided to you.

You will be provided with a custodial statement from NFS on a monthly or quarterly basis depending on activity in the account, which will include a detail of account activity during the month or quarter (including account holdings, contributions and withdrawals, and the value of the account at the beginning and end of the period). You will receive confirmations of the activity in the account. You may elect to receive confirmations on a quarterly basis via a quarterly confirmation report which will include all information relevant to the trade. By choosing to waive the right to receive daily confirmations, you authorize us to establish online view only access for your account. You will receive a letter from 1st Global Capital Corp., which includes instructions for logging on to the web site as well as a user ID and password. In addition, we will provide quarterly performance reports to assist in monitoring of the account.

#### Fees and Compensation

The wrap fee is a consolidated annual fee that encompasses: (1) services provided by us; (2) services provided by the IAR for the gathering of information and maintenance of your account information; (3) the asset managers' services in managing their respective model portfolios; and (4) the costs associated with clearing, and custody.

The minimum clearing and custody fee is \$600.00.

Fees for utilizing 1st Global's fixed income desk will be 0.20% of the amount of the fixed income portion of the account. The portion of the account using the fixed income desk will also be subject to clearing and custody fees and the fixed and variable 1st Global fees.

Your clearing and custody fee includes the first 1000 transactions in the account on a pro-rated calendar year basis commencing 45 days from the funding date of the account. Thereafter, the costs of the first 1000 transactions each calendar year are included in the clearing and custody fees. After, and only if, the trade threshold is exceeded in any one calendar year, portfolios will bear transaction costs for exchange traded funds, stocks, bonds or other securities of no more than \$10 per transaction. Client shall bear transaction costs of \$10.00 on the vast majority of mutual fund trades; however, trades in some fund families will incur an additional charge of \$10.00 for a total of \$20.00 per transaction. In the case of a covered plan under 408(b)(2) of ERISA, the transaction cost will not exceed the direct cost or amount that is charged by the custodian for its related services.

#### Equity and Fixed Income Asset Manager Fees

Portfolio Value	Equity Manager Fee	Fixed Income Manager Fee	Clearing/Custody Fees	Advisory Fee	Total Asset Mgmt. Fee
First \$250,000	0.40%	0.30%	0.20%	_____ =	_____ (max 3%)
Next \$250,000	0.40%	0.30%	0.12%	_____ =	_____ (max 3%)
Next \$500,000	0.40%	0.30%	0.10%	_____ =	_____ (max 3%)
Next \$1,000,000	0.40%	0.30%	0.07%	_____ =	_____ (max 3%)
Next \$3,000,000	0.40%	0.30%	0.03%	_____ =	_____ (max 3%)
Above \$5,000,000	0.40%	0.30%	0.00%	_____ =	_____ (max 3%)

We receive a portion of the advisory fee paid to your IAR.

As stated earlier, you may choose to implement a single asset class portfolio within the IMS Unified Choice program. Of the single asset class portfolios, a fixed income only portfolio will be subject to a unique fee schedule. This fee schedule takes into consideration the frequency of trading in a fixed income only account and makes adjustments to clearing and custody fees accordingly. You may also be transitioned to this fee schedule if a diversified portfolio utilizing multiple asset classes transitions into a single asset class fixed income portfolio.

#### Fixed Income Only Portfolio Fees

Fixed Income Asset Manager Fee	Advisory Fee	Total Asset Mgmt. Fee
.30%	_____ =	_____ (max 3%)

We receive a portion of the advisory fee paid to your IAR.

When electing a diversified portfolio in which a fixed income asset manager is the only asset manager chosen in the portfolio, you will **not** be responsible for paying any clearing and custody fees. Instead, you will bear transaction costs of no more than \$39.50 for all fixed income trades and \$15.00 per transaction for all equity and ETF trades. You shall bear transaction costs of \$15.00 on the vast majority of mutual fund trades; however, trades in some fund families will incur an additional charge of \$10.00 for a total of \$25.00 per transaction.

You will be responsible for the "Equity and Fixed Income Asset Manager Fee Schedule" with the addition of an equity asset manager in the portfolio, including clearing and custody fees.

This fee schedule will not apply to fixed income only portfolios if you own another IMS Unified Choice account with a similar registration. In these cases the standard fee schedule will apply to all accounts and will not be aggregated for reduced costs. Reduced costs may be available if both accounts can be and are combined into a single custodial account.

We have contractually agreed to pay each fixed income manager .30% of the value of your fixed income portfolio annually as charted above. A fixed income manager may choose to be paid less than .30% without advance notice to you.

Reasons the asset management fee percentage may change each quarter include but are not limited to:

- The number of asset managers, or the percentage of assets managed by each existing asset manager, changes. Hiring



additional asset managers or giving existing asset managers larger portions of the portfolio to manage may subject these portions of the account to fees from asset managers. Furthermore, as the assets managed by each asset manager changes at a rate different from other asset managers or other investment products, the percentage allocated to each asset manager will vary, which will in turn cause the total percentage fee to vary.

- Breakpoints in clearing and custody fees are reached. When accounts increase in value, the clearing and custody fee percentage may decrease, while conversely, when accounts decrease in value, the clearing and custody fee percentage may increase.

The portion of the account allocated to a hedge fund, private equity and/or structured investment will be subject to the fixed and variable 1st Global fees. The clearing and custody fees do not apply. Hedge funds and private equity will also be subject to underlying fund expenses including management and other servicing fees. You may be responsible for a repurchase fee, a percentage of the amount requested, if you request a distribution and have been invested in the hedge fund or private equity for less than the stated holding period outlined in the prospectus/private placement memorandum. The hedge funds and private equity may also assess a performance fee. For more information regarding the fees of a hedge fund or private equity, please refer to the prospectus/private placement memorandum offered at time of sale and available from the hedge fund or private equity directly.

