

# Arbor Point Advisors, LLC

## Asset Management Services Wrap Brochure

(Part 2A Appendix 1 of Form ADV)

This brochure provides information about the qualifications and business practices of Arbor Point Advisors, LLC. If you have any questions about the contents of this brochure, contact us at 402-399-9111. The information in this brochure has not been reviewed or approved by the U.S. Securities & Exchange Commission, any state regulatory agency or self-regulatory organization.

Additional information about Arbor Point Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Arbor Point Advisors, LLC or our firm's CRD number: 165127. Registration as an investment advisor does not imply a certain level of skill or training.

September 24, 2018

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**ITEM 2. MATERIAL CHANGES**

The last annual update to the Arbor Point Advisors LLC (APA) Form ADV Part 2A and Part 2A Appendix was filed March 29, 2018. No material changes have occurred since then.

Our current Form ADV Part 2A will be available to existing and prospective clients 24 hours a day through the SEC's Investment Adviser Public Disclosure website. We may update this Brochure at any time and if we make any material changes we will provide you either: (i) a copy of our Form ADV Part 2A that includes or is accompanied by a summary of material changes or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV Part 2A. We urge you to carefully review all subsequent summaries of material changes as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest and disciplinary history.

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## **ITEM 4. SERVICES, FEES AND COMPENSATION**

### **Ownership**

Arbor Point Advisors, LLC (also referred to as "we," "our," "us," "APA" and Arbor Point Advisors throughout this Brochure) is a majority-owned subsidiary of Securities America Financial Corporation (SAFC). SAFC is a wholly-owned subsidiary of Ladenburg Thalmann Financial Services, Inc. (LTFS). LTFS is a holding company whose subsidiaries provide a diverse array of financial services and is listed on the NYSE Amex Exchange under the symbol LTS. Dr. Phillip Frost and related entities, Gamma Trust and Nevada Trust, are beneficial owners of over 25% of LTFS. The LTFS subsidiaries include registered investment advisors, an investment company, insurance agencies, broker/dealers and a trust company. Refer to the section *Other Financial Industry Activities and Affiliations* for details.

NorthStar Financial Services Group, LLC (NorthStar) owns a minority interest (less than 25%) in APA.

### **Firm Description**

Arbor Point Advisors is an investment advisor firm registered with the U.S. Securities and Exchange Commission (SEC) since September 2012. The investment advisory services of Arbor Point Advisors are provided to clients (sometimes referred to as "you" or "your") through an appropriately licensed and qualified individual who is an investment advisor representative of Arbor Point Advisors (referred to as your "investment advisor representative," "IAR," or "representative" throughout this Brochure). Arbor Point Advisors investment advisor representatives are also registered representatives of Securities America, Inc. (SAI), a full service broker/dealer, member FINRA and SIPC, and affiliated with Arbor Point Advisors.

Your investment advisor representative typically is not an employee of Arbor Point Advisors but rather an independent contractor of Arbor Point Advisors. Your investment advisor representative is limited to providing the services and charging investment advisory fees in accordance with the descriptions detailed in this Brochure. However, the exact services you receive and the fees you will be charged will be specified in your advisory services agreement.

### **Types of Services Offered**

We provide a diverse range of advisory programs and services, which includes investment supervisory services. We define investment supervisory services as giving you continuous advice or making investments based on your individual needs. When we provide investment management services, you have the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information. We will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

We also offer a range of services that do not involve providing continuous advice, such as financial planning and retirement plan services as well as referrals to third party money managers. Financial planning services include written plans that can be comprehensive or segmented as well as consultation services on areas of concern to the client. Our representatives also provide advisory services to qualified retirement plans that can be fiduciary or non-fiduciary in nature. These retirement plan services can be provided on a discretionary or non-discretionary basis. In addition, APA offers clients access to professional third-party money managers that create and implement model portfolios with a variety of investment strategies and risk levels. All of these services are more fully described in the Arbor Point Advisors, LLC Firm Brochure (Part 2A of Form ADV).

