

**Form ADV Part 2A:**  
*Disclosure Brochure*

**AdvisorNet Wealth Management**

701 Fourth Avenue South, Suite 1500  
Minneapolis, MN 55415  
[www.advisornetwm.com](http://www.advisornetwm.com)

*Updated: 06.03.2015*

This brochure provides information about the qualifications and business practices of AdvisorNet Wealth Management (AWM). If you have any questions about the contents of this brochure, please contact us at (612) 347-8600 or [advisorycompliance@advisornet.com](mailto:advisorycompliance@advisornet.com). (See last page for additional contact information.) 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 AdvisorNet Wealth Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to AdvisorNet Wealth Management as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2      Material Changes**

Since the last annual update to this Disclosure Brochure, dated 3.30.2015, AdvisorNet added and removed trade names in association with the services set forth in this Brochure (see Item 4.D.).

In addition, AdvisorNet provided more disclosure and specific clarity of Choice Financial Group, Inc. (see Item 10.E.) since its prior update, dated 3.26.2014.

## **Item 3      Table of Contents**

Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	2
Item 4	Advisory Business	3
Item 5	Fees and Compensation	6
Item 6	Performance-Based Fees and Side-by-Side Management	9
Item 7	Types of Clients	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	9
Item 9	Disciplinary Information	11
Item 10	Other Financial Industry Activities and Affiliations	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12	Brokerage Practices	12
Item 13	Review of Accounts	15
Item 14	Client Referrals and Other Compensation	15
Item 15	Custody	16
Item 16	Investment Discretion	16
Item 17	Voting Client Securities	16
Item 18	Financial Information	16

## Item 4 Advisory Business

- A. AdvisorNet Financial, Inc. operates its registered investment advisory division under the assumed name of AdvisorNet Wealth Management (“AdvisorNet Wealth Management”). Therefore, when this Brochure refers to “AdvisorNet Wealth Management” or “AdvisorNet” it is referring to AdvisorNet Financial, Inc. AdvisorNet has been in the investment advisory business since 1984, has been continually incorporated in the State of Minnesota since 1980, and traces its direct roots in the financial services business to 1959. AdvisorNet is owned by a network of approximately 40 individuals, many of whom are investment adviser representatives of the firm. The largest shareholder is Daniel J. May, AdvisorNet’s President and Chief Executive Officer.
- B. AdvisorNet offers to its clients investment management services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **INVESTMENT MANAGEMENT SERVICES**

#### **WRAP FEE BASIS**

The client can determine to engage AdvisorNet to provide discretionary and/or non-discretionary investment management services on a wrap fee basis. If a client determines to engage AdvisorNet on a wrap fee basis, the client will pay a single fee for bundled services (i.e., investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client’s particular need. The fees charged, and method for calculation of those fees, will be stipulated within each client’s investment management agreement.

#### **ADVISORNET WEALTH MANAGEMENT WRAP FEE PROGRAM**

AdvisorNet provides investment management services on a wrap fee basis in accordance with the AdvisorNet Wealth Management investment management wrap fee program (the “Program”). Under the Program, AdvisorNet is able to offer participants discretionary and/or non-discretionary investment management services for a single specified annual Program fee inclusive of trade execution, custody, reporting, and investment management fees. (i.e., all such costs are “wrapped” together.) The current annual Program fee is negotiable and is based upon a percentage of the market value of the assets placed under AdvisorNet’s management, which fee shall not exceed 2.75%. The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure, which is presented to all prospective Program participants in accordance with the disclosure requirements of Part 2A Appendix 1 of Form ADV. The Wrap Fee Program Brochure is incorporated into this Brochure by reference. All prospective Program participants should read both AdvisorNet’s Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have prior to participation in the Program. (*See also* Item 4.F.)

**Please Note:** As indicated in the Wrap Fee Program Brochure, participation in the Program may cost more or less than purchasing such services separately. As also indicated in the Wrap Fee Program Brochure, the Program fee charged by AdvisorNet for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

#### **ADDITIONAL INVESTMENT MANAGEMENT INFORMATION**

For individual clients, investment management will often occur at a household level, and will be based on personal information provided by the client.

In regard to trading authorization, “discretionary” and “non-discretionary” are financial industry terms. “Discretionary trading authorization” allows AdvisorNet to make trading decisions and execute trades without a client’s prior verbal consent. “Non-discretionary trading authorization” requires a client’s prior verbal consent as to the purchase or sale of a definite amount of a particular security. Again, AdvisorNet provides investment management services, both “wrap” and “non-wrap” on a wholly discretionary or wholly non-discretionary basis.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage AdvisorNet on a non-discretionary investment management basis **must be willing to accept** that AdvisorNet cannot effect any account transactions without obtaining prior verbal consent from the client as to the purchase or sale of a definite amount of a particular security. Thus, in the event of a market correction during which the client is unavailable, AdvisorNet will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client’s verbal consent.**

**Types of Managed (Supervised) Investments / Qualified Plan Participant Account Limitations.** AdvisorNet manages a wide range of various types of investments according to a client's goals and objectives. Some of these investments may include, but are not limited to: mutual funds, general securities, fixed income securities, collateralized mortgage obligations, exchange traded funds, sub-advisors, independent investment managers and/or programs, and select alternative investments. AdvisorNet will have some limitations on the types of investments it agrees to manage, but these will generally be investment types which are not known to be widely held.

