

# 1st Global Advisors, Inc.

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This Part 2A Appendix 1 of Form ADV: 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 our company is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## IMS Portfolio Choice Wrap Fee Program

April 1, 2018

# IMS Portfolio Choice Wrap Fee Program

## Item 2 - Material Changes

This Brochure, dated April 1, 2018, is a new document and is materially different in format, content, and structure from previous versions of 1st Global Advisor, Inc.'s Form ADV Part 2. The IMS Portfolio Choice Program is now a "wrap" fee program. A wrap fee program is one in which the client pays a single fee for trade execution and portfolio management services. Sponsors of wrap fee programs are required to provide a *wrap fee program brochure* to each client of the wrap fee program. A *wrap fee program brochure* takes the place of the *advisory brochure* required by Part 2A of Form ADV, but only for clients of wrap fee programs that we sponsor. This document is your *wrap fee program brochure* and replaces the *advisory brochure* previously provided to you.

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 December 7, 2017, has been amended as follows:

### Program Description Changes

The IMS Portfolio Choice Program is a "wrap fee" program 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. You are no longer responsible for paying ticket charges for trade execution.

### Fees and Compensation Changes

In addition to the annual asset management fee, clients participating in 1st Global's IMS Portfolio Choice program will pay 1st Global an Annual Program Fee (Program Fee). The Program Fee is payable quarterly in advance based on the number of days in the billing period. Your Advisor may elect to absorb the Program Fee. Your Advisor has elected to absorb this fee if you are not currently paying it.

### Other Fees and Expenses Changes

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. **Beginning April 1, 2018, 1st Global will refund all 12b-1 fees received back to the client account that holds the product paying the 12b-1 fees.**

### Account Fees and Charges for Accounts held Through NFS Changes

The following fees and charges apply for accounts held through NFS. Fees and charges are subject to change. Additional fees will 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.

*Full Retirement Distribution Fee* (\$125). This is a processing fee associated when a client makes a full distribution out of a retirement account.

*Full TOA Delivery Fee – non-retirement* (\$75). This is a processing fee associated with a complete transfer and delivery of assets out of a NFS brokerage or managed account.

*Margin Interest* (varies – see NFS Disclosure of Credit Terms on Transactions). Interest will be charged on all accounts for any credit extended to or maintained for customers by the firm for the purpose of purchasing, carrying or trading in securities or otherwise.

### Portfolio Manager Selection and Evaluation Changes

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Your Advisor will serve as portfolio manager for your IMS Portfolio Choice program account. Generally, your Advisor will evaluate quantitative and qualitative aspects of the universe of available investment products during the due diligence process. Qualitative analysis is a securities analysis that uses subjective judgment based on unquantifiable information, such as management expertise, industry cycles, strength of research and development, and labor relations. Qualitative analysis contrasts with quantitative analysis, which focuses on numbers that can be found on reports such as balance sheets. The two techniques, however, will often be used together in order to examine a company's operations and evaluate its potential as an investment opportunity. In finance, standard deviation is a statistical quantitative measurement; when applied to the annual rate of return of an investment, it sheds light on the historical volatility of that investment. The greater the standard deviation of a security, the greater the variance between each price and the mean, indicating a larger price range. For example, a volatile stock has a high standard deviation, while the deviation of a stable blue-chip stock is usually rather low. Standard deviation is one example but there are many other quantitative measurements that your Advisor will evaluate when choosing investment products.

Your Advisor may utilize the 1st Global created risk profile asset allocation models of ultra-conservative, conservative, growth, moderate, growth or aggressive growth when creating your portfolio. The process behind the construction of these risk profile asset allocation models is described later in this section. Your Advisor may also choose to construct portfolios using a risk scoring methodology. When utilizing the risk scoring methodology, each risk profile has a risk score range and every individual product is assigned a risk score value. Growth, for example, may have a risk score range of 60 to 80. Using our growth risk profile example, your Advisor would construct a portfolio using products that have a risk score value that add up to between 60 and 80 points.

Some of our Advisors, or some registered representatives of our affiliated broker-dealer, may also be Advisors of unaffiliated Registered Investment Adviser firms. These firms may offer the IMS Flex Choice program through the unaffiliated RIA. These RIA firms may have their own portfolio manager selection and evaluation process, portfolio construction process, restrictions on types of investments and account size minimums. The unaffiliated RIA firm will detail these policies and processes in Part 2A of Form ADV: Firm Brochure. The firm brochure can be obtained from your Advisor or online at <https://www.investor.gov/>.

#### Client Information Provided to Portfolio Managers Changes

Information provided through your account opening paperwork helps your Advisor understand your goals, objectives and financial situation so that recommendations can be made to assist in meeting your financial goals.

#### Client Contact With Portfolio Manager Changes

Your Advisor is responsible for delivering investment advisory services to you, and clients generally deal with matters relating to their accounts by contacting their Advisor directly.

We will provide you with a summary of any material changes to our wrap fee program Brochure by October 28 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 April 1, 2018.

# IMS Portfolio Choice Wrap Fee Program

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# IMS Portfolio Choice Wrap Fee Program

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## Item 4 – Services, Fees and Compensation

### Services

We are 1st Global Advisors, Inc. (1st Global). Through our network of affiliated investment adviser representatives (Advisor(s)), 1st Global offers comprehensive financial services to individuals, families, businesses and institutions. 1st Global specializes in partnering with CPA, tax, accounting, legal, and dedicated financial professionals.

1st Global has been in the investment advisory business since 1992. Our principal owner is 1st Global, Inc., which owns all of our shares. The majority of 1st Global, Inc.'s shares are owned by Stephen Anthony Batman and family. Stephen Anthony Batman is our Chairman and Chief Executive Officer. A small number of current and former employees own the remaining shares.