The fees and expenses associated with the structured investment may change from offering to offering. For a complete list of fees and expenses associated with the structured investment, please refer to the offering document.

The custodian excludes certain assets (non-chargeable assets) from the amount it charges us. Non-chargeable assets include certain mutual funds, bank certificates of deposit, non-marketable securities (for example, hedge funds/private equity, structured investments, non-publicly traded REITs and real estate limited partnerships) and cash. We retain the difference between the amount paid by you and the amount charged to us by the custodian on these non-chargeable assets. Because clearing and custody fees apply to the total assets in the account, you may benefit more from utilizing an asset manager's model portfolio in each asset class in order to avoid paying these fees for assets that are considered non-chargeable assets.

Equity securities in the account are priced daily based on closing prices as reported by FT Interactive Data. Fixed income securities are priced weekly and at month end by the Merrill Lynch and JJ Kenny pricing services. Account values are based on prices received from these services for purposes of calculating the market value of the assets in the account, which are subject to the fee.

The total wrap fee paid by you includes a component (Advisory Fee) which is paid to the IAR or affiliated Registered Investment Adviser. The component (Advisory fee) paid to the IAR or affiliated Registered Investment Adviser is the total fee paid by you minus the fees outlined in the tables above. For example, if you are paying a total asset management fee of 1.0% and the fee tables show fees of 0.40%, then the IAR or affiliated Registered Investment Adviser receives 0.60%. We receive a portion of the Advisory fee paid to your IAR or affiliated Registered Investment Adviser.

#### Fee Calculation

The asset management fee for each quarter is payable in advance and is calculated as follows:

Fees for asset managers: The billing rate for each asset manager is multiplied by the portion of the account allocated to the asset manager at the prior quarter end and divided by four.

Fees for clearing and custody: The variable clearing and custody fee percentage is multiplied by the account value at the prior quarter end and divided by four.

Fees for advice (Advisory fee): The fee percentage for advice is multiplied by the account value at the prior quarter end and divided by four.

The total quarterly asset management fee will be the sum of each of the preceding three fee amounts. You will receive a detailed invoice outlining each of the three fee amounts as well as the total asset management fee.

#### Billing Methodology and Payment of Fees

The initial fee will be calculated proportionately based upon the number of days remaining in the quarter and based on the market value of the account as of the close of business on the day the assets are transferred into your account and shall be withdrawn from the assets in the account automatically. Additional assets received into the account during any billing period may be charged a pro-rata asset management fee based on the number of days remaining in the billing period.

Unless you have chosen to pay asset management fees by other means, we will withdraw the amounts of such fees from the assets in the account automatically on or after the first business day of each quarter. In any event in which fees are due and payable but there are insufficient funds available in the account to cover such fees, and the account is a cash account, we are authorized to withdraw the amounts of such fees, liquidating assets if necessary, from the account being managed by us.

If you have chosen to pay asset management fees by other means, fees will be paid each quarter within 30 days of receipt of an invoice. If we do not receive payment of fees by the 45th day after the date of the invoice, we will withdraw the amount of such fees, liquidating assets if necessary, from the account. Furthermore, if you fail to pay an invoice after a second notice, the account will be changed to be automatically debited each quarter.

You may terminate your agreement with us within five business days of signing the agreement without incurring any charges. Furthermore, we or you may terminate the agreement at any time and for any reason, upon thirty (30) days written notice to the other party. You are responsible for fees during the period between notice and final termination, which is the end of the 30 day period. We may waive the 30 day written notice requirement at our sole discretion. No refund will be provided if the account terminates within the final 15 days of a calendar quarter. Accounts with no financial intermediary (no assigned financial advisor), will continue to pay our portion of the total advisory fee. This fee is to cover administrative services which may be provided until the account is transferred away from the Firm.

Upon notice of termination, we will await further instructions from you as to what steps you requests to liquidate and/or transfer the portfolio and remit the proceeds. Upon instructions received, we will instruct brokers, dealers, mutual fund sponsors, and others to liquidate and/or transfer the portfolio and remit proceeds to you.

Upon termination, we will refund our unearned asset management fee on a prorated basis as determined by us.

We cannot make any representation regarding investment features that may limit your ability to liquidate or transfer all or a portion of your portfolio. In these cases, we will consider your agreement terminated as per the language in the agreement and stated here. For information on features that may limit or impair the ability to sell or transfer an asset, you are advised to review the prospectus, offering document or participation agreement.

We will not be compensated on the basis of a share of capital gains or capital appreciation.

#### Potential Conflicts

The fee paid to each individual asset manager is based on the percentage of total program assets placed in that asset managers model portfolio. These fee rates are based on, among other things, asset class, investment style and assets allocated to that particular asset manager. The fees paid by us to each asset manager for use of their model portfolios may vary among such asset managers. This may create a conflict of interest for us since net revenues may be increased if those model portfolios of asset managers to whom we pay lower fees than other asset managers are included in your account.

Recommendations implicit in model portfolios provided to us may reflect recommendations being made by a given asset manager contemporaneously to, or investment advisory decisions made contemporaneously for, other clients of the asset manager. As a result, the asset manager may have already commenced trading for their other accounts before we have received or had the opportunity to evaluate or act on asset manager's recommendations. In this circumstance, trades ultimately placed by us for you may be subject to price movements (particularly in the case of illiquid securities or large orders) that may result in you receiving prices that are less favorable than the prices obtained by the asset manager for its other accounts. On the other hand, we may initiate trading based on the asset manager's recommendations before or at the same time the asset manager is also trading for its accounts.