Investments which AdvisorNet manages may be held in various types of accounts. These include but are not limited to brokerage accounts which AdvisorNet may recommend (see Item 12, below), or qualified plan accounts. **In regard to qualified plan accounts:** AdvisorNet may provide investment management services and various advice, including but not necessarily limited to specific investment advice to qualified plan participants. Regardless whether a client enters into a "discretionary" or "non-discretionary" investment management agreement, AdvisorNet's services under the agreement related to qualified plan assets are limited to providing various investment recommendations to a client which must then be implemented solely by the client. In addition, AdvisorNet may not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to provide AdvisorNet with current account information, as well as notify AdvisorNet of any changes in investment alternatives, restrictions, etc. pertaining to the client's qualified plan account. AdvisorNet is not responsible for any costs, damages, penalties, or otherwise, resulting from the client's failure to so notify AdvisorNet. In addition, AdvisorNet will not have, nor will it accept, any authority to effect any type of transactions or changes via the plan web site, telephone, email or otherwise, including but not limited to changing beneficiaries or effecting account disbursements or transfers to any individual or entity.

**Please Note:** On its client portfolio performance reports, AdvisorNet may also refer to managed investments as "supervised" investments. These are investments which are managed for a fee as agreed upon in AdvisorNet's investment management agreement. While AdvisorNet may also agree to report on "unsupervised" investments, this would be offered as a convenience only. While AdvisorNet may consider such "unsupervised" investments in the overall picture of providing advice on managed or "supervised" investments, or in regard to separately agreed-upon financial planning or consulting services, AdvisorNet has no legal responsibility to manage, monitor, or otherwise supervise a client's "unsupervised" investments, even if they appear on a client's portfolio performance reports.

**Please Also Note:** AdvisorNet may recommend the services of one or more third party money managers to serve as a sub-advisor, in order to provide certain clients with third party money management for some or all of the assets held in such clients' accounts. Services by such sub-advisors will generally include (along with other services described in the sub-advisor's disclosure documents), portfolio analysis, asset allocation modeling and analysis, trading execution and other services. Unless the client's investment management agreement states otherwise, such sub-advisors will generally have discretion to execute transactions on the client's behalf. In such sub-advisor programs, AdvisorNet and the sub-advisor are co-fiduciaries. This means that AdvisorNet, along with the sub-advisor, are jointly responsible for the ongoing management of the client's account.

#### **RETIREMENT PLAN AND PARTICIPANT CONSULTING (STAND-ALONE)**

In addition to providing investment management services for a client's qualified plan account as part of an investment management agreement, as described above, AdvisorNet provides other non-discretionary qualified plan/pension consulting services on a stand-alone, separate fee basis. These services include assisting sponsors of self-directed retirement plans in various ways, including but not limited to, the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, AdvisorNet will provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. Under certain arrangements, AdvisorNet will also provide specific investment advice to qualified plan participants regarding plan assets. The terms and conditions of these services will be set forth in an agreement between AdvisorNet and the plan sponsor. In all cases, clients, including qualified plan participants, are free to accept or reject any advice or recommendations provided to them, and are further solely responsible for making any and all changes to, or effecting any and all transactions in, their qualified plan. AdvisorNet accepts no such responsibility in this regard. **Please Note:** Any such retirement plan and participant consulting services are provided on a "one-time", "as requested", or "regular/periodic" basis. Any services performed on an "as requested" or "regular/periodic" basis are *not* "on-going and continuous" in nature, as are AdvisorNet's investment management services described above. Rather, services provided on a "regular/periodic" basis will only be based on client circumstances as of a specific date (i.e., a "snapshot in time").

## **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, AdvisorNet *may* determine to provide financial planning and/or consulting services on a stand-alone, separate fee basis. These services may include both investment and non-investment related matters. These services may also consist of planning and consulting on a “one-time”, “as requested”, or “regular/periodic” basis. **Please Note:** Any services performed on an “as requested” or “regular/periodic” basis are *not* “on-going and continuous” in nature, as are AdvisorNet’s investment management services described above. Rather, services provided on a “regular/periodic” basis will only be based on client circumstances as of a specific date (i.e., a “snapshot in time”). AdvisorNet also occasionally provides general financial planning information to businesses and other organizations, as well as workshops and seminars to the public related to financial and investment planning.

Prior to engaging AdvisorNet to provide financial planning or consulting services, clients are generally required to enter into a written agreement with AdvisorNet setting forth the scope of the services to be provided, and other terms and conditions of the engagement (including termination).