1st Global Advisors, Inc. is an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940.<sup>1</sup> 1st Global is engaged in the business of providing ongoing investment advice and monitoring of client portfolios for fees. As an investment adviser, 1st Global is a fiduciary to our advisory clients. As fiduciaries, 1st Global is expected to manage portfolios in the best interests of clients; provide clients with undivided loyalty; make full and fair disclosure of all material conflicts of interest; seek best execution for client transactions; ensure that investment advice is suitable for clients' objectives, needs and circumstances; and refrain from effecting personal securities transactions that are inconsistent with client interests. If your account is a retirement account and subject to the Employee Retirement Income Security Act of 1974, 1st Global is also a fiduciary within Section 3(21) under the Employee Retirement Income Security Act of 1974 (ERISA), as amended. As ERISA fiduciaries, 1st Global is expected to provide advice that is in your best interest; only charge fees that are reasonable; and not make any materially misleading statements about recommended transactions, fees and compensation, conflicts of interest, or any other matters relevant to your investment decisions.

Our platform of investment advisory services is collectively known as Investment Management Solutions, or IMS. Through IMS, you have access to a wide range of investment products, including, but not limited to, mutual funds, exchange-traded funds (ETFs), common and preferred stocks, municipal, corporate and government fixed income securities, unit investment trusts, certificates of deposit and alternative investments such as fund of funds hedge funds, structured investments and private equity.

### Establishing an Account

In order to participate in the IMS Portfolio Choice program, you will need to establish a brokerage account with 1st Global's custodian National Financial Services LLC (NFS). Most trades 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 will receive compensation on some transactions. All assets on the IMS Portfolio 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 Portfolio Choice program. The Investment Advisory Agreement outlines the services provided to you through this 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 Statement of Investment Selection (SIS). We will monitor the performance of the account and the model portfolios/mutual funds/ETFs/hedge fund(s)/private equity/structured investments/bond ladders comprising the account. 1st Global will automatically rebalance your portfolio

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<sup>1</sup> Registration does not imply a certain level of skill or training.

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back to its original target percentages in accordance with the rebalancing schedule and tolerances determined by you and your Advisor. It is important to note that the rebalancing schedules and tolerances are limited in scope and your choice of rebalancing will be amongst the choices provided.

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.

1st Global is the sponsor of other wrap fee programs described in separate brochures.

### IMS Portfolio Choice Program

The IMS Portfolio Choice Program is a “wrap fee” program 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.

IMS Portfolio Choice portfolios are diversified asset allocation models and may be implemented into securities, which generally consist of, but are not limited to, money market funds, mutual funds, stocks, bonds, unit investment trusts, exchange traded funds and certificates of deposit. You and the Advisor may choose to exclude certain asset classes from the IMS Portfolio Choice portfolio or choose to disregard the profile for the portfolio type indicated. Your portfolio may be invested similarly to, or different from, other clients with the same or similar objectives.

You and the Advisor may choose to exclude certain asset classes from your IMS Portfolio Choice portfolio or choose to disregard the Profile for the portfolio type indicated. Your portfolio may be invested similarly to, or different from, portfolios belonging to clients with the same or similar objectives.

1st Global and the Advisor will monitor market conditions and the performance of your portfolio. The Advisor will communicate any changes to you and reposition assets as needed. 1st Global will automatically rebalance your portfolio back to its original target percentages in accordance with the rebalancing schedule and tolerances determined by you and your Advisor. It is important to note that the rebalancing schedules and tolerances are limited in scope and your choice of rebalancing will be amongst the choices provided.

IMS Portfolio Choice portfolios will be managed on a discretionary basis. On June 26, 2017, 1st Global transitioned to a new proposal and portfolio accounting system to administer the IMS Platform. A change that resulted from this transition is the IMS Portfolio Choice program becoming a fully discretionary program. 1st Global and your Advisor have full discretionary authority and need not seek your approval prior to purchasing or repositioning assets. The use of discretion requires specific written approval from us. In addition, you must provide written authorization to allow your Advisor to utilize discretion in the account. This is accomplished through the Investment Advisory Agreement.

For grandfathered accounts opened prior to June 26, 2017 through our prior proposal system, 1st Global has limited discretion. Limited discretion grants us full authority to automatically rebalance the account according to the agreed upon target allocation and rebalancing schedule. This discretionary authority will include the authority, without first consulting you, to determine the amount of assets in each asset class in your account to be bought or sold in order to rebalance the account back to its original target percentages, including the authority to buy, sell, select, remove and replace securities for the account. You may incur short-term redemption fees upon the liquidation of a mutual fund position for purposes of rebalancing or the replacement of one fund for another fund in the portfolio. 1st Global will attempt to have these fees waived at the time of redemption but waiver of these fees is at the sole discretion of the mutual fund sponsor.

Neither 1st Global nor the Advisor will have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you.

As a matter of course, no common stock position should be greater than 5% of the total portfolio value. 1st Global may waive this policy if circumstances deem it to be appropriate.



# IMS Portfolio Choice Wrap Fee Program

## Special Product Considerations

1st Global offers access to fund of funds hedge funds, private equity and structured investments. Hedge funds, private equity and structured investments are billable assets. This means that 1st Global will charge you quarterly advisory fees based on the value of your hedge fund, private equity and structured investment assets. Beyond the infrastructure of the IMS programs, your investment advisory fee is for the specialized advice and guidance provided by your Advisor regarding these assets.

1st Global will make hedge funds and private equity investments available only to qualified purchasers, qualified clients or accredited investors as those terms are defined under applicable securities laws. 1st Global will make hedge funds and private equity available only to those clients with moderate, growth or aggressive growth profiles. Specifically, your scored profile must be "moderate" or above in order to be able to purchase hedge funds and/or private equity in an account. A client scoring "moderate" but choosing "conservative" may purchase hedge funds and/or private equity in limited circumstances. You are permitted to choose "conservative" and still purchase a hedge fund and/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. 1st Global permits 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 fund and/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. 1st Global has 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.

1st Global limits your investment in hedge funds or private equity to no more than 10% of your stated net worth. Furthermore, and generally, no more than 30% of your portfolio may be allocated to hedge funds, private equity and structured investments, combined. No more than 10% of your portfolio may be allocated to 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 your Profile. The percentage allocated to each asset class within the portfolio type will be proportionately reduced by the percentage of the portfolio allocated to hedge funds, private equity and/or structured products. 1st Global will make special rebalancing considerations for those accounts incorporating an allocation to hedge funds, private equity or structured products.