Our representatives may also provide educational seminars and workshops covering various financial and investment topics. These seminars can be provided to the general public or to larger groups, such as corporations. No individualized advice is provided to participants. Seminars may be provided at no cost or a fee may be charged to participants (i.e., to help cover expenses incurred in presenting the seminar). If fees are charged, all fees and payment provisions are fully disclosed prior to the seminar being presented.

#### Asset Management Services Program

Generally, APA considers the Asset Management Services Program to be a wrap fee program. In a wrap fee program, advisory services as well as transaction and other services are provided for one fee that is calculated based on the value of assets under management. Advisory services can include portfolio management or advice regarding selection of other investment advisors while other services can include, for example, brokerage, custody and performance review. We receive a portion of the wrap fee for investment management services we provide. Our firm and the representatives do not manage wrap fee accounts differently from other programs. Refer to the section titled *Fees and Compensation* for additional information regarding fees assessed in the program.

In the Asset Management Services program, we offer highly customized and individualized investment strategy, crafted to focus on your specific goals and objectives. We provide this investment management service through accounts maintained at a qualified custodian recommended and selected by Arbor Point Advisors. Refer to the *Brokerage Practices* section for more information.

You must appoint APA as your investment advisor of record on specified accounts (collectively, the "account"). The account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodian(s) maintain physical custody of all funds and securities of the account but you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the account. Refer to the *Custody* section for more information.

Once you've decided to establish an advisory account, you will need to complete certain account opening documents that provide information regarding the custodian's name, address and manner in which the funds or securities are maintained. If you wish to use our investment advisory services, you generally will sign a client services agreement detailing the exact terms of the services provided to you.

APA and your representative do not act as custodians for any Asset Management Services Accounts. Generally, TD Ameritrade Inc., Charles Schwab & Co., Inc., Fidelity Institutional Wealth Services or another qualified custodian maintains custody of funds and securities. We have also entered into agreements with insurance companies that allow for managing and valuing your variable annuity accounts within the Asset Management Services program. The insurance companies' custodians maintain custody of all variable annuity accounts.

The account is managed by us based on your financial situation, investment objectives and risk tolerance, and we will need to obtain certain information from you. You are responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective, although your representative will contact you at least annually to discuss these matters. Your representative is always reasonably available to consult with you regarding the status of your account. You have the ability to impose reasonable restrictions on your account, including the ability to instruct us not to purchase certain securities. You are responsible for notifying us if you wish to impose or modify existing investment restrictions.

Your investment advisor representative will monitor the account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments in the account. Your representative may primarily recommend mutual funds. To the extent mutual funds are used, your representative may seek to purchase no-load or load-waived mutual funds, if available. The annual internal fund expenses may be higher or lower on the no-load/load-waived mutual funds, in aggregate, compared to the purchase or sale of a loaded mutual fund. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Refer to the *Fees and Compensation* section for more information.

It is important that you understand that your investment advisor representative manages investments for other clients and may give them advice or take actions for his or her own personal accounts that is different from the advice provided to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our personal accounts.

Conflicts can arise in allocating investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we cannot lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

The client agreement between you and APA can be canceled by either party at any time. However, services provided continue until written notice of termination is given to the other party. Termination is effective upon receiving notice, although transactions in progress will be completed in the normal course of business. If the client agreement is terminated within 5 business days of signing, you receive a full refund of any investment management fees already charged. If services are terminated, any prepaid, unearned management fees are calculated and promptly refunded based upon the number of days remaining in the billing period after the termination date. Terminating the agreement does not affect the liabilities or obligations of APA, your representative or you arising out of transactions initiated prior to termination or the provision regarding arbitration. These liabilities, obligations and provisions survive any expiration or termination of the agreement. At termination, you have the exclusive responsibility to monitor the securities in the account; APA and your representative have no further obligation to act or provide investment services with respect to those assets.