**Recommending the Services of Other Professionals.** If requested by the client, AdvisorNet may recommend the services of other professionals for the purpose of implementing various investment-related planning or consulting recommendations. This may include recommending AdvisorNet’s own representatives in their individual capacities as registered representatives or investment adviser representatives of Cetera Advisor Networks LLC, (“Cetera Advisor Networks”, “Cetera”) and/or as licensed insurance agents. (**See** disclosure at Item 10). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from AdvisorNet. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

In addition, to the extent requested by the client, AdvisorNet *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither AdvisorNet, nor any of its representatives, serves as an attorney or accountant under an AdvisorNet agreement, and no portion of AdvisorNet’s services should be construed to offer such services. To the extent requested by a client, AdvisorNet may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, certain insurance, etc.), including certain representatives of AdvisorNet in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from AdvisorNet. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

- C. **Client Obligations.** In performing any of its services, AdvisorNet will not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely on such information. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify AdvisorNet if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising AdvisorNet’s previous recommendations and/or services.
- D. **Trade Names.** AdvisorNet and/or its representatives may use the following trade names in association with providing the services set forth in this Brochure: Advanced Retirement Resources, Box Financial Advisors, Brightline Group, Callahan Financial Planning Corporation, Dunnecreek Advisors, Eagle Creek Financial Advisors, Insight Financial Group, Keshemborg Advisory, Ltd., Strong Tower Wealth Management, and Weinbach Investment Management.

**Please Note:** The above trade names are not an exhaustive list of the trade names that AdvisorNet and/or its representatives may use in association with providing the services set forth in this Brochure. The list of trade names set forth above will be revised on a periodic basis as trade names are added and/or deleted. **Please also Note:** All such trade name entities are not affiliated with AdvisorNet or with any custodian or broker-dealer utilized by AdvisorNet. All investment management services provided under an agreement with AdvisorNet by the individuals associated with the trade name entities listed above are provided in their respective individual capacities as investment adviser representatives of AdvisorNet Financial, Inc., a registered investment adviser, with principal offices located at 701 Fourth Avenue South, Suite 1500, Minneapolis, MN 55415 (Phone 612.347.8600). **AdvisorNet’s Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above Trade Names.**

- E. AdvisorNet will provide investment management services specific to the needs of each client. Prior to providing investment management services, an investment adviser representative will ascertain each client's investment objective(s). AdvisorNet will then allocate and/or recommend that the client allocate investment assets consistent with the client's investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on AdvisorNet's services.
- F. There is no significant difference between how AdvisorNet manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage AdvisorNet on a wrap fee basis the client will pay a single fee for bundled services (i.e., investment advisory, brokerage, custody) (**See also** Item 4.B.) The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage AdvisorNet on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e., investment advisory, brokerage, custody). **Please Note:** When managing a client's account on a wrap fee basis, AdvisorNet shall receive as payment for its investment management services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.
- G. To conduct its everyday business, AdvisorNet may enter into service agreements with third party firms to provide various technology and administrative services for your account. These services include but may not be limited to transaction processing, account maintenance and performance reporting. Such third party firms include but may not be limited to custodians and broker-dealers (see Item 12) and companies which provide portfolio reporting and rebalancing services. Clients' account data and other nonpublic personal information may be shared with, between and/or by such third party firms (**see also**, AdvisorNet's *Privacy Notice*, distributed upon account opening, annually, and any time upon request).
- H. As of March 25, 2015, AdvisorNet managed approximately \$459,394,613 on a discretionary basis and \$26,514,128 on a non-discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage AdvisorNet to provide discretionary and/or non-discretionary investment management services on a wrap or non-wrap fee basis.

**Fee Calculation:** The fee charged is calculated as described below and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client. Program fees may be based upon the total value of assets averaged over a definite period, or as of definite dates, or taken as of a specific date. The advisor and the client will determine the method for fee calculation choosing between flat fee, floating flat, tiered (blended) fee, or fixed flat fee basis as described below:

1. A fixed flat fee is a fixed annual dollar amount.
2. A flat fee rate is calculated based on a fixed percentage of all assets under management.
3. A floating flat rate – as the portfolio value reaches each threshold in the client's fee schedule table, all assets are charged the successively lower percentages, and
4. A tiered fee – as the portfolio value reaches each threshold in the client's fee schedule table, the assets above each threshold are charged successively lower percentages.

### NON-WRAP FEE BASIS

If a client determines to engage AdvisorNet to provide discretionary and/or non-discretionary investment management services on a *non-wrap fee* basis, AdvisorNet's annual investment management fee is negotiable and is based upon an annual percentage of the market value of the assets placed under AdvisorNet's management, which fee shall not exceed 2.50%, as follows:

Portfolio Value			Annual Fee Schedule
	From	To	Standard Fee %
First	\$ Zero	\$ 250,000	2.50%
Next	\$ 250,001	\$ 500,000	2.25%
Next	\$ 500,001	\$ 1,000,000	2.00%
Next	\$ 1,000,001	\$ 5,000,000	1.75%
Next	\$ 5,000,001	Over	1.75%

**Please Note:** The above investment management fees are tiered (blended): i.e., as the portfolio value reaches each threshold in the above table, the assets above that threshold are charged successively lower percentages.