1st Global cautions that you may have limited opportunities to redeem shares of hedge funds or private equity, because the underlying securities may not be available for sale for long periods of time, and the hedge funds and private equity impose restrictions on repurchase offers further limiting exit strategies or redemptions. Structured investments are available in various maturities as outlined in the offering document for the product. Due to these restrictions, the portion of your account allocated to the asset allocation model will be rebalanced independent of any hedge funds, private equity and/or structured investments in the account. The asset allocation model alone will be rebalanced back to the original target allocations of that model. It is not feasible for us to incorporate hedge funds, private equity and/or structured investments into the rebalance process.

Once a structured investment matures or a hedge fund or private equity is redeemed, you and the Advisor can determine how to reinvest or withdraw the proceeds, and you may fully rebalance your account at that time. Hedge fund and private equity minimum investment amounts vary as described in the fund's offering document. The minimum account balance required to include an allocation to a structured investment is \$100,000. The minimum investment in a structured investment is \$1,000.

An account found to be in violation of the above concentration limits may be forced to remove illiquid alternatives from the account. Concentration issues may be addressed in a number of ways including the transfer of products to a separate brokerage account, adding funds to the account or the "de-networking" of a product to be held directly at the product sponsor, if possible.



Hedge funds, private equity and structured investments are not permitted in the IMS Select - Core/Satellite Strategy or IMS Prime program.

### Program Choice Considerations

The specific advisory program selected by you may cost you more or less than purchasing program services separately. Factors that bear upon the cost of a particular advisory program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client-related services provided to the account.

Investment recommendations and advice offered by our Advisors and us does not constitute legal, tax, or accounting advice. You should coordinate and discuss the impact of the financial advice you receive from our Advisors with your attorney and accountant. 1st Global acknowledges that our Advisors are commonly CPAs or other tax, accounting or legal professionals, therefore, acting as your CPA, tax or accounting professional or attorney, your Advisor may, in this capacity, provide legal, tax or accounting advice.

In general, your Advisor is responsible for delivering investment advisory services to you, and you generally deal with matters relating to your account(s) by contacting your Advisor directly.

Compensation to your Advisor and us may be more than the amounts 1st Global would otherwise receive if you paid for investment advice, brokerage, and/or other relevant services separately. Just as many Advisors offer management fee discounts to their larger clients, 1st Global will retain less of the investment advisory fee as our Advisor's total IMS platform assets under management increases. As Advisors grow their fee-based business within our suite of IMS programs, our economies of scale are shared with Advisors by reducing the percentage amount of investment advisory fees that 1st Global will retain. Our retention decreases as Advisors reach specified asset levels.

Fee-based advisory accounts closely align our interest and reduce the likelihood of churning, high-pressure sales tactics and recommending unsuitable transactions. Fee-based programs offer investors consistent and explicit monthly or annual charges and are designed for those that engage in at least a moderate level of trading activity. Fee-based programs have periodic, ongoing fees to support ongoing monitoring and advice regarding the assets in your account. This ongoing monitoring and advice is supported by features and benefits such as automatic rebalancing. The tools 1st Global makes available to your Advisor allow him or her to be proactive in the management of your assets. In a commission-based program there is no ongoing monitoring and advice. Once a transaction is complete the obligation to monitor that investment ends. The Advisor is available to assist you in the future but that assistance will be reactive in nature. Fee-based programs may not be a fit for certain investors. Accounts with low trading activity may be better off with a commission-based program. These accounts may be comprised mainly of bonds or mutual funds, but also could contain individual equities where the customer has a stated buy-and-hold strategy.

In determining the appropriateness of a fee-based program versus a commission-based program 1st Global will consider your financial status, investment objectives, trading history, size of portfolio, nature of securities held, and account diversification. 1st Global may also consider whether the fee-based program is appropriate in light of the services provided, the projected cost to the customer, alternative fee structures that are available, and the customer's fee structure preferences.

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 these programs 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 for IMS Portfolio Choice program accounts will be determined by you and your IAR and is negotiable and we may, at our

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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.

## Fees and Compensation

### 1st Global Earns Asset Management Fees for the Services We Provide

You will pay 1st Global and your Advisor an annual asset management fee (Client Fee) based on a percentage of assets under management (AUM) or a flat fee based on the value of your account if you elect to receive asset management services through one or more of our IMS programs. In addition to the annual asset management fee, clients participating in 1st Global's IMS Portfolio Choice program will pay 1st Global an Annual Program Fee (Program Fee). The Program Fee is payable quarterly in advance based on the number of days in the billing period. Your Advisor may elect to absorb the Program Fee for the IMS Portfolio Choice program. The maximum Client Fee that can be charged in any 1st Global managed account platform is 3% annually and the Client fee is generally negotiable. Certain managed account platforms have lower maximum annual fee amounts, and fee schedules will vary among platforms. In most cases, the Client Fee is payable quarterly in advance and is based on the AUM on the last business day of the previous calendar quarter. Certain managed account platforms charge fees in arrears and will have differing methods of computation. Please refer to the respective platform description below or to the respective client agreement for specific information about the maximum fee allowed, the varying fee schedules of each platform, and the methods of fee billing for the platform(s) you select.

The person recommending this program will receive compensation as result of your participation in the program. The amount of this compensation may be more than what the person recommending the program would receive if you were to participate in any of our other programs or if you pay separately for investment advice, brokerage and other services. Therefore, the person recommending this program may have a financial incentive to recommend this program over other programs or services 1st Global offer.

### IMS Portfolio Choice

1st Global will charge a Client Fee of up to 3.00% of assets under management.

The Client Fee is paid quarterly and is made up of a fixed Program Fee and variable Advise Fee. To calculate the Program Fee, multiply the Program Fee by the quotient of the number of days in the calendar quarter divided by the number of days in the calendar year. Then multiply the Advise Fee by the value of the account on the last business day of the previous calendar quarter, then multiply that amount by the quotient of the number of days in the calendar quarter divided by the number of days in the calendar year. The total Client Fee is the sum of the preceding two fee amounts.

Additional assets received into the account during any billing period will be charged a pro-rata Client Fee based on the number of days remaining in the billing period if the amount of the deposit is in excess of \$10,000. Withdrawals from the account will receive a pro-rata refund if the amount of the withdrawal is in excess of \$10,000.