For information about the investment strategies employed in an Asset Management Services accounts, refer to the *Methods of Analysis, Investment Strategies and Risk of Loss* section.

### **Administrative Services Provided by Orion Advisor Services, LLC**

Arbor Point Advisors has engaged Orion Advisor Services, LLC ("Orion") to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, payable reports, website administration, models, trading platforms and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion has access to client accounts, but Orion does not serve as an investment advisor to Arbor Point Advisors clients.

Orion charges Arbor Point Advisors a fee for each account administered by Orion. The annual fee is paid from the portion of the management fee retained by Arbor Point Advisors. If your account is a new account transferred to TD Ameritrade, the annual fee charged by Orion is paid by TD Ameritrade for the first full year of your account. Please refer to Brokerage Practices for more details.

Orion's parent company, NorthStar Financial Services Group, LLC, maintains a minority ownership interest in Arbor Point Advisors. Such interest may create a conflict of interest when Orion works with Arbor Point as any decision to utilize Orion's services is therefore not based solely on the services Orion provides.

### **Fees and Compensation**

Fees for management services programs are based on the complexity of your financial situation, services provided, experience and standard fees charged by your investment advisor representative and the nature and total dollar asset value of the assets maintained in your account. You and your representative can negotiate the fee and so fees will vary from client to client. The exact fee charged or fee schedule used is disclosed to you prior to services being provided.

Commissions and/or transaction ticket fees charged by the broker/dealer are billed directly to your account by the broker/dealer. APA does not receive any portion of such commissions or fees from you or the broker/dealer. In addition, you can incur certain charges imposed by third parties other than APA in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees and charges imposed by the broker/dealer-qualified custodian(s) of your account. Management fees charged by APA are separate and distinct from such fees, including fees and expenses charged by investment company securities that may be held in your account. APA does not receive any portion of such fees. A description of those fees and expenses are available in each investment company's security prospectus. The ongoing management fee for investment management services may cost more than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold strategy for the account or do not wish to receive ongoing investment advice or management services, you should consider opening a brokerage account rather than an advisory account. Fees charged in our programs may be more than the cost of purchasing the same services separately. The fees charged vary among our programs, and you may be able to obtain similar services for a lesser fee from other advisors.

Our firm can also invest a portion of your assets in mutual funds, exchange traded funds or variable annuities and charge a management fee on your assets invested in these securities. Therefore, you will pay two levels of fees for management of your assets, one directly to our firm and one indirectly to the managers of the mutual funds, exchange traded funds or variable annuities held in your portfolios. The underlying portfolio assets may be bought directly through the mutual fund company or variable annuity company. You could generally avoid the second layer of fees by making your own decisions regarding the mutual fund, exchange traded fund or variable annuity investment. However, in that case, you would not receive the investment management services provided by your representative.

APA will not impose an asset-based advisory fee on unit investment trusts (UITs) and variable annuities that were subject to an up-front load or sales charge and sold by an SAI representative at the time of purchase. Any variable annuity that had an asset-based advisory fee prior to June 9, 2017, may continue to be charged. Variable annuities that were purchased with an advisory share class (e.g., I shares) may be linked for the purpose of collecting a management fee and/or exercising discretion. Please consult with your representative if you have any questions regarding this policy.

In addition, APA will exclude the value of any investment it designates as an "alternative investment product" from an asset-based advisory fee if you purchased it in a commission-based account through a registered representative of SAI and then transferred it to an advisory account. However, if an alternative investment product was purchased at net asset value (NAV) (in other words, purchased with no commission), then that alternative investment product can be subject to an asset-based advisory fee.

Representatives can receive either an advisory fee or a commission, but not both. If an adviser received an upfront commission, or is receiving ongoing trail commissions or 12b-1 fees, the advisor cannot charge an additional advisory fee. In addition, advisors using third-party money managers for funds held directly with the product sponsor cannot receive an additional solicitor's fee if they received an upfront commission, ongoing trails or 12b-1 fees. Representatives can charge advisory fees and/or receive solicitor's fees for advisory class products that do not pay upfront commissions or ongoing trails, such as institutional mutual fund share classes and advisory share class variable annuities.