## ADVISORNET WEALTH MANAGEMENT WRAP FEE PROGRAM FEES

If a client determines to engage AdvisorNet to provide investment management services on a wrap fee basis in accordance with the AdvisorNet's Program, the services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants. Under the Program, AdvisorNet is able to offer participants discretionary and/or non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The current annual Program fee is negotiable and is based upon a percentage of the market value of the assets placed under AdvisorNet's management, which fee shall not exceed 2.75% as follows:

Portfolio Value		Annual Fee Schedule
From	To	Standard Fee %
First \$ Zero	\$ 250,000	2.75%
Next \$ 250,001	\$ 500,000	2.50%
Next \$ 500,001	\$ 1,000,000	2.25%
Next \$ 1,000,001	\$ 5,000,000	2.00%
Next \$ 5,000,001	Over	2.00%

**Please Note:** The above investment management fees are tiered (blended): i.e., as the portfolio value reaches each threshold in the above table, the assets above that threshold are charged successively lower percentages.

### B. Financial Planning and Consulting Fees (Stand Alone)

**Financial Planning.** AdvisorNet usually charges a fixed fee for initial financial planning services. These fees generally range from \$400 to \$10,000, although in certain circumstances, depending on the size and complexity of the client's estate and the level and scope of the financial services needed, may be as high as \$100,000. Ongoing financial planning (e.g., review and updating services) is generally also charged on a fixed fee basis in the range of \$150 to \$4,000, depending upon the level and scope of the services and the professional rendering them.

In some circumstances, AdvisorNet may charge on an hourly basis for financial planning services. In the event that AdvisorNet provides financial planning on an hourly rate basis, it is AdvisorNet's policy that a maximum fee will be set and agreed to between the client and AdvisorNet. Hourly rates vary but generally will not exceed \$300 per hour.

Generally, AdvisorNet requires at least one-half of the financial planning fee be paid upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

**Financial & Retirement Consulting.** AdvisorNet may charge a fixed or hourly fee for its consulting services. For its periodic investment monitoring services, AdvisorNet may charge an annual fee, which may also be billed in increments, and based on a percentage (generally varying between 0.75% and 1.50%) of the value of assets. Generally, the annual fixed fee for these services will not exceed \$10,000.

As described in Item 4 above, AdvisorNet also offers fee-based investment selection services for a fixed or hourly charge comparable to financial planning fees.

AdvisorNet may charge a fixed fee for attendance at workshops or seminars, or it may charge fees to the entity or persons sponsoring such seminars. Fixed or hourly fees will be charged for the preparation of general financial planning information.

With respect to advisory services provided to qualified plan trustees and participants, fees are charged on a fixed fee basis, or are based upon a percentage (%) of the market value and type of assets in the applicable accounts. In other cases, fees are charged on either a fixed fee per participant basis or as a fixed amount based on the amount of plan participants, payable on a monthly or quarterly basis.

All Financial Planning and Consulting fees are generally negotiable.

- C. Clients may elect to have AdvisorNet's management fees deducted from their custodial account. Both AdvisorNet's *Investment Management Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of AdvisorNet's investment management fee and to directly remit that fee to AdvisorNet in compliance with

regulatory procedures. In the limited event that AdvisorNet bills the client directly, payment is due upon receipt of AdvisorNet's invoice. In certain cases, clients may also elect to have AdvisorNet's financial planning or consulting services deducted from their brokerage accounts, bank accounts, or charged to their credit card.

- D. As discussed below, unless the client directs otherwise or an individual client's circumstances require, AdvisorNet shall generally recommend that *Schwab, TD, or Pershing* serve as the broker-dealer/custodian for client investment management assets. Custodians such as *Schwab, TD, or Pershing* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to AdvisorNet's investment management fee, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).
- E. AdvisorNet's annual investment management fees will generally be prorated as applicable and paid quarterly, in advance or arrears, as indicated in the *Investment Management Agreement* between AdvisorNet and the client, and in all amendments thereto. Fees paid in advance are based upon the market value of the assets on the last business day of the previous quarter. For partial initial quarters, fees for such accounts are paid in arrears. Fees paid in arrears are based upon either the average daily balance (portfolio value) of the account assets during the previous quarter, or the market value of the account assets as of more specific dates (generally dates of deposit and/or quarter-end dates), as determined and consistently applied by AdvisorNet in regard to all similarly situated clients. The *Investment Management Agreement* between AdvisorNet and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Management Agreement*. Upon termination, AdvisorNet will refund the pro-rated portion of the advanced management fee paid based upon the number of days remaining in the billing quarter. **Please note:** AdvisorNet's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding AdvisorNet's billing policies and methodologies.
- F. **Please Note:** Lower fees for comparable investment management and financial planning/consulting services may be available from other sources.
- G. **Commission Transactions.** If the client desires, the client can engage certain of AdvisorNet's representatives, in their individual capacities as registered representatives of Cetera Advisor Networks, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. If the client chooses to purchase investment products through Cetera, Cetera will charge brokerage commissions to effect securities transactions, a portion of which commissions Cetera shall pay to AdvisorNet's representatives, as applicable. The brokerage commissions charged by Cetera may be higher or lower than those charged by other broker-dealers. In addition, Cetera, as well as AdvisorNet's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Cetera presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's needs. No client is under any obligation to purchase any commission products from Cetera. **AdvisorNet's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
  2. **Please Note:** Clients may purchase investment products recommended by AdvisorNet through other non-affiliated broker dealers or agents.
  3. AdvisorNet does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products AdvisorNet recommends to its clients.
  4. When AdvisorNet's representatives sell an investment product on a commission basis, in their individual capacities as registered representatives of Cetera and/or as licensed insurance agents, AdvisorNet does not charge an advisory fee in addition to the commissions paid by the client for such product. However, there might be occasions in which, in their individual capacities as registered representatives of Cetera or another broker/dealer and/or as licensed insurance agents, an AdvisorNet representative previously sold an investment product on a commission basis and then later would like to include the same investment product in an AdvisorNet investment advisory account. Except as set forth above, when providing services on an advisory fee basis, AdvisorNet's representatives do not also receive commission compensation for such advisory services. **However,** a client may