The Client Fee does not include certain fees and charges related to account services provided by the custodian. The fees and charges for accounts held through National Financial Services LLC (NFS) are disclosed in the section titled Account Fees and Charges for Accounts held through NFS. The fees that 1st Global charges are in addition to fees charged by any mutual funds or ETFs 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. **As a general matter, 1st Global credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees.**

Together with you, 1st Global will establish the Client Fee within the range stated above. 1st Global receives a portion of the Client Fee.

### Billing Practices

1st Global, through the account custodian, will typically debit the annual Client Fee from your IMS account automatically. The annual Client Fee will be payable first from free credit balances, money market funds, or cash equivalents, if any, and second from the liquidation of a portion of your securities holdings, pursuant to the discretionary authority granted by you to the Advisor and 1st Global. Rather than automatic fee debiting from your account, you also have the ability to be direct

billed by writing a check to us for the fee amount, or instructing us to charge the fee to one of your other 1st Global accounts. You will pay fees quarterly, typically in advance, based on the specific program selected by you.

You will be provided with an invoice that states the value of the assets, fee calculation and amount due or amount withdrawn (to pay fees earned by the IAR and us) only if you pay by check. Those clients choosing to pay by direct debit from the account or another account will not receive an invoice. You will receive a statement from the custodian, NFS, reflecting the withdrawal of fees. It is your responsibility to verify the accuracy of the fee as neither 1st Global nor the custodian do so. The amount of the advisory fee will also be reflected in the IMS quarterly performance report.

The Client fee is disclosed in the SIS. 1st Global reserves the right to revise the Client Fee upon 30-day advance written notice, prior to the quarter in which the change would become effective.

### 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 the Advisor in connection with certain investments. 1st Global and/or your Advisor will 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 1st Global charges 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. **As a general matter, 1st Global credits the mutual fund 12(b)1 fees it receives back to the client accounts paying such 12(b)1 fees.**

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.

### 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 will 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.

*Full Retirement Distribution Fee (\$125).* This is a processing fee associated when a client makes a full distribution out of a retirement account.

*Full TOA Delivery Fee – non-retirement (\$75).* This is a processing fee associated with a complete transfer and delivery of assets out of a NFS brokerage or managed account.

# IMS Portfolio Choice Wrap Fee Program

*Margin Interest* (varies – see NFS Disclosure of Credit Terms on Transactions). Interest will be charged on all accounts for any credit extended to or maintained for customers by the firm for the purpose of purchasing, carrying or trading in securities or otherwise.

## Termination and Advisory Fees

1st Global will charge the Client Fee in advance upon establishing the value of the portfolio based on the proportion of the number of days remaining in the quarter. Thereafter, 1st Global will charge quarterly fees based on the value of the portfolio on the last business day of the prior quarter or the date the custodian values the portfolio for the month-end statement at the end of the prior quarter. The value of the portfolio generally includes the value of all securities held in the account, including the value of money market mutual funds, but excluding non-billable assets.

The Client Fee is payable by you upon initial statement at the end of the prior quarter. The Client Fee payable upon initial implementation of the account is payable by you upon receipt of an invoice from us, or 1st Global will collect them directly from the account or from another account of yours.

Pursuant to a fee authorization and initial power of attorney signed by you, 1st Global will calculate the Client Fee for all subsequent periods as of the last business day of the previous quarter. If your account does not contain sufficient funds to pay the Client Fee, 1st Global will have limited authority to sell or redeem securities in sufficient amounts to pay the Client Fee. You may reimburse the portfolio for fees that are paid from the portfolio. If you have chosen to pay upon receipt of an invoice, fees due and payable that have not been collected 45 days after receipt of the invoice will be debited from your 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 the agreement with us within five business days of signing the agreement without incurring any charges.

Furthermore, 1st Global 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. 1st Global may waive the Client's 30-day written notice requirement at our sole discretion. Accounts with no financial intermediary (no assigned financial advisor), will continue to pay our portion of the total Client Fee. This fee is to cover administrative and reporting services which may be provided until the account is transferred away from the Firm.

Upon notice of termination, 1st Global will await further instructions from you as to what steps you request to liquidate and/or transfer the portfolio and remit the proceeds. Upon instructions received, 1st Global will instruct brokers, dealers, mutual fund sponsors, and others to liquidate and/or transfer the portfolio and remit proceeds to you.

Upon termination of your IMS account, 1st Global will refund our unearned Client Fee on a prorated basis as detailed in the Investment Advisory Agreement.

1st Global 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, 1st Global 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.

## Additional Compensation

Advisors of 1st Global Advisors, Inc. may also be Registered Representatives (RRs) of our affiliated broker-dealer, 1st Global Capital Corp. The majority of our Advisors are also RRs of our affiliated broker-dealer. Our Advisors may offer financial planning services at no cost or for a fee through our Method 10<sup>®</sup> Seasonal Planning Program. These recommendations may be implemented through the broker-dealer or us.

When implemented through the broker-dealer, RRs of 1st Global Capital Corp. receive commissions from the sale of investment products, including the sale of mutual funds. Mutual funds assess charges and fees at the fund level, including fees for investment management services and 12b-1 fees that are permitted under Section 12b-1 of the Securities Exchange Act. These charges principally cover advertising, promotion, and shareholder servicing expenses incurred by the fund. The amount of additional compensation paid by mutual funds in the form of 12b-1 fees can differ between funds and some funds pay no 12b-1 fees at all. RRs can receive all or a portion of these 12b-1 fees. Therefore, in the context of providing

investment services in a commission based setting, the presence of these 12b-1 fees may present a potential conflict of interest because it may provide the RR with an incentive to recommend the investment products which include such fees.

When implemented through us, Advisors of 1st Global Advisors, Inc. do not receive commissions for the sale of investment products through our advisory platforms. Instead, they receive advisory fees based on the assets under management in the account. Generally, all 12b-1 fees are refunded to the client accounts paying such 12b-1 fees. Therefore, there is no financial incentive to choose one mutual fund over another and it is devoid of any potential conflict of interest based on differential compensation. You have the option to purchase investment products recommended by your Advisor through other brokers or agents that are not affiliated with us.

Load-waived mutual funds will and may be chosen for any of our managed account platforms rather than the same mutual fund with a sales charge. This gives us and the Advisor the right to determine commission rates paid (zero %) without your specific consent. In addition, trails or service fees may be paid on some load-waived mutual funds and not on no-load funds, both of which may be used within our managed account platforms.