Representatives can recommend that products on which they previously received a commission be converted to a fee-based advisory account. This recommendation can be deemed to be a conflict of interest, and we manage the conflict through written disclosure to you and by imposing reasonable controls designed to monitor for this activity. Mutual funds moved from a commission account to a fee-based advisory account will be converted to a lower-cost share class. Recently purchased A share mutual funds, however, cannot be transferred to fee-based accounts. Other commissionable products can be transferred in-kind to an advisory account (i.e., equities and ETFs) but will have a look-back period, and recently received commissions will be reimbursed to the client. We do not allow the systematic



conversion of recently purchased commission-based products to fee-based advisory accounts. "Recently purchased" is defined as a minimum of 90 days with a best practice of 12 months; this time can be extended back further to address the best interest standard.

In addition to an asset-based advisory fee, you can incur brokerage commissions, transaction charges and other fees, including "ticket charges," related to the purchase and sale of stocks, bonds and other securities. More specifically, stocks, bonds and other securities traded in advisory accounts can be subject to commissions, mark-ups and mark-downs. With respect to mark-ups and mark-downs, they are paid to market makers and neither APA nor SAI receive any portion of the mark-ups or mark-downs.

APA representatives will either absorb commissions, transaction charges and other fees (in other words, the representative pays the commissions, transaction charges or other fees) or the commissions, transaction charges and other fees will be in addition to the investment management fee (in other words, you pay these commissions, transaction charges or other fees). However, commissions, transaction fees and other fees that are charged to you prior to the holdings being in an advisory account will not be waived or credited toward the investment management fee. Please contact your representative for more information about commissions and transaction charges.

While APA (or an entity on its behalf) has designed reasonable controls to monitor for the accuracy of advisory fees, we also encourage you to check the accuracy of your advisory fee billings.

#### Fees for the Asset Management Services Program

The maximum annual fee charged in the Asset Management Services Program is 3%. Our advisor representatives can charge either (1) a fixed flat percentage fee on the total assets in the account, (2) a tiered fee schedule where the fee is calculated by applying different (decreasing) rates to different portions of the account (tiers) or (3) a linear fee where the percentage-based fee is lowered as asset volume thresholds are met. In a tiered fee schedule, assets in each tier are charged at the tier's corresponding rate. In a linear fee schedule, once when assets in the account exceed a set threshold, all of the assets are then charged at the lower percentage rate. Your representative can choose to "bundle" related Asset Management Services accounts for you to achieve a break on management fees. Account bundling can be done on accounts with the same fee schedule and with clients in the same immediate family or under the same qualified plan. When accounts are bundled, the total average daily balance for all of the bundled accounts is used to determine the fee based on the fee schedule. This percentage is then applied to each account and the fee is charged to each respectively.

APA retains up to 0.25% of the representative's annualized management fee as compensation for providing administrative and support services. APA and the representative then splits the balance of the annualized management fee by a pre-determined payout schedule. Account bundling does not reduce our administrative fee; each account is priced separately for purposes of our administrative fee.

Management fees are billed in advance or arrears, as disclosed in the fee schedule, with the exception of the initial fee. The initial fee is billed in arrears based on the number of days that services were provided during the first billing period. Fees are calculated at the beginning of each period (monthly or quarterly) based on either the Average Daily Balance (ADB) or the Period Ending Balance (PEB) of the account assets under management for the previous period. APA retains the right to change the basis (ADB or PEB) upon which the management fee is calculated and/or the timing of billing (advance or arrears).