engage AdvisorNet to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from AdvisorNet's representatives on a separate commission basis.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

Neither AdvisorNet nor any supervised person of AdvisorNet accepts performance-based fees; however, investment management fees may be based upon the total value of assets averaged over a definite period, or as of definite dates, or taken as of a definite date.

## **Item 7 Types of Clients**

AdvisorNet's clients shall generally include individuals, trusts and for-profit and non-profit business entities. These entities may include, but may not be limited to, qualified plans, corporations and other business entities. AdvisorNet does not generally require an annual minimum fee or asset level for investment management services. AdvisorNet, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. Investing, by its very nature, involves exchanging risk for potential reward in varying degrees. In many cases, the risks borne by investing include potential loss of principal. AdvisorNet often employs numerous philosophies, tools and strategies in managing investments and their associated risks; your advisor may use any, all or none of the following:

### *Technical Analysis*

This type of analysis utilizes statistics to determine trends in security prices. Technical analysis tends to focus on factors such as trading volume, demand and security price fluctuations. This type of analysis is also commonly referred to as chart analysis due to the fact that this analysis tends to review various historical charts and graphs.

### *Behavioral Finance*

A field of finance that proposes psychology-based theories to explain stock market anomalies. Within behavioral finance, it is assumed that the information structure and the characteristics of market participants systematically influence individuals' investment decisions as well as market outcomes.

### *Fundamental Analysis*

This type of analysis concentrates on historical and current data. Earnings, a company's financial statements and the quality of a company's management are examples of such data. These quantitative factors are then used to attempt to determine the financial strength of a company and its financial forecast.

### *Modern Portfolio Theory (MPT)*

MPT assumes that investors are risk adverse, meaning that given two assets that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher returns must accept more risk. Therefore, MPT aims to construct a combination portfolio of assets that has the best possible expected level of return for its level of risk.

### *Asset Allocation*

Research has shown that it is nearly impossible to consistently predict the future direction of a security or of the market in general. As such, it is unlikely that all of your investments will "beat the market" consistently. Studies have shown that the selection of investments across asset classes is more contributive to managing portfolio volatility than investments within asset classes.

### *Diversification*

If you invest in a portfolio or strategy that is made up of a small number of positions, few sectors or few industries, your portfolio will be more likely to sharply increase or decrease in value. Concentrated strategies are more volatile because the

risk associated with each position represents a large percentage of your overall portfolio value. On the contrary, diversification by holding smaller percentages of your overall portfolio in any one position may often decrease your portfolio's volatility and may substantially reduce idiosyncratic risks (risks that affect a very small number of assets.)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by AdvisorNet) will be profitable or equal at any specific performance level(s).

- B. AdvisorNet's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis, AdvisorNet must have access to current/new market information. AdvisorNet has no control over the dissemination rate of market information; therefore, unbeknownst to AdvisorNet, certain analyses may be compiled with outdated market information, severely limiting the value of AdvisorNet's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Every investment strategy has its own inherent risks and limitations. For example, longer-term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter-term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy.

In addition to the investment strategies discussed above, AdvisorNet may also implement and/or recommend short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk.

Short selling is an investment strategy with a high level of inherent risk. Short selling involves the selling of assets that the investor does not own. The investor borrows the assets from a third party lender (i.e., Broker-Dealer) with the obligation of buying identical assets at a later date to return to the third party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by AdvisorNet in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to AdvisorNet may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential **conflict of interest** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to AdvisorNet. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by AdvisorNet shall be with the intent of "hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by AdvisorNet is to hedge against principal risk, certain of the options-related strategies (i.e., straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct AdvisorNet, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, AdvisorNet primarily allocates client investment assets among various individual equity (stocks), debt (bonds), fixed income securities, collateralized mortgage obligations, mutual funds and/or exchange traded funds ("ETFs") (including inverse ETFs and/or mutual funds that are designed to perform in an inverse relationship to certain market indices), on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

As disclosed above, AdvisorNet may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct AdvisorNet, in writing, not to employ any or all such strategies for his/her/their/its accounts.