If the investment advisory, brokerage, custody and other services received under the program were paid for separately, the actual costs could vary from the wrap fee paid depending upon such factors as, without limitation, the size of the account, the model portfolio, the number of transactions, and the number of model portfolios in the account. The total fee amount will be determined by you and your IAR and is negotiable and we may, at our sole discretion, waive any fee, whether on an ongoing or one-time basis. Comparable services may be available separately from other sources for fees lower or higher than those charged by us.

## Other Fees and Expenses

In addition to the charges noted above, you may also incur certain charges imposed by third parties other than us or your IAR in connection with certain investments. We and your IAR may receive a portion of these fees. These include, but are not limited to:

- Mutual fund or money market 12b-1 fees and sub-transfer agent fees;
- Mutual fund and money market management fees and administrative expenses;
- Mutual fund transaction fees;
- Certain deferred sales charges on previously purchased mutual funds transferred into the account;
- Other transaction charges and service fees;
- IRA and qualified retirement plan fees; and
- Other charges that may be required by law.

If you own mutual funds, the funds may charge early redemption fees if you liquidate fund holdings in your account within a certain period of time after investing them, typically within 30 to 180 days, depending on each fund company's policies.

The fees that we charge are in addition to fees charged by any mutual funds in which you may invest. The mutual funds in your portfolio assess charges and fees at the fund level, including fees for investment management services and 12b-1 distribution charges that are permitted under Section 12b-1 of the Securities Exchange Act. You should be aware that these 12b-1 fees come from fund assets and thus, indirectly from your assets.

These fees and transaction charges present a potential conflict of interest because we may have a greater incentive to recommend (or make investment decisions regarding) investments that provide additional compensation to us. Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus.

Hedge funds and private equity will also be subject to underlying fund expenses including management and other servicing fees. Typically, you will be responsible for a repurchase fee, a percentage of the amount requested, if you request a distribution and have invested in the hedge fund or private equity for less than the stated holding period outlined in the hedge fund or private equity prospectus/private placement memorandum. Hedge funds and private equity may also assess a performance fee. For more information regarding the fees of hedge funds and private equity, please refer to the prospectus/private placement memorandum offered at time of sale and available from the hedge fund or private equity directly.

The fees and expenses of structured investments may change from offering to offering. For a complete breakdown of the fees and expenses of structured investments, please refer to the offering document for that product.

Some asset managers in the IMS Unified Choice program may execute transactions away from NFS in order to obtain better execution, particularly asset managers who trade fixed income securities. Equity asset managers on the IMS Unified Choice program provide us with a model of securities. When you choose a particular equity asset manager, we trade your account to match the model provided by that equity asset manager. Unlike equity asset managers who provide us with a model, fixed income asset managers trade your account on an individual basis. Bonds are purchased by fixed income asset managers for your specific account that we then transfer into your account. There may be costs such as mark-ups or mark-downs associated with those trades placed away from NFS that you will incur. IARs may consider the existence of these mark-ups and mark-downs when determining the annual advisory fee.

Income tax liabilities may result from the sale of individual securities within your account, unless the account is otherwise tax sheltered or tax deferred. Income tax liabilities directly reduce investment returns. You are responsible for all tax liabilities arising from the sale of individual securities within your account.

## Account Fees and Charges for Accounts Held Through NFS

The following fees and charges apply for accounts held through NFS. Fees and charges are subject to change. Additional fees may apply for specific account features such as check writing, debit or charge cards, and bill pay services. Please refer to specific account documentation for further information.

<u>Product Type</u>	<u>Maximum Charge</u>
Equities	\$15 per trade
ETFs	\$15 per trade
Mutual Funds	\$15 per trade

Fixed Income	\$39.50 per trade
UITs	\$35 per trade
Foreign Equity	\$90 per trade

For a complete listing of custodial fees and charges, please see the fee schedule on our public website at [http://www.1stglobal.com/clients/investor\\_information](http://www.1stglobal.com/clients/investor_information) Scroll down the page to Client Account Information and select “Client Account Fees and Expenses for NFS Accounts.”

Your clearing and custody fee includes the first 1000 transactions in the account on a pro-rated calendar year basis commencing 45 days from the funding date of the account. Thereafter, the costs of the first 1000 transactions each calendar year are included in the clearing and custody fees. After, and only if, the trade threshold is exceeded in any one calendar year, portfolios will bear transaction costs for exchange traded funds, stocks, bonds or other securities listed above.

Our custodian, NFS, assesses a transaction fee surcharge of \$10.00 on certain mutual funds. These funds are subject to the transaction surcharge because they do not pay NFS’ standard administrative and/or service fees. The list of affected fund families is subject to change at any time, without prior notice, and is included below for your review.

Dimensional  
CGM  
Dodge & Cox  
Sequoia  
Vanguard

We are currently absorbing this fee but may not continue to do so in the future. The additional fee will be passed through to you if we discontinue absorbing this fee. This will result in the addition of a \$10 surcharge to you on all trades in the above fund families once you exceed the first 1,000 transactions in any one calendar year.

#### Revenue Sharing Arrangements

Companies for some of the mutual funds we sell participate in activities that are designed to help facilitate the distribution of their products. The marketing activities and educational programs provided by these mutual fund sponsors include, but are not limited to, attendance by fund representatives at our conferences, cash and non-cash marketing assistance paid to IARs, and training and education presentations provided to IARs about the fund sponsor’s products and services. In return for assistance in facilitating the activities described above, we receive additional compensation, commonly referred to as “revenue sharing,” from these fund companies. These fund companies are part of what we call our Premier Partner Program. These revenue sharing payments are in addition to the commissions and distribution fees (known as 12b-1 fees), and other fees and expenses paid to us and your IAR, as disclosed in the respective fund’s prospectus. It is important to note, however, that these revenue sharing payments are paid out of the mutual fund company’s or fund affiliate’s own assets—not from the mutual fund’s assets themselves—and, therefore, would not appear as items in a fund’s expense table. No portion of these revenue sharing payments to us is made by means of brokerage commissions generated by the fund.