1st Global financial advisors may select share classes of mutual funds that pay 1st Global 12b-1 fees when lower-cost institutional shares of the same mutual fund may be available. **As a general matter, 1st Global credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees.**

Institutional shares generally have lower expense ratios and are typically less costly for a client to hold than other share classes eligible for purchase within an advisory relationship. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio and cost. The lowest-cost mutual fund share class for a particular fund may not be offered through 1st Global or available for purchase within specific types of accounts.

#### *Revenue Sharing Arrangements*

Companies for some of the mutual funds 1st Global 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 Advisors, and training and education presentations provided to Advisors about the fund's products and services. In return for assistance in facilitating the activities described above, 1st Global receives additional compensation, commonly referred to as "revenue sharing," from these fund companies. These fund companies are part of what 1st Global calls 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 your Advisor and us, 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 Advisor who sells these funds. Our Advisors 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, 1st Global does not believe that they are subject to a conflict of interest based on the amount of revenue sharing 1st Global receive from those companies.

Our Advisors, 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 Advisors to focus more on those funds that provide the Advisor 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 Funds, Oppenheimer Funds, Prudential Funds and Franklin Templeton Funds.

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; 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, 1st Global would receive a one-time \$25



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payment, or a \$6.29 annual payment during each period in which the assets remain at that fund family); or c) a flat annual dollar amount.

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 will 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 Advisors who sell these funds.

1st Global 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:

| <u>Tiered Avg. Fund Balances</u>                        | <u>Basis Points</u> |
|---|---------------------|
| \$0 - \$1 billion                                       | 5                   |
| \$1 billion plus  | 7                   |
| (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 to \$2 billion   | 68 basis points              |
| \$2 billion +                | 70 basis points              |
| <u>Average Fund Balances</u> | <u>Daily Money Class</u>     |
| All balances                 | 25 basis point               |

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.

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.

## Item 5 – Account Requirements and Types of Clients

### Account Requirements

The firm has a \$25,000 minimum balance requirement in order to manage a portfolio for the IMS Portfolio Choice program.

1st Global may choose to waive these minimums at our sole discretion as circumstances dictate. The most common reason 1st Global waive these minimums is when additional deposits to meet the minimum are forthcoming.

### Types of Clients

1st Global generally provides 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. The majority of our clients are retail clients that fall under the category of “individuals (other than high-net-worth individuals).”

## Item 6 – Portfolio Manager Selection and Evaluation

Your Advisor will serve as portfolio manager for your IMS Flex Choice program account. Generally, your Advisor will evaluate quantitative and qualitative aspects of the universe of available investment products during the due diligence process. Qualitative analysis is a securities analysis that uses subjective judgment based on unquantifiable information, such as management expertise, industry cycles, strength of research and development, and labor relations. Qualitative analysis contrasts with quantitative analysis, which focuses on numbers that can be found on reports such as balance sheets. The two techniques, however, will often be used together in order to examine a company's operations and evaluate its potential as an investment opportunity. In finance, standard deviation is a statistical quantitative measurement; when applied to the annual rate of return of an investment, it sheds light on the historical volatility of that investment. The greater the standard deviation of a security, the greater the variance between each price and the mean, indicating a larger price range. For example, a volatile stock has a high standard deviation, while the deviation of a stable blue-chip stock is usually rather low. Standard deviation is one example but there are many other quantitative measurements that your Advisor will evaluate when choosing investment products.

Your Advisor may utilize the 1st Global created risk profile asset allocation models of ultra-conservative, conservative, growth, moderate, growth or aggressive growth when creating your portfolio. The process behind the construction of these risk profile asset allocation models is described later in this section. Your Advisor may also choose to construct portfolios using a risk scoring methodology. When utilizing the risk scoring methodology, each risk profile has a risk score range and every individual product is assigned a risk score value. Growth, for example, may have a risk score range of 60 to 80. A large cap mutual fund, for example, may be assigned a risk score value of 8. Using our growth risk profile example, your Advisor would construct a portfolio using products that have a risk score value that add up to between 60 and 80 points.

Some of our Advisors, or some registered representatives of our affiliated broker-dealer, may also be Advisors of unaffiliated Registered Investment Adviser firms. These firms may offer the IMS Flex Choice program through the unaffiliated RIA. These RIA firms will have their own portfolio manager selection and evaluation process, portfolio construction process, restrictions on types of investments and account size minimums. The unaffiliated RIA firm will detail these policies and



# IMS Portfolio Choice Wrap Fee Program

processes in Part 2A of Form ADV: Firm Brochure. The firm brochure can be obtained from your Advisor or online at <https://www.investor.gov/>.

## 1st Global Philosophy – Types of Advisory Service

1st Global Advisors' has long believed in the power of strategic asset allocation, as such, 1st Global has worked with Dr. Harry Markowitz in the development of the firm's asset allocation models. Dr. Markowitz is best known for his pioneering work in "Modern Portfolio Theory" and the general investing concepts of multi-asset class investing and diversification when rational investors construct long-term investment portfolios. As the recipient of the 1990 Nobel Memorial Prize in Economic Sciences for his work on the concept of efficient portfolio construction, Dr. Markowitz paved the way for a paradigm shift of how investors can combine risky yet somewhat uncorrelated securities into a portfolio with better risk characteristics than the individual parts.

Thus a large part of our firm's investment philosophy is based on the principle of diversification. Diversification simply means "not putting all of your eggs in one basket" or, in investment terms, keeping the fortunes of any single investment from having a significant impact on your own portfolio. While past performance is not a guarantee of future performance and diversification of assets does not always protect portfolios from losses, Dr. Markowitz's work laid the foundation for how trillions of dollars around the world are invested today. With a long-term time horizon, and solid beliefs about the return expectations, return patterns and related interaction effects among securities (or asset classes), it is possible to construct investing portfolios that will provide the highest expected return for a given amount of "risk" (as measured by the dispersion of returns around the mean) or stated another way, portfolios could be constructed to have the minimum amount of risk for a given required level of expected return.