## Item 9 Disciplinary Information

AdvisorNet has not been the subject of any disciplinary actions.

## Item 10 Other Financial Industry Activities and Affiliations

- A. Many of AdvisorNet's management persons are registered representatives of Cetera Advisor Networks, an SEC registered and FINRA member broker-dealer.
- B. Neither AdvisorNet nor its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Registered Representatives of Cetera Advisor Networks.** As disclosed above in Item 5.G, certain of AdvisorNet's representatives, are registered representatives of Cetera Advisor Networks, an SEC Registered and FINRA member broker-dealer. Clients may choose to engage certain of AdvisorNet's representatives, in their individual capacities as registered representatives of Cetera, to implement investment recommendations on a commission basis.

**Licensed Insurance Agency and Agents.** AdvisorNet is a licensed insurance agency and has general agency or master insurance brokerage relationships with various insurance agencies. Additionally, some of AdvisorNet's representatives, in their individual capacities, are licensed insurance agents with various companies, and in that capacity, may recommend the purchase of certain insurance-related products on a commission basis. Clients can engage certain of AdvisorNet's representatives to purchase insurance products on a commission basis.

AdvisorNet also maintains an ownership interest in AdvisorNet Property & Casualty, LLC ("ANP&C"), a licensed insurance agency.

A conflict of interest exists to the extent AdvisorNet or its representatives and other representatives may recommend the purchase of insurance through AdvisorNet, ANP&C, or other associated insurance agencies, where AdvisorNet or such persons may receive commission, profits or other additional compensation from the sale of such insurance products and services (See below for additional information regarding conflicts of interest).

**Mortgage Broker.** AdvisorNet has entered into a marketing agreement with Marketplace Home Mortgage (MHM), a non-affiliated company, under which AdvisorNet is expected to promote MHM's mortgage loan services and products to its representatives, who in turn might recommend MHM to financial planning and investment management clients. A conflict of interest exists to the extent that AdvisorNet or its representatives may recommend the purchase of mortgage products where AdvisorNet receives compensation for allowing or conducting marketing activities under such agreement. **Please Note:** Neither AdvisorNet nor its representatives are permitted to receive referral fees resulting from loans closed by MHM.

**Conflict of Interest:** The recommendation by AdvisorNet's representatives that a client purchase a securities or insurance commission product presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions, profits or other additional compensation to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from AdvisorNet's representatives. Clients are reminded that they may purchase securities, insurance or mortgage products recommended by AdvisorNet through other non-affiliated broker-dealers, insurance agents or mortgage brokers, and that such products may also be available elsewhere at lower cost. **AdvisorNet's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Investment Adviser Representatives of Cetera Advisor Networks.** Certain of AdvisorNet's representatives are also investment adviser representatives of Cetera Advisor Networks. In certain circumstances, AdvisorNet and/or its

representatives may recommend that a client engage a representative of AdvisorNet in his or her capacity as an investment adviser representative of Cetera. In such a circumstance, the services to be performed by the representative will be performed on behalf Cetera and not AdvisorNet. **AdvisorNet's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangement.**

- D. AdvisorNet does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.
- E. AdvisorNet receives referral fees from Choice Financial Group, Inc. ("Choice") and compensates its representatives for recommending their clients to invest in a Choice deposit account. This referral arrangement presents a **conflict of interest**, as AdvisorNet representatives have an incentive to recommend Choice over another financial institution.

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

- A. AdvisorNet maintains a policy relative to personal securities transactions. This investment policy is part of AdvisorNet's overall Code of Ethics, which serves to establish a standard of business conduct for all of AdvisorNet's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request. AdvisorNet also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by AdvisorNet or any person associated with AdvisorNet.
- B. Neither AdvisorNet nor any related person of AdvisorNet recommends, buys, or sells for client accounts, securities in which AdvisorNet or any related person of AdvisorNet has a material financial interest.
- C. AdvisorNet and/or representatives of AdvisorNet *may* buy or sell securities that are also recommended to clients. This practice may create a situation where AdvisorNet and/or representatives of AdvisorNet are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if AdvisorNet did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of AdvisorNet's clients) and other potentially abusive practices.

AdvisorNet has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of AdvisorNet's "Access Persons." AdvisorNet's securities transaction policy requires that an Access Person of AdvisorNet must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings at least once each twelve (12) month period thereafter on a date AdvisorNet selects; provided, however that at any time that AdvisorNet has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. AdvisorNet and/or representatives of AdvisorNet *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where AdvisorNet and/or representatives of AdvisorNet are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest.
- E. AdvisorNet believes it has disclosed in this brochure all material conflicts regarding its investment advisory activities, its representatives and employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that AdvisorNet recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct AdvisorNet to use a specific broker-dealer/custodian), AdvisorNet generally recommends that investment management accounts be maintained at the Schwab Advisor Services division of Schwab, TD Ameritrade Institutional division of TD Ameritrade Inc., or at Pershing Advisor Solutions LLC. At other times, an AdvisorNet representative may require that a client use *Schwab*, *TD*, or *Pershing* as the client's broker-dealer/custodian, should the client want that particular representative to manage the client's investments. Clients are under no obligation to