None of the revenue sharing payments received by us is paid or directed to any IAR who sells these funds. Our IARs do not receive a greater or lesser amount of cash compensation for sales of the products of those mutual fund companies that participate in our revenue sharing program, as opposed to those that do not make such payments. Because our advisors receive no increase or change in compensation from selling shares of one fund over another, we do not believe that they are subject to a conflict of interest based on the amount of revenue sharing we receive from those companies.

Our IARs, however, may receive reimbursements from mutual fund companies for certain marketing costs and may participate in training and education meetings sponsored by mutual fund companies. The cash and non-cash marketing reimbursements and training and education meetings paid for by mutual fund companies, whether or not the same mutual fund companies participate in our revenue sharing program, could lead our IARs to focus more on those funds that provide the IAR with marketing or training and education assistance, as opposed to those fund companies that do not make such payments. The mutual fund families that participate in our revenue sharing program are:

Invesco Funds  
John Hancock  
Oppenheimer  
Prudential

While the revenue sharing arrangements with each fund family vary, each fund family may pay either a) up to 25 basis points (0.25%) of the gross amount of each sale; or b) up to 6.29 basis points (0.0629%) annually of the assets held at the fund family. For example, on a \$10,000 transaction with a participating fund family, we would receive a one-time \$25 payment, or a \$6.29 annual payment during each period in which the assets remain at that fund family.

Participating fund families may also be subject to certain minimum payments each year in conjunction with the program if minimum amounts of sales or assets are not met, and they may also make additional payments to us for attendance at various educational meetings hosted by us throughout the year.

Under the NFS “no transaction fee” (NTF) program, NFS agrees to waive its customary transaction fee for investors purchasing or selling shares of the mutual funds participating in its program (NTF Funds). In consideration for these services, each NTF Fund’s manager or one of its affiliates (NTF Fund Manager) agrees to pay NFS an individually negotiated asset-based fee at an annual rate that is typically 30 to 50 basis points of the NTF Fund’s assets. With respect to investments in the NTF Funds, NFS remits a portion of these payments to our affiliated broker-dealer, 1st Global Capital Corp., in the amount of 18 to 22 basis points of the NTF Fund investments, and the balance is retained by NFS. Under the NFS “transaction fee” (TF) program, NFS makes an annual payment to our affiliated broker-dealer, 1st Global Capital Corp., per TF mutual fund position in the amount of \$2.50 to \$4.50. This program does not apply to Fidelity Funds. The TF fund payment is made to our affiliated broker-dealer quarterly. Our affiliated broker-dealer shall only receive a share on positions for which NFS is paid. Our affiliated broker-dealer may receive a reduced share on positions for which NFS receives a discounted rate from the fund company. All revenue sharing payments are made from the NTF and TF Fund Manager’s assets and do not reduce the amount invested by you. None of these additional payments is paid to any IARs who sell these funds.

We will earn a monthly distribution fee from NFS on all Fidelity Money Market Sweep Fund balances (including qualified retirement plans) at an annualized rate of the average net assets (calculated daily) of its customers beneficially owning shares in the following Fidelity Money Market Sweep Fund portfolios (Prime Fund, Tax-Exempt Fund, and Treasury Fund):

The Firm will earn the following Schedule 1 tiered distribution fee until such time that the Schedule 2 distribution fees meet or exceed that of Schedule 1. The Firm can only earn distribution fees from one Schedule at a time.

**Schedule 1:**

Tiered Average Fund Balances

\$0 - \$1 billion	5 basis points
\$1 billion +	7 basis points

The maximum annual payout for Schedule 1 is \$750,000

**Schedule 2:**

<u>Average Fund Balances</u>	<u>Capital Reserve Class</u>
\$0 - \$500 million	60 basis points
\$500 million - \$1 billion	65 basis points
\$1 billion - \$2 billion	68 basis points
\$2 billion +	70 basis points

<u>Average Fund Balances</u>	<u>Daily Money Class</u>
All balances	25 basis points

Through a Rep Recruitment Credit, NFS will pay us an asset based fee for newly recruited financial advisors. The amount of the fee is 8 basis points and commences upon the first account being received from the prior custodian and for a period not to exceed 90 days thereafter. This fee is generally used by us to reimburse new advisors for costs associated with transferring accounts from one custodian to another, such as absorbing client account termination fees assessed by the former custodian. This fee may be retained by the firm or may be paid to advisors that chose not to absorb client fees. Such compensation is paid from NFS assets and does not reduce the amount invested by the client.

NFS paid us a one-time Correspondent Business Development Credit after renegotiating our current clearing agreement.

State Specific Disclosures

**For California Residents:** Subsection (j) of Rule 260.238 of the California Code of Regulations requires that all investment advisers disclose to you that lower fees for comparable services may be available from other sources.

**For District of Columbia Residents:** Section 1811.1 Subsection (j) of the DC Rules requires us to disclose that lower fees for comparable services may be available from other sources. Subsection (k) requires us to indicate that all material conflicts of interest that relate to us or to any of our employees, and that would cause us not to render unbiased and objective advice, have been disclosed to you in writing via the disclosure provided in this Form ADV Part 2.

**For Massachusetts Residents:** Massachusetts General Law Section 203A requires disclosure that information about the disciplinary history and the registration of us and our associated persons may be obtained by contacting the Public Reference Branch of the SEC at 202.942.8090, or by contacting the Massachusetts Securities Division at One Ashburton Place, 17th Floor, Boston, MA 02108 or at 617.727.3548.

#### Adviser and IAR Compensation

The IMS Unified Choice program is a “wrap fee” program and differs from the other IMS programs in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the advisory fees. For example, our IMS Select Portfolio program is not considered a wrap fee program because you pay transaction costs that are in addition to the asset management fee and are generally borne by you.