Therefore 1st Global believes that a proper understanding and application of a long-term strategic asset class allocation (e.g. different types of stocks and bonds) coupled with efficient diversification (the right amount of each security or asset class based on an investor's preferences) is the best way to pursue your investing goals. Most investors are better served by focusing on long-term saving objectives and must be disciplined and steadfast in the pursuit of growing and protecting their wealth to overcome the ravages of future inflation and uncertainty about one's own ability to spend their human capital during their working years.

Modern portfolio theory states that no investments are "always" imprudent. Rather, research demonstrates that investment returns correlate strongly with risk and that it is only by accepting "risk" into the portfolio and satisfactorily diversifying the portfolio of investments that you can truly grow, preserve, and protect against taxes and inflation in your portfolio. Because risk and return are linked, your main task is not to avoid risk but to manage it prudently; in other words, to define risk and return objectives reasonably suited to the account and to evaluate and make decisions respecting asset classes and individual securities in the context of the portfolio as a whole.

Since 1992, 1st Global has viewed strategic asset allocation and intellectual rigor as the cornerstone of successful investment management programs. The resulting risk Profiles are labelled as: ultra-conservative, conservative, moderate, growth and aggressive growth.

## Due Diligence Process for 1st Global Advisors' Asset Allocation Models

1st Global implements your accounts according to five multi-asset class model portfolios, each representing a specific investor profile. On at least an annual basis, our Investment Management Research Group (IMRG) reviews the model inputs (expected returns, standard deviations and correlations) to verify the diversification contributions of each of the asset classes within the models. The IMRG is comprised of experienced and credentialed investment professionals. At 1st Global, the IMRG's recommendations for the IMS Select and IMS Unified Choice program are overseen by the 1st Global Advisor's Investment Committee (1GA IC). The RMS Select Portfolios and the RMS Total 401(k) program is overseen by a different Investment Committee known as the RMS Investment Committee. The IMRG is also responsible for recommendations to the RMS Investment Committee.

## 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.

### Restrictions on Types of Investments

IMS Portfolio Choice Portfolios may be implemented into individual securities, which generally consist of, but are not limited to, money market funds, mutual funds, stocks, bonds, unit investment trusts, exchange traded funds and certificates of deposit. Hedge funds, private equity and structured investments are also available for purchase.

### 1st Global Tailors our Advisory Services to the Individual Needs of Clients

Our IMS platform is designed to provide you with an orderly, disciplined approach to the investment process. IMS offers a personalized program for investing, with customized portfolios, access to world-class asset managers and consolidated account performance reporting.

1st Global provides you with portfolio construction, asset management, and monitoring. Monitoring constitutes an ongoing process by which:

- Your investment objectives, constraints and preferences are identified and specified;
- Strategies are developed and implemented through combinations of financial assets;
- Capital market conditions and client circumstances are monitored; and
- Portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above relevant variables.

You, assisted by your Advisor, complete a risk profile questionnaire (Questionnaire) in the form 1st Global provides. The Questionnaire describes your financial situation, investment objectives, time horizon, risk tolerance and investment preferences.

1st Global asks that you promptly notify your Advisor of any material changes in the information furnished by you in the Questionnaire, including material changes to your financial situation, investment objectives, time horizon, risk tolerance or investment strategy.

1st Global uses the Questionnaire to provide services to you. Based on information in the Questionnaire, the Advisor and you will determine the appropriate risk profile type. 1st Global typically provides you with a Statement of Investment Selection ("SIS") based on the Questionnaire.

Our currently available Investment Management Solutions (IMS) risk profiles are designated as Ultra-Conservative, Conservative, Moderate, Growth and Aggressive Growth.

1st Global may change the existing risk profiles or introduce new risk profiles from time to time. You may change IMS risk profiles whenever you like, including when your objectives or risk tolerance change.

### Wrap Fee Program

The IMS Portfolio Choice program is "wrap fee" program 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 Client Fee.

For the investment advisory services provided to you by your IAR and us, 1st Global and your Advisor receive a portion of the annual Client Fee you pay when you participate in any managed account program through us, including the wrap fee program.

### Performance-Based Fees and Side-By-Side Management

1st Global does not charge performance-based fees. However, hedge funds and private equity do charge performance-based fees, and 1st Global passes those fees on to you. Please refer to the hedge fund and private equity prospectus/private placement memorandum for a complete description of the performance-based fees.

# IMS Portfolio Choice Wrap Fee Program

## Risk of Loss

Investment portfolios, programs, models, asset allocations, or strategies entail the risk of loss; and values and returns will fluctuate over time. While 1st Global seeks to limit any losses, there have been periods of loss in the past, and there will likely be periods of loss in the future.

1st Global and our Advisors emphasize that investment returns, particularly over shorter time periods, are highly dependent on trends in the various investment markets. Thus, our investment management services are generally suitable only for long-term investment objectives or strategies, rather than for short-term trading purposes.

Neither diversification nor asset allocation assure a profit or protect you against a loss, and there is no guarantee that your investment objectives will be achieved.

Our programs, portfolios, models, asset allocations and strategies are not FDIC insured and the investments in them may lose value.

All investment programs have certain risks that you bear. Our investment approach regularly keeps the risk of loss in mind. You face investment risks including:

- Interest rate risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market risk: The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation risk: The risk is that the rate of inflation will exceed the rate of return on an investment.
- Currency risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Reinvestment risk: This is the risk that future proceeds from investments may have to be reinvested at potentially lower rates of return (i.e. interest rate). This is primarily related to fixed income securities.
- Business risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They generally carry a higher risk of profitability than an electric company, which may generate much of its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- Liquidity risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders or investors are frequently buying or selling that type of asset. For example, Treasury bills are highly liquid, while real estate properties are not.
- Financial risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in cash crises, bankruptcy and/or declining market value.
- Credit Risk: Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
- Risks of investing outside the U.S.: Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent. Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

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There are risks inherent in all financial decisions and transactions. There is no guarantee that your investment objectives will be achieved.

Neither 1st Global nor our Advisors make any promises, representations, warranties or guarantees that any of our services to be rendered will result in a profit to you. 1st Global does not guarantee the future performance or any specific level of performance, the success of any investment decision or strategy that 1st Global or an Advisor may use or the success of our overall management.

Investment decisions that you make or that 1st Global will make for you are subject to various market, currency, economic, political and business risks. Our and your investment decisions will not always be profitable.