have AdvisorNet or any of its representatives manage their investments, however, in some cases, if a client wants a particular representative to manage the client's investments, it may be necessary for the client to use the custodian required by such representative. Prior to engaging AdvisorNet to provide investment management services, the client will generally be required to enter into a formal *Investment Management Agreement* with AdvisorNet setting forth the terms and conditions under which AdvisorNet shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that AdvisorNet considers in recommending/requiring *Schwab*, *TD*, or *Pershing* (or any other broker-dealer/custodian to clients) include historical relationship with AdvisorNet or its representatives, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by AdvisorNet's clients shall comply with AdvisorNet's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where AdvisorNet determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although AdvisorNet will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, AdvisorNet's investment management fee.

1. As described above, AdvisorNet, through its representatives, will generally utilize brokerage accounts at *Schwab*, *TD*, or *Pershing* to maintain custody of clients' assets and to effect trades for their accounts. AdvisorNet is independently owned and operated and not affiliated with *Schwab*, *TD*, or *Pershing*.

For AdvisorNet client accounts maintained in their custody, *Schwab*, *TD*, and *Pershing* generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through *Schwab*, *TD*, or *Pershing* or that settle into *Schwab*, *TD*, or *Pershing* accounts.

*Schwab*, *TD*, and *Pershing* also make available to AdvisorNet other products and services that benefit AdvisorNet and some or all of its representatives, but may not benefit client accounts. Many of these other products and services, however, do assist AdvisorNet in managing and administering clients' accounts. These other products and services include software and other technology that provide access to client account data (such as trade confirmations 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 AdvisorNet's fees from its clients' accounts, and assist with back-office functions, recordkeeping and other client reporting.

*Schwab*, *TD*, and *Pershing* offer other products and services intended to help AdvisorNet manage and further develop its business enterprise. These may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management, business succession, information technology, and marketing; and (iii) access to employee benefits providers, human capital consultants and insurance providers. *Schwab*, *TD*, and *Pershing* may make available, arrange and/or pay third-party vendors for the types of services rendered to AdvisorNet. *Schwab*, *TD*, and *Pershing* may discount or waive fees they would otherwise charge for some of these services or pay all or part of the fees of a third party providing these services to AdvisorNet. *Schwab*, *TD*, and *Pershing* may also reimburse or otherwise credit account exit fees charged by a prior custodian, or pay for other related assistance, upon transfer of an account to *Schwab*, *TD*, or *Pershing*. In particular, AdvisorNet has arrangements with *Schwab*, *TD*, and *Pershing* whereby certain transaction pricing offered by *Schwab*, *TD*, and *Pershing*, and certain technology and account transfer costs, may be paid by *Schwab*, *TD*, or *Pershing* based upon AdvisorNet placing or maintaining a certain minimum amount of assets in *Schwab's*, *TD's*, or *Pershing's* custody. AdvisorNet and its representatives may be influenced by these arrangements in recommending or requiring that clients establish brokerage accounts at *Schwab*, *TD*, or *Pershing*. *Schwab*, *TD*, and *Pershing* may also provide other benefits such as educational events or occasional business entertainment to AdvisorNet personnel. In evaluating whether to recommend or require that clients custody their assets at *Schwab*, *TD*, or *Pershing*, AdvisorNet may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by *Schwab*, *TD*, and *Pershing*, which may create a potential conflict of interest.

**AdvisorNet's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflicts of interest such arrangements may create. (See also, Item 14.A, below.)**

2. *Schwab* provides AdvisorNet with access to its institutional trading and custody services, which are not typically available to *Schwab* retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at *Schwab* Advisor Services, and are not otherwise contingent upon an advisor committing to *Schwab* any specific amount of business (assets in custody or trading). *Schwab's* services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.
3. AdvisorNet does not receive client referrals from broker-dealers.
4. AdvisorNet may recommend certain third party managed account programs or independent investment managers to its clients. In this event, AdvisorNet may act as a solicitor for such third parties, or such third parties may act as a sub-advisor for AdvisorNet. Such third parties programs or managers may choose to effect trades at various broker-dealers, and investment assets may be held at custodians, other than *Schwab*, *TD*, or *Pershing*. The brokerage practices of such third parties will generally be disclosed in their respective Disclosure Brochures, and such parties will generally be required to seek best execution for such transactions.
5. AdvisorNet does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements the client will negotiate terms and arrangements for their account with that broker-dealer, and AdvisorNet will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by AdvisorNet. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs AdvisorNet to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through AdvisorNet.

**AdvisorNet's Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that AdvisorNet provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless AdvisorNet decides to purchase or sell the same securities for several clients at approximately the same time. AdvisorNet may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among AdvisorNet's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. AdvisorNet shall not receive any additional compensation or remuneration as a result of such aggregation.