In the case of wrap fee programs, such accounts are managed in accordance with the investment methodology and philosophy used by the respective third-party portfolio manager. On the other hand, our IMS Flex Choice program is managed by your IAR in accordance with his or her own investment methodology and philosophy. For the investment advisory services provided to you by us and your IAR, we and your IAR receive a portion of the investment advisory fee you pay when you participate in the program.

### ERISA Section 408(b)(2) Disclosures

When we are engaged to provide investment advisory services through the IMS or RMS platforms on behalf of a plan client that is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), we are a “covered service provider” to the plan for purposes of ERISA Section 408(b)(2) and the regulations thereunder. This Brochure and the disclosures included in the investment advisory agreement between the ERISA client and us are intended to provide certain fee disclosures in accordance with the requirements under ERISA Section 408(b)(2).

## Account Requirements and Types of Clients

### Types of Clients

We generally provide advisory services to individuals (other than high-net-worth individuals), high-net-worth individuals, corporations and other businesses, pension and profit sharing plans and charitable organizations.

### Account Size Minimums

The minimum balance requirement for the IMS Unified Choice program is \$500,000, except when utilizing a single asset class portfolio. The minimum balance requirement for a single asset class equity portfolio is \$100,000 and the minimum balance requirement for a single asset class fixed income portfolio is \$250,000.

We may choose to waive these minimums at our sole discretion as circumstances dictate.

## Portfolio Manager Selection and Evaluation

Each asset manager is selected based on an assessment of that asset manager’s investment and operational capabilities and experiences. We select asset managers that possess an acceptable level of skill relative to certain asset classes, market capitalizations, sectors, and/or industries.

We are responsible for selecting the asset managers used on the IMS Unified Choice program. Following is a description of our due diligence process.

## Investment Manager Search and Selection

The goal of active manager selection is to identify managers with consistent investment processes that can demonstrate value-added, risk-adjusted performance over time. The evaluation process can be separated into two parts, and the relative importance in the decision-making process is weighted as follows:

**1. Qualitative Evaluation: 70%** – Evaluation of investments based on people, philosophy, process and implementation (why the investment performs the way it does)

**2. Quantitative Evaluation: 30%** – Evaluation of the investment based on numerical, statistical or measurable attributes (how the investment performed).

Each asset class (and sub-asset class) is normally guided by an internal investment mandate, which is simply a set of rules. This mandate may include a desired range for tracking error versus an appropriate style benchmark, a desired range of correlation to a benchmark (as expressed through quantitative data such as R-squared, beta and active share) and other desired characteristics unique to the sub-asset class.

For investment managers on the IMS Unified Choice program, we start by identifying managers from database inquiries, referrals and publications. As an initial step for evaluation for possible inclusion in the IMS Unified Choice program, we send out the IMCA Standardized Investment Manager Questionnaire to the manager to complete.

Quantitative evaluation begins with a list of managers representing a specific asset class, sub-asset class or investment mandate drawn from the available universe. In filtering through initial screening to measure performance, it is critical to assign a relevant benchmark for comparison. Our Investment Management Research Group (“IMRG”) uses R-squared and tracking error to determine the validity of the assigned index.

This initial list is then closely reviewed and sifted based on a proprietary quantitative model that includes several modern portfolio theory analytics (R-squared, Jensen’s Alpha, information ratio, Excess Sharpe, etc.).

IMRG will then rank the output using a scoring method that assigns a higher numerical value to those investment managers who have consistently produced value-added performance in a risk-optimizing fashion. The list is then narrowed and further quantitative analysis commences.

Once IMRG has identified candidates, either through quantitative screening or through other sourcing means, a comprehensive qualitative review of virtually every aspect of the investment strategy begins. The qualitative due diligence process is designed to be systematic, so as to maintain organization over the collection of what is often a large amount of material. IMRG makes a special effort to comprehend what differentiates a manager from others in his or her peer group and what can be expected from the asset manager in different market environments.

Qualitative evaluation includes conducting conference calls or on-site due diligence visits with the investment management team of each candidate.

Our output rests with the judgment and research findings derived by analyzing variously sourced data and from meetings with asset managers. Moreover, we must measure an individual manager’s risk-adjusted performance not only in isolation, but also its impact on the entire portfolio risk/return characteristics. Further, IMRG chooses managers who, in our investment committee’s judgment, best represent the asset classes contained in our asset allocation models and also provide adequate exposure, where applicable, to a range of investment styles (growth, value, momentum, core, focused, etc.) within each asset class.

The final step is for the 1st Global Advisors, Inc. Investment Committee to review and deliberate the recommendation(s) as presented by IMRG. At the conclusion of any discussion, the investment committee may request further information or move to vote on the addition or replacement of an asset manager. If the recommendation is approved, the operational process to make the manager available commences.

## Investment Manager Monitoring and Review

Investment monitoring continues after the evaluation and selection process stops. On a quarterly basis, IMRG reviews the quantitative aspects of all of the asset managers in the IMS Unified Choice program.



In addition to internal due diligence efforts, we may also draw upon the expertise of third-party vendors to provide additional insights into the asset managers in the IMS Unified Choice program. Finally, the investment committee reviews and deliberates both internal and external findings on a quarterly basis and more frequently if necessary.

Every quarter, IMRG performs robust quantitative analysis of each asset manager. This evaluation is conducted on both the performance returns of the managers and the underlying holdings within each strategy. This analysis is based on various numerical, statistical and measurable attributes. An overarching goal is to properly examine unexplainable performance and risk variances or deviations from the stated or historical investment process of the manager.

In addition to the quantitative items reviewed on a quarterly basis, IMRG evaluates each investment strategy by studying the manager's written commentary on its investment performance and the market environment. IMRG will also review manager reports from the external due diligence firm and other outside vendors as well.