1st Global and our Advisors will not be liable for any loss incurred with respect to your account, except where such loss directly results from such party's negligence or malfeasance. Nothing in this section is intended to be a waiver of any right of action you may have under applicable securities laws or your rights in the event 1st Global or any of our Advisors breach any fiduciary duty owed to you.

### Voting Client Securities

With regard to the IMS Portfolio Choice platform, neither 1st Global nor Advisors will vote or give advice about how to vote proxies for securities held in your account. All proxy voting material will be forwarded to you for direct action.

## Item 7 - Client Information Provided to Portfolio Managers

Information provided through your account opening paperwork helps your Advisor understand your goals, objectives and financial situation so that recommendations can be made to assist in meeting your financial goals.

## Item 8 - Client Contact with Portfolio Managers

Your Advisor is responsible for delivering investment advisory services to you, and clients generally deal with matters relating to their accounts by contacting their Advisor directly.

Our internal operations team will be made available to you and our Advisors 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.

## Item 9 – Additional Information

### Disciplinary Information

In the last ten years, neither 1st Global nor any of our management personnel have been charged with or convicted of a felony or misdemeanor. In the last ten years, neither 1st Global 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

1st Global has 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 their clients, 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

1st Global executes substantially all trades through 1st Global Capital Corp., our affiliated broker/dealer.

# IMS Portfolio Choice Wrap Fee Program

As part of the IMS programs offered to you, 1st Global Capital Corp. provides brokerage execution services to our advisory clients. 1st Global and our Advisors 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, 1st Global 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 IMS account. **As a general matter, 1st Global credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees.** To the extent 1st Global is the registered investment adviser or sponsor to your IMS program, 1st Global receive compensation for our services. You should be aware that these fees, payments, and other compensation presents a potential conflict of interest because 1st Global may have a greater incentive to recommend those investment advisory products or programs 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 3280, 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

Assets are custodied through NFS.

## Independent Registered Investment Advisers

Some of our Advisors are also owners or Advisors 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, separate from our Method 10® Seasonal Planning program, are offered for compensation. This compensation is paid to the independent Registered Investment Adviser and 1st Global receives no portion of this compensation. 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. 1st Global receives 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. 1st Global receives no portion of this compensation. You are not obligated to use any of these individuals to provide legal services.

## Insurance Company or Agency

Some of our Advisors 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. 1st Global receives no portion of this compensation. You are not obligated to use any of these individuals for insurance product purchases.

1st Global is 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 Advisors 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.

## 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. 1st Global receives no portion of this compensation. You are not obligated to use any of these individuals for pension consulting services.



## 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, 1st Global has 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 1st Global meets 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 1st Global keeps your interests first at all times. 1st Global distributes our Code of Ethics to each supervised person at our firm at the time of his or her initial affiliation with our firm; 1st Global makes sure it remains available to each supervised person for as long as he or she remains associated with our firm; and 1st Global ensures 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 addresses 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 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 your 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 your 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 your 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.

# IMS Portfolio Choice Wrap Fee Program

- 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, 1st Global does not buy or sell securities for our own account that 1st Global recommends to (or purchase or sell for) you. Our Advisors, 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. 1st Global always give a higher priority to your transactions than our own transactions. When 1st Global or an Advisor recommend trades to you, and 1st Global, the Advisor or related persons also plan to buy or sell the same security, 1st Global gives you the opportunity to decide on the recommendation and place a trade before 1st Global or a related person executes a trade in the same security. Also, if 1st Global or a related person has a trade to place for a personal account and trades to place for your accounts, the trades for you are always placed before the trades for us or related persons. 1st Global has implemented surveillance and exception reports designed to identify and correct situations in which the personal securities transactions of Advisors are placed ahead of yours.

## Brokerage Practices

### General

1st Global renders investment advice to the majority of our IMS platform advisory clients on a discretionary basis, pursuant to written authorization granted by you. The majority of our advisory clients must select 1st Global Capital Corp., an affiliated broker-dealer under common ownership, as the broker-dealer of record for their IMS managed accounts. 1st Global maintains a clearing relationship for the execution of client transactions with NFS.

Our affiliated broker-dealer has negotiated competitive pricing and services with NFS for your benefit. NFS offers their broker-dealer clients substantial financial strength and stability of scale, and reliable, state-of-the-art technology.

Our clients do not generally have the option to direct securities brokerage transactions to other broker-dealers or other account custodians. If, however, 1st Global were to approve the use of a broker-dealer other than NFS for the execution of securities transactions, you should be aware that 1st Global will generally be unable to negotiate commissions or other fees and charges for your account, and 1st Global would not be able to combine your transactions with those of other clients purchasing or selling the same securities (batched trades), as discussed further below. As a result, 1st Global would be unable to ensure you receive “best execution” with respect to such directed trades. 1st Global may also be unable to provide timely monitoring of transaction activity or provide you with quarterly performance reporting.

Not all investment advisers who have affiliated broker-dealers require you to use their broker-dealer to execute securities transactions. While our affiliated broker-dealer is able to negotiate competitive pricing with NFS that it believes is beneficial to you, 1st Global does receive an economic benefit from using our affiliated broker-dealer for our IMS platform accounts rather than an unaffiliated broker-dealer. For example, 1st Global adds our own costs to certain charges applied to your IMS accounts by NFS. This additional compensation received by our affiliated broker-dealer creates a conflict of interest with you. Additionally, even though 1st Global monitors the execution quality of our affiliated broker-dealer to ensure you receive the best combination of net price and execution, it is possible that better execution on a given transaction may be obtained from other sources. Execution quality can have an effect on the amount you pay for a given transaction. Favorable execution results in lower costs and unfavorable execution results in higher costs.

1st Global will not participate/vote in class action lawsuits on your behalf.



## Best Execution

1st Global seeks to obtain, through our affiliated broker-dealer and clearing firm, the best combination of net price and execution when offering brokerage transactions for your account(s). 1st Global will periodically and systematically review NFS' execution quality and our own processes to ensure we continue to meet our best execution obligations for you.