The market value of variable annuity accounts included in your portfolio can be included in calculating management fees. APA might not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In limited circumstances, management fees on certain variable annuity accounts can be based on the weekly or monthly average balance. You can pay more or less in management fees charged when the pricing is based on a weekly or monthly average balance compared to management fees charged when the pricing is based on the ADB. The ADB does not take into account unpriced securities or any days when accounts have a zero balance. You can also be assessed ticket charges on account transactions and other miscellaneous charges by the qualified

custodian on account transactions. Miscellaneous charges can include custodial fees levied by the custodian, and account assets can also be subject to additional fees and expenses as explained in the prospectus for mutual funds or exchange traded funds. At its discretion, APA and/or the investment advisor representative can exclude certain assets from the calculation of management fees.

Management fees are automatically deducted from your account according to authorization provided in your agreement for services. On an exception basis, you may have your management fees paid from other accounts or billed directly by invoice. In such cases, management fee debits will be noted as zero on account statements. However, any method of paying management fees other than deducting them from your account can result in additional charges being imposed to cover associated administrative costs. Management fees cannot be withdrawn or deducted from any variable annuity that is part of the account or which is being managed by your representative.

If fees are deducted from an account, clients agree to maintain cash in an account investment vehicle to pay for fees and any other charges. If a client has not maintained adequate cash in the account to pay fees or other charges, APA reserves the right to direct the broker/dealer-custodian to liquidate a portion of the other account assets to cover those costs.

Depending on the investment services provided and on the custodian selected by client, assets in excess of a threshold amount (as determined from time to time by APA) deposited into or withdrawn from the account by the client can be charged or refunded a pro-rated portion of the management fee based on the number of days during the billing period the assets were held in the account.

#### Sub-Advisor Fees in the Asset Management Services Program

Fees charged by an outside money manager or sub-advisor will be fully disclosed to the client. Sub-advisory or money manager fees can be paid by the investment advisor representative from the management fee he or she receives as disclosed in the client fee schedule. Paying fees to a money manager or sub-advisor may result in increased fees to the client. If such outside money manager or sub-advisor fees are not included in the management fee received by the representative, then the client is solely responsible for their payment.

#### Brokerage, Custodial and Clearing fees

Commissions and other transaction charges, and any charge relating to the custody of securities in the account can be paid by the investment advisor representative from the management fee received. If the representative discloses that such fees are not included in the management fee charged, the brokerage commissions and/or transaction ticket fees charged by the broker/dealer-custodian are billed directly to the client's account by the broker/dealer-custodian. APA and its representative do not receive any portion of such commissions or fees from the client or the broker/dealer-custodian.

#### **Compensation for the Sale of Securities or Other Investment Products**

Your representative receives compensation as a result of your participation in our programs or for providing advisory services to you. Fees for investment supervisory services may vary and may be more than the cost of purchasing the same services separately. You may be able to obtain similar services for a lesser fee from other advisors not affiliated with APA or SAI. The amount of compensation APA or your representative can receive in a particular program may be more than would be received if you participated in other APA programs or paid separately for investment advice, brokerage and other services. For example, we have a conflict of interest by only offering those third-party money managers that have agreed to pay a portion of their advisory fees to us and have met the conditions of our due diligence review. In addition, we can have an incentive to recommend a money manager that agrees to allocate a higher portion of the total fee to our firm over other money managers that allocate a lower percentage to our firm. There may be other

third-party money managers that are suitable for you and/or may be more or less costly. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered.

The amount of compensation APA or your representative receives in a particular program or for a particular service can be more than would be received if you participated in other APA programs or paid separately for investment advice, brokerage and other services. Your representative has no obligation to promote or use one money manager over another. You may want to consider the following factors when determining the reasonableness of the fees charged:

- The cost of developing investment strategies and managing the assets.
- The cost of producing performance reports covering the managed assets.
- The cost of administrative, marketing and website services.
- Transaction and custody costs or other miscellaneous fees, taxes or charges, as well as commissions or mark-ups and mark-downs on the buy and sale of securities. Neither APA nor SAI receive any portion of mark-ups or mark-downs but market makers may receive this type of compensation.
- The value of the services provided in assisting you in designing, establishing and monitoring the managed assets.
- The cost of the additional administrative, marketing, asset management and other support services that may be provided in the management of a program account.