As often as is necessary, one or more members of IMRG conduct a conference call or engage in written communication with each asset manager.

If it becomes evident that a manager's performance is deviating from expectations, further investigation is initiated and findings are reported to the investment committee. If necessary, an on-site due diligence visit is conducted by members of IMRG.

Our compliance department provides an additional layer of due diligence by reviewing the due diligence files that we prepare on a periodic basis. In addition, on a quarterly basis, IMRG completes a report on each asset manager for the investment committee. This report details specific qualitative and quantitative items relevant to each asset manager's investment process. Findings derived from any on-site manager visits are provided as well.

#### Calculating Performance

Account performance is calculated utilizing a portfolio accounting system. The Modified Dietz method is used to calculate performance resulting in a time weighted rate of return. Performance is calculated when cash flows in or out exceed 10% of a portfolio's market value and/or from month to month. On a quarterly basis we will perform an audit and reconciliation of all portfolio performance returns. We do not conform to GIPS standards for performance reporting.

Neither we nor our employees act as asset managers for the portfolios available through the program, however, IARs will recommend asset managers model portfolios, mutual funds, ETFs, hedge funds, private equity, structured investments and/or bond ladders that are appropriate for your portfolio type.

## Client Information Provided to Portfolio Managers

Information provided to asset managers regarding clients in the program may include your name and your portfolio type as well as the custodial account number, your IAR and state of residence. We will also notify asset managers of any reasonable restrictions that you wish to impose on the management of your account or the names or types of securities that should or should not be purchased or held in the accounts. Information provided to fixed income asset managers may include the amount that has been allocated to the fixed income portion of the account, the portfolio type and/or whether the account is taxable or tax deferred. Specific cash needs may also be discussed if needed.

## Client Contact with Portfolio Managers

We do not place any restrictions on your ability to contact or consult with your asset managers during normal business hours. However, your IAR is responsible for delivering investment advisory services to you, and clients generally deal with matters relating to their accounts by contacting their IAR directly.

Our internal operations team will be made available to you and our IARs for consultations regarding any of the asset managers through our principal office at 12750 Merit Drive, Suite 1200, Dallas, TX 75251, telephone 214-294-5000.



## Additional Information

### Disciplinary Information

In the last ten years, neither we nor any of our management personnel have been charged with or convicted of a felony or misdemeanor. In the last ten years, neither we nor any of our management personnel have been the subject of disciplinary action by the Securities and Exchange Commission, the Commodity Futures Trading Commission or any other federal or state regulatory or foreign financial regulatory agency.

### Other Financial Industry Activities and Affiliations

#### Affiliated Broker-Dealer

We have an affiliated broker-dealer called 1st Global Capital Corp. In our industry, affiliated means “under common ownership or control.” The majority of our management persons and investment adviser representatives are also registered representatives (“RR”) of this affiliated broker-dealer. Depending upon the securities registrations held by each individual RR, our RRs offer a variety of securities and investments to you, including, but not limited to, mutual funds, Section 529 college savings plans, variable annuities, individual stocks and bonds, options, LPs, unit investment trusts, REITs, alternative investments, and a variety of other securities and insurance products approved for sale by 1st Global Capital Corp. Our principal executive officers devote approximately 50% of their time to brokerage activities and 50% of their time to investment advisory activities. Our affiliated broker-dealer has a fully disclosed clearing arrangement with NFS.

#### Material Relationships or Arrangements

We execute substantially all trades through 1st Global Capital Corp., our affiliated broker-dealer, except for trades in 1st Global’s Solicitor Referral Platform, RMS platform and some fixed income trades in our IMS Unified Choice program. Assets in 1st Global’s Solicitor Referral Platform are placed with third-party asset managers. These asset managers choose where to custody assets and execute transactions. We do not participate in the execution of transactions through third-party asset managers. Some asset managers in the IMS Unified Choice program may execute transactions away from NFS in order to obtain better execution, particularly asset managers who trade fixed income securities. Equity asset managers on the IMS Unified Choice program provide us with a model of securities. When you choose a particular equity asset manager, we trade your account to match the model provided by that equity asset manager. Unlike equity asset managers who provide us with a model, fixed income asset managers trade your account on an individual basis. Bonds are purchased by fixed income asset managers for your specific account that we then transfer into your account. There may be costs such as mark-ups or mark-downs associated with those trades placed away from NFS that you will incur. IARs may consider the existence of these mark-ups and mark-downs when determining the annual advisory fee.

As part of the IMS programs offered to you, 1st Global Capital Corp. provides brokerage execution services to our advisory clients participating in all of our IMS programs except 1st Global’s Solicitor Referral Platform. We and our IARs make securities recommendations to you (or, in the case of discretionary services, make investment decisions for you) regarding our IMS programs. Where permitted by law, we may receive mutual fund 12b-1 fees, service fees, due diligence fees, marketing reimbursements, or other payments relating to your investment in or otherwise supporting our activities regarding the securities products recommended, purchased, or held in your investment advisory account. To the extent we are the Adviser or sponsor to your investment advisory platform, we receive compensation for our services. You should be aware that these fees, payments, and other compensation may present a potential conflict of interest because we may have a greater incentive to recommend those investment advisory products or platforms or make investment decisions regarding investments that provide such additional compensation to us.

Broker-dealer trading practices in the United States are regulated through the Financial Industry Regulatory Authority, Inc., or FINRA. FINRA is a private non-governmental organization that performs financial regulation of member broker-dealers and exchange markets. Under FINRA Rule 3040, registered representatives of 1st Global Capital Corp. are limited to executing transactions through their broker-dealer, 1st Global Capital Corp. You are advised that a conflict of interest exists because the broker-dealer receives compensation on these transactions.