## Item 13 Review of Accounts

- A. For those clients to whom AdvisorNet provides investment management services, account reviews are conducted on a periodic basis by AdvisorNet's representatives and by one or more Supervisors. Such reviews generally occur at least annually, but certain quarterly reviews generally also occur. All investment management clients are advised that it remains their responsibility to advise AdvisorNet of any changes in their investment objectives and/or financial situation. All clients are periodically encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with AdvisorNet or their representative.
- B. AdvisorNet **may** conduct account reviews on an other-than-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. For investment management clients, AdvisorNet may also provide a written periodic report summarizing account activity and performance.

## Item 14 Client Referrals and Other Compensation

- A. AdvisorNet may receive direct or indirect economic benefits from *Schwab, TD, and/or Pershing*. AdvisorNet, without cost (and/or at a discount), may receive support services and/or products from *Schwab, TD, or Pershing*. AdvisorNet also has arrangements with *Schwab, TD, and Pershing* whereby certain transaction pricing offered by *Schwab, TD, and Pershing*, and certain technology and account transfer costs, may be paid by *Schwab, TD, or Pershing* based upon AdvisorNet placing or maintaining a certain minimum amount of assets in *Schwab's, TD's, or Pershing's* custody. These benefits are a key reason for AdvisorNet's selection of these custodians. These custodians provide AdvisorNet with benefits it may not receive from other firms, and which AdvisorNet may otherwise have to pay for at its own expense. While, as a fiduciary AdvisorNet endeavors to act in its clients' best interests, in evaluating whether to recommend or require that clients custody their assets at *Schwab, TD, or Pershing*, AdvisorNet may take into account the availability of some of these products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by *Schwab, TD, and Pershing*, which may create a potential conflict of interest. The above benefits are intended to support AdvisorNet in conducting its business and serving the best interests of clients. Many of the above benefits may generally help service all or many of AdvisorNet's clients, although other benefits may not directly or indirectly help service particular clients or accounts. AdvisorNet's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab, TD, and/or Pershing* as a result of the above economic benefits. There are no corresponding arrangements made by AdvisorNet to *Schwab, TD, Pershing* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements.

**AdvisorNet's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflicts of interest any such arrangements may create.**

- B. At times AdvisorNet may act as a "solicitor" and refer clients to certain third party managed account programs or independent investment managers. In this event, the client's portfolio would be managed by such third party, and AdvisorNet would generally receive a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940. Any such referral fee shall be paid solely from the third party's investment management fee, and shall not result in any additional charge to the client. AdvisorNet may or may not have a solicitor relationship with one or more third parties at any given time.
- C. If a client is introduced to AdvisorNet by either an unaffiliated or an affiliated solicitor, AdvisorNet **may** pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940. Any such referral fee shall be paid solely from AdvisorNet's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to AdvisorNet by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of AdvisorNet's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between AdvisorNet and the solicitor, including the compensation to be received by the solicitor from AdvisorNet. AdvisorNet may or may not have a relationship with one or more solicitors at any given time.

## Item 15 Custody

It is AdvisorNet's policy not to accept physical custody of clients' securities, funds or assets. Notwithstanding the foregoing, AdvisorNet acknowledges that it is deemed to have custody under applicable law insofar as it deducts fees from client accounts in some cases. In such cases, AdvisorNet will also obtain written authorization from the client to deduct advisory fees from the account held with a qualified custodian. AdvisorNet shall have the ability to have its management fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. AdvisorNet may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that AdvisorNet provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by AdvisorNet with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of AdvisorNet's management fee calculation.

## Item 16 Investment Discretion

The client can determine to engage AdvisorNet to provide investment management services on a discretionary basis. Prior to AdvisorNet assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Management Agreement*, naming AdvisorNet as the client's attorney and agent in fact, granting AdvisorNet full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage AdvisorNet on a discretionary basis may, at any time, impose reasonable restrictions, **in writing**, on AdvisorNet's discretionary authority. (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe AdvisorNet's use of margin, etc.). In addition, under both discretionary and non-discretionary *Investment Management Agreements*, the client may grant AdvisorNet limited trading discretion to liquidate securities in an amount generally sufficient to cover AdvisorNet's investment management fees, if the client's account(s) do not maintain sufficient cash or money market fund balance(s) to cover such fees.

## Item 17 Voting Client Securities

- A. AdvisorNet does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact AdvisorNet to discuss any questions they may have with a particular solicitation.

## Item 18 Financial Information

- A. AdvisorNet does not require or solicit prepayment of fees of more than \$1,200, per client, six months or more in advance.
- B. AdvisorNet is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. AdvisorNet has not been the subject of a bankruptcy petition.
- D. Clients are always encouraged to contact their investment adviser representative or AdvisorNet with any questions or concerns regarding the services provided by AdvisorNet, or with any questions about information contained in this Brochure. At any time you may contact AdvisorNet's Chief Compliance Officer by any of the following means:
  - Mail: 701 Fourth Avenue South, Suite 1500, Minneapolis, MN 55415
  - Email: [advisorycompliance@advisor.net](mailto:advisorycompliance@advisor.net)
  - Phone: (612) 347-8600