Your representative is a registered representative of SAI and able to effect securities transactions and receive commissions in that separate capacity. Your representative may also be licensed as an insurance agent and sell insurance products for commissions in that separate capacity. SAI registered representatives have the discretion to determine the amount of commission charged to clients on products including mutual funds or insurance products.

Receiving compensation from a variety of sources can be considered a conflict of interest. In addition to the advisory fees disclosed in your advisory agreement or commissions you pay for the purchase of securities and insurance products, your representative can receive additional compensation (including bonuses and non-cash compensation) for selling certain securities or other investment products. Examples of non-cash compensation may include receiving due diligence and/or marketing allowance payments from certain sponsors. While the arrangements with each sponsor may vary, each product sponsor may pay a due diligence or marketing allowance fee based upon the amount of assets held at the sponsor or on the gross amount of each sale, depending upon the product. In certain cases, additional payments are paid or directed to APA or SAI for selling these products. This can create a conflict of interest based on the amount of compensation APA or SAI receives when recommending one investment product over another. As a result, certain incentives and conflicts of interest can exist for your representative if you buy certain products or services recommended by him or her. We encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

## **Other Fees**

Investment advisor representatives can sell various investment products offered by subsidiaries of LTFS. Representatives can make referrals for investment banking services and trust services through LTFS and/or its subsidiaries. SAFC, the parent of SAI and APA, is a wholly-owned subsidiary of LTFS and, therefore, a potential conflict of interest can exist when representatives recommend these products or services. Due to the interrelationship of these entities, conflicts of interest may arise that are not readily apparent to you. Through SAI and LTFS, SAFC can engage in marketing re-allowance or sponsorship arrangements with third parties, sub-advisors and brokerage firms to promote the distribution of investment products, including variable annuity and insurance products, mutual funds, managed accounts and customized portfolios. These additional engagements may not necessarily result in additional assets under management with our firm. However, representatives are under no obligation to sell these products or to meet any selling quotas related specifically to these products. We encourage you to review this Brochure closely and discuss any potential conflicts of interest with your representative.

An outside third party money manager recommended by our firm may use our broker/dealer affiliate SAI and investment advisor representatives who are also SAI registered representatives to implement recommended transactions for separate compensation, provided that the use of SAI is consistent with the manager's obligation of best execution. We recognize your unrestricted right to select and choose any broker or dealer you wish, except in situations where we or a recommended manager is given discretionary authority over your account. However, no manager is under any obligation to use our broker/dealer affiliate for any securities transactions.

Representatives may receive fees for referring you to Premier Trust for trust services. Representatives may also receive fees for referring you to Ladenburg Thalmann for investment banking services or Ladenburg Thalmann Asset Management's \$ymbol Program. These fees may be paid on an ongoing basis and may continue even if your relationship with the representative and/or Securities America is terminated.

Your representative and APA can refer you to a third party lending institution should you wish to obtain a loan using your securities as collateral. APA can receive a fee for such a referral; any fee received will not reduce your advisory management fee. Additionally, similar securities-based loans may be available to you for a lower overall cost from other providers. If the assets securing the loan are in an advisory account, the management fee is still being assessed to the entire account, plus any interest charged by the third party lender.