#### National Financial Services, LLC is our Primary Custodian

All assets in the IMS programs, except for 1st Global’s Solicitor Referral Platform and Retirement Management Solutions, are custodied through NFS. Assets placed with 1st Global’s Solicitor Referral Platform are placed with a custodian chosen by the

individual third-party asset manager. All assets on the Retirement Management Solutions platform will be custodied with MG Trust Company, LLC.

#### Turn-Key Asset manager Programs (TAMPs)

We and your IAR may serve as solicitors for third-party investment advisers. We and our IARs are compensated for referring your advisory business to these third-party investment advisers. This compensation generally takes the form of the third-party investment adviser sharing with us and your IAR a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. We and your IAR may, therefore, have a conflict of interest to refer you to those third-party investment advisers that pay referral fees to us or to your IAR rather than those that don't. Additionally, we and your IAR may have a conflict of interest to refer you to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

#### Independent Registered Investment Advisers

Some of our IARs are also owners or IARs of their own or other's registered investment advisory firms. The clients to whom they offer our advisory services are frequently the same to whom they offer financial planning services. These financial planning services are offered for compensation. This compensation is paid to the independent Registered Investment Adviser. You are not obligated to use any of these individuals to provide financial planning services.

#### Accounting Firm

Our advisors may be separately licensed as accountants and may offer accounting services to advisory clients for compensation. This compensation is paid to the accounting firm. We receive no portion of this compensation. You are not obligated to use any of these individuals to provide accounting services.

#### Law Firm

Our advisors may be separately licensed as attorneys and, as such, may offer to provide legal advice for compensation. This compensation is paid to the law firm. We receive no portion of this compensation. You are not obligated to use any of these individuals to provide legal services.

#### Pension Consultants

Our advisors may offer pension consulting services to advisory clients for compensation. This compensation is paid to the individual providing the pension consulting services or an organization employing that individual. We receive no portion of this compensation. You are not obligated to use any of these individuals for pension consulting services.

#### Insurance Company or Agency

Some of our IARs are agents and/or brokers of various insurance companies. Some individuals are able to effect insurance recommendations if you elect to have insurance recommendations implemented. These individuals receive compensation for insurance and/or annuity implementation. This compensation is paid to the agent. We receive no portion of this compensation. You are not obligated to use any of these individuals for insurance product purchases.

We are related through common ownership to 1st Global Insurance Services, Inc. and Stephen A. Batman, General Agent. 1st Global Insurance Services, Inc. is a licensed insurance agency and may receive commissions in connection with the sale of fixed insurance products by IARs who are licensed to sell these products. 1st Global Insurance Services, Inc., in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for marketing, training and education, and distribution support.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### Code of Ethics

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, we have adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. Our Code of Ethics is designed to ensure that we meet our fiduciary obligations to you and to foster a culture of compliance throughout our firm.

Our Code of Ethics is comprehensive and is designed to help us detect and prevent violations of securities laws and to help ensure that we keep your interests first at all times. We distribute our Code of Ethics to each supervised person at our firm at the time of his or her initial affiliation with our firm; we make sure it remains available to each supervised person for as long as he or she remains associated with our firm; and we ensure that updates to our Code of Ethics are communicated to each supervised person as changes are made.

Our Code of Ethics sets forth certain standards of conduct and address potential conflicts of interest among 1st Global and our employees, agents, advisors, and advisory clients.

- Employees and advisory representatives shall comply with all applicable federal and state laws and all rules and regulations of any governmental agency or self-regulatory organization as well as our procedures governing his/her actions.
- Employees and advisory representatives shall comply with all laws and regulations, and our prohibition against insider trading.
- Employees and advisory representatives shall have and maintain knowledge of and shall comply with the provisions of our Code of Ethics.
- Employees and advisory representatives shall report any known violations of our Code of Ethics.
- Employees and advisory representatives reporting suspected violations will not be retaliated against for reporting a suspected violation.
- Employees and advisory representatives found to have retaliated against another employee or advisory representative for reporting a suspected violation will be subject to disciplinary action up to and including termination.
- Employees and advisory representatives shall act in a manner consistent with their fiduciary obligation to our clients and shall not deprive any client account of an investment opportunity in order to personally benefit from that opportunity.
- Employees and advisory representatives shall not engage in an outside business activity for compensation without the knowledge and approval of our compliance department.
- Advisory representatives, in making investment recommendations or taking any investment actions, shall exercise diligence and thoroughness, and shall have a reasonable basis for any such recommendation.
- Advisory representatives shall not attempt to improperly influence for their own personal benefit any investment strategy to be followed or investment action to be taken by us for our client accounts.
- Advisory representatives shall not attempt to improperly use, for their own personal benefit, any knowledge, whether obtained through the advisor's relationship with us or otherwise, of any investment recommendation made or to be made, or of any investment action taken or to be taken by us.
- Employees and advisory representatives shall not disclose any non-public information relating to a client accounts' portfolio or transactions or to our investment recommendations, nor shall any employee or advisory representative disclose any non-public information relating to our business or operations unless properly authorized to do so.
- Employees and advisory representatives shall not accept, directly or indirectly, from another party who transacts business with us or our client accounts, any gifts, gratuities or other items of more than de minimus value.
- Employees and advisory representatives shall comply with the personal securities transactions provision of our Code of Ethics.
- Employees and advisory representatives shall not engage in short-swing trading or market timing.
- Employees and advisory representatives found to have violated the provisions of our Code of Ethics may be subject to sanctions up to and including restrictions on personal securities transactions, letters of reprimand, additional continuing education requirements, fines, suspension or termination.
- Employees and advisory representatives may also be required to disgorge any profits realized or losses avoided for transactions in securities that are inconsistent with the provisions of our Code of Ethics.

- Employees and advisory representatives found to have violated any of the insider trading provisions of our Code of Ethics may be subject to additional penalties under federal regulatory authorities including revocation of licenses and registrations, substantial monetary fines and/or imprisonment.