A number of judgmental factors are utilized by us in analyzing overall trade execution quality. Such factors include, but are not necessarily limited to:

- The nature of the securities being purchased or sold;
- Access to market participants, which may be limited due to little or no trading activity for a particular security;
- The size of the transaction;
- The speed of the transaction;
- The ability to obtain price improvement;
- The desired timing of the transaction;
- The activity existing and anticipated in the market for the particular security;
- The execution, clearance, and settlement capabilities of the executing broker-dealer;
- The overall trade execution quality of the executing broker-dealer as compared with other leading executing broker-dealers;
- The executing broker-dealer's financial stability and industry reputation; and
- The efficiency and reliability of the executing broker-dealer's systems and technologies.

## Batched or Aggregated Trades

Because our Advisors generally manage your account(s) independently of other client accounts based on each client's specific needs and objectives, transactions for your account and other client accounts are often executed independently. When Advisors believe it is appropriate or beneficial to do so, however, they will often aggregate the purchase or sale of multiple clients' securities together to facilitate best execution, reduce overall costs, or provide each client with the same execution price. Aggregating multiple client orders together is particularly useful when 1st Global or your Advisor are utilizing model portfolio management strategies.

1st Global and our Advisors effect batched transactions in a manner designed to ensure that no participating client obtains a more favorable execution price over any other client. When 1st Global or your Advisor aggregate multiple client orders, transactions are typically allocated pro rata to the participating client accounts in proportion to the size of the order placed for each account. 1st Global or your Advisor may, however, increase or decrease the amount of securities allocated to each account, if necessary, to avoid holding odd lot or small numbers of shares for particular clients. Additionally, if 1st Global is unable to fully execute a batched transaction and 1st Global determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, 1st Global may allocate such securities in a manner determined in good faith to be fair and equitable to the clients involved.

## Soft Dollars

Investment advisers may direct portfolio brokerage commissions to a particular broker-dealer in return for services and research used in making investment decisions in your account(s). The commissions used to acquire these services and research is known as "soft dollars." Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

1st Global does not receive research or other products or services other than execution from any broker-dealer or other third party.

## Brokerage for Client Referrals

1st Global does not consider, in selecting or recommending broker-dealers, whether 1st Global or any related person receives client referrals from the broker-dealer.

# IMS Portfolio Choice Wrap Fee Program

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## Directed Brokerage

1st Global does not recommend, request or require that you direct us to execute transactions through a specified broker-dealer. As noted earlier, 1st Global directs most of our trades to our affiliated broker-dealer, 1st Global Capital Corp.

## Trade Errors

In all circumstances involving trade errors caused by 1st Global, clients are "made whole." If the correction of the trade error by the firm results in a loss, 1st Global is responsible for that loss. If the correction of the trade error by the firm results in a gain, 1st Global will retain the gain.

In instances where multiple trades are corrected at the same time for the same client, the firm will net the results of each correction against each other. Gains received during these corrections may be used to offset losses resulting from other corrections within the total trade error correction.

## 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. 1st Global utilizes 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 Advisors provide continual and regular investment advice or investment supervisory services to you, routinely review your portfolios, and are responsible for communicating with you at least annually.

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

## Client Referrals and Other Compensation

1st Global and/or our Advisors 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.

1st Global and your Advisor may serve as solicitors for third-party investment advisers. 1st Global and our Advisors 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 your Advisor and us a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. 1st Global and your Advisor, therefore, have a conflict of interest to refer clients to those third-party investment advisers that pay referral fees to us or to your Advisor rather than those that don't. Additionally, 1st Global and your Advisor have a conflict of interest when referring clients to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

## Custody

1st Global Capital Corp., our affiliated broker-dealer, is the broker-dealer of record for your account. When you establish an advisory account with 1st Global Capital Corp. as the broker-dealer of record you will receive custodial statements directly from NFS. NFS will provide you with a custodial statement 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).

NFS will also provide you with confirmations of the activity in the account.

1st Global provides portfolio performance reports to Advisors for distribution to you quarterly. These reports are usually prepared not later than 20 business days after the end of each calendar quarter.

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All performance reports are electronically audited for accuracy prior to being provided to Advisors 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 before being provided to Advisors for distribution to you. The 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. Please note that Envestnet reports trades as of the trade date and NFS reports trades as of the settlement date. For this reason, some trades may appear on your Envestnet reports that are not yet reflected on your NFS custodial statements. Comparing statements will allow you to determine whether account transactions, including deductions to pay advisory fees, are proper. Please let us know if you are not receiving custodial statements directly from NFS, LLC.

1st Global Capital Corp., our affiliated broker/dealer, is a related person of us. A related person is a person or entity that is under common ownership or control with us. Employees of 1st Global Capital Corp. perform operational duties to service client accounts of ours. These duties include the processing of client check requests and the receipt of securities for prompt delivery to our custodian, NFS. Check requests must be made in writing by you via a letter-of-instruction and will only be processed for non-IRA accounts. Check requests for IRA accounts are processed by our custodian, NFS. Based on your written instructions, our staff will process the check request and mail the check to your address of record. You may also send securities, in the form of stock certificates, to 1st Global Capital Corp. for processing. Our staff will process and promptly forward the certificates to our custodian, NFS, for deposit into your account. 1st Global is deemed to have custody since our related person, 1st Global Capital Corp. performs these operational functions for you.

### Investment Discretion

1st Global provides investment advice to the majority of our managed account clients on a discretionary basis, pursuant to written authorization granted by you, to us and your Advisor.

IMS Portfolio Choice portfolios will be managed on a discretionary basis as indicated in the Investment Advisory Agreement. 1st Global will have the authority to automatically rebalance the account according to the agreed upon target allocation and rebalancing schedule. This discretionary authority will include the authority, without first consulting you to determine the amount of assets in each asset class in your account to be bought or sold in order to rebalance the account back to its original target percentages, including the authority to buy, sell, select, remove and replace securities for the account. Neither 1st Global nor your Advisor will have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you.

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

When 1st Global is engaged to provide investment advisory services through the IMS or RMS platforms on behalf of a client that is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), 1st Global is a “covered service provider” to the plan for purposes of ERISA Section 408(b)(2) and the regulations thereunder. This Brochure, the ERISA Section 408(b)(2) Disclosure, and the disclosures included in the investment advisory agreement between the ERISA client and 1st Global are intended to provide certain fee disclosures in accordance with the requirements under ERISA Section 408(b)(2).

### Financial Information

Not applicable.