Our complete Code of Ethics is available by submitting a request in writing to 1st Global Advisors, Inc., 12750 Merit Drive, Suite 1200, Dallas, TX 75251 or by email to [compliance@1stglobal.com](mailto:compliance@1stglobal.com).

#### Participation or Interest in Client Transactions and Personal Trading

Generally, we do not buy or sell securities for our own account that we recommend to (or purchase or sell for) you. Our IARs, however, may purchase or sell for their own accounts securities or other investment products that are also recommended to you, which may create a conflict of interest. We always give a higher priority to your transactions than our own transactions. When we or an IAR recommend trades to you, and we, the IAR or related persons also plan to buy or sell the same security, we give you the opportunity to decide on the recommendation and place a trade before we or a related person executes a trade in the same security. Also, if we or a related person has a trade to place for a personal account and trades to place for your account, the trades for you are always placed before the trades for us or related persons. We have implemented surveillance and exception reports designed to identify and correct situations in which the personal securities transactions of IARs are placed ahead of the IAR's clients.

#### Review of Accounts

Advisory activities are supervised in several ways at various stages of the client relationship by compliance and operations staff. Prior to implementation, the paperwork is reviewed by our staff to ensure the account is being established in accordance with your stated objectives and tolerance for risk. A subsequent client account review may be triggered by material market, economic or political events, a change in your investment profile, a client inquiry or a change in tax law. Additionally, our staff will periodically review your accounts to identify situations that may call for a more detailed review or a specific action be taken on your behalf. We utilize a series of surveillance, exception, trade, and other transaction reports that are designed to help facilitate the ongoing review of our managed accounts. In addition, our IARs provide continual and regular investment advice or investment supervisory services to you, routinely review your portfolio, and are responsible for communicating with you at least annually. There are a wide variety of reports and supervisory controls in place to review our accounts. Among some of the reports utilized by us to conduct these reviews are the following:

Account out of balance to target allocation –This is a quarterly report designed to identify accounts with an asset class out of balance to the original target allocation by 10% or more.

Account with less than \$10,000 –This is a monthly report designed to identify accounts with a balance less than \$10,000 and therefore well below our stated account size minimums.

7.5% Equity Monitor - This is a monthly report designed to identify accounts with a single equity position that is equal to or greater than 7.5% of the total account value. The purpose of the report is to address violations of our 5% rule, which states, a single equity position should not be greater than 5% of the total account value. The rule is designed to identify concentration issues for further analysis and potential action.

60% Equity Monitor –This is a monthly report designed to detect accounts which have 60% or more of individual equity exposure in an account. This purpose of the report is to identify accounts that are being managed primarily with equity securities, which we consider to be worthy of further analysis and potential action.

Closed account with a balance for more than 45 days –This is a monthly report designed to identify accounts that have been closed for more than 45 days but still have a balance.

Daily NFSC Advisory Exception Report –This is a daily report designed to identify purchases for which a client was erroneously charged a commission and to also monitor for contingent deferred sales charges and short-term redemption fees.

IMS Account Implementation Report –This is a daily report designed to identify accounts that have been opened but are not yet implemented in accordance with the IPS.

Mutual Fund A-share Short-Term Redemption Report –This is a monthly report designed to identify A-share liquidations which incurred a short-term redemption fee.

Mutual Fund Redemption Report- B shares –This is a monthly report designed to identify B-share liquidations which incurred a redemption fee.

Mutual Fund Redemption Report- C Shares - This is a monthly report designed to identify C-share liquidations which incurred a redemption fee.

Front Running Report –This is a monthly report designed to identify cases where your advisor may have purchased a stock position in their own account just before the same stock is purchased in your account.

Personal Securities Transactions – This report is reviewed quarterly and used to identify potential violations of our Code of Ethics.

The IMS Unified Choice program accounts utilize an automatic rebalance process designed to assure alignment with your stated asset allocation.

With the exception of RMS and 1st Global's Solicitor Referral Platform accounts, you will receive monthly statements from the account custodian or clearing firm, if your account(s) have activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. Such statements will show any activity in the account, as well as period ending position balances.

With the exception of 1st Global's Solicitor Referral Platform accounts, we provide portfolio performance reports to IARs for distribution to you quarterly. These reports are usually prepared not later than 20 business days after the end of each calendar quarter.

All performance reports that we prepare are electronically audited for accuracy prior to being provided to IARs for distribution to you. The electronic audit process is designed to identify issues such as asset allocation discrepancies, account reconciliation irregularities, and unusual performance for the overall portfolio as well as specific asset classes. Reports that do not pass the audit process are reviewed and if necessary corrected by our staff before being provided to IARs for distribution to you. Our audit process cannot and will not correct all reconciling exceptions.

You should carefully review the account statements that you receive from NFS. You should also compare any statements you receive from us with the statements you receive from NFS. Comparing statements will allow you to determine whether account transactions, including deductions to pay advisory fees, are proper.

## **Client Referrals and Other Compensation**

We and/or our IARs may receive client referrals from outside solicitors (usually attorneys, CPAs or other professionals). The solicitor typically receives a portion of the fees charged to you, but in no event will you be charged additional fees to offset those paid to the solicitor. Proper licensing (if required by the states) will be maintained by the solicitors and full disclosure will be made to you in writing.

We and your IAR may serve as solicitors for third-party investment advisers. We and our IARs are compensated for referring your advisory business to these third-party investment advisers. This compensation generally takes the form of the third-party investment adviser sharing with us and your IAR a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. We and your IAR may, therefore, have a conflict of interest to refer you to those third-party investment advisers that pay referral fees to us or to your IAR rather than those that don't. Additionally, we and your IAR may have a conflict of interest to refer you to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.