Certain securities, such as over-the-counter stocks and fixed income securities are traded primarily in "dealer" markets. In such markets, securities are directly purchased from, or sold to, a financial institution acting as a dealer or "principal." Dealers executing principal trades typically include a "mark-up," "mark-down," and/or spread in the net price at which transactions are executed. Your representative can recommend certain bond trade transactions on a discretionary or non-discretionary basis using the Ladenburg Thalmann Fixed Income desk. In these instances, our affiliate, Ladenburg Thalmann & Co., Inc. (LTCO) executes a transaction for a security traded in the dealer markets; LTCO will either execute the transaction as agent through a dealer unaffiliated with LTCO or as principal in accordance with applicable law. Those accounts covered under the *Employee Retirement Income Security Act of 1974*, as amended (ERISA) are exempt from principal transactions. Clients in our advisory program may not pay commissions or separate transaction charges to LTCO in connection with these transactions; however, the client will bear the cost (including any mark-up, mark-down, and/or spread) imposed by the dealer as part of the price of the security. Thus, the dealer will receive compensation in connection with most principal trades. APA has a conflict of interest in using an LTCO to execute principal transactions because LTCO will receive compensation in connection with the trade as dealer, which is in addition to the advisory program fee. For more information about how this conflict of interest is addressed, see the *Policy Regarding Engaging in Principal Trading Involving Advisory Accounts* section below.

## Offerings and Special Transactions

Clients can purchase securities through broker/dealers in initial public offerings, secondary offerings and special purpose acquisition company transactions. An affiliate of our firm may act as an underwriter or manager for such offerings and, as such, will receive compensation equal to either all or a portion of "gross spread" (the difference between the price the client pays for the security and the price at which it purchased the securities). Our firm may also receive a portion of the gross spread as a member of the selling syndicate. The advisory fee is not reduced to offset this compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement.

Our firm may share a portion of payments received from a mutual fund or in connection with an initial public offering, a secondary offering, and/or a private placement with your investment advisor representative. This conflict of interest is heightened when your representative recommends securities where our firm is a member of the selling syndicate because your investment advisor representative typically receives more compensation in connection with these securities than in connection with other types of securities. Your representative can also have a heightened conflict of interest when recommending funds that pay compensation because he or she may receive a portion of that compensation. Your investment advisor representative can favor certain clients when offering initial public offerings,

secondary offerings and other follow-on offerings. Trade allocation is determined on a basis that is fair, reasonable and equitable to those selected clients and that meets the clients' investment objectives. Factors such as the size of the account and the account's investment objectives may be taken into account when allocating investments. When an order is only partially filled, the security is allocated to accounts pro-rata to the allocation of the original order quantities. Commission and transaction costs are allocated to each account pro-rata.

With respect to initial public offerings, secondary offerings and other follow-on offerings, an allocation pro-rata to the original order quantity is applied where demand exceeds supply. Where it is not possible to apply this policy in any particular trade, efforts made to allocate the next investment opportunities so that clients participating in the offerings over time, irrespective of account size, receive equitable treatment in the filling of orders.

## Retirement Services

Our representatives also provide services to clients' retirement accounts, such as individual retirement accounts (IRAs) and retirement plans. Our services to IRA clients include those described above. Please note: a client leaving an employer typically has four options (and may engage in a combination of these options):

- (i) Leave the money in the former employer's plan, if permitted
- (ii) Roll over the assets to the new employer's plan, if one is available and rollovers are permitted
- (iii) Rollover to an IRA
- (iv) Cash out the account value (which could, depending upon the client's age, result in adverse tax consequences)

Our representatives may recommend an investor roll over plan assets to an IRA which our representative would manage. As a result, we may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer, or roll the assets to a plan sponsored by a new employer will generally result in no compensation to us (unless we are engaged to monitor and/or consult on the account while maintained at the existing plan). Therefore, our representatives may have an economic incentive to encourage an investor to roll plan assets into an IRA that we will manage or encourage an investor to engage us to monitor and/or consult on the account maintained at the existing plan.

There are various factors that we can consider before recommending a rollover, including but not limited to:

- (i) The investment options available in the plan versus the investment options available in an IRA
- (ii) Fees and expenses in the plan versus the fees and expenses in an IRA
- (iii) The services and responsiveness of the plan's investment professionals versus ours
- (iv) Strategies for the protection of assets from creditors and legal judgments
- (v) Required minimum distributions and age considerations
- (vi) Employer stock tax consequences, if any

The following exception to the early withdrawal penalty applies only to distributions from a qualified retirement plan other than an IRA: distributions made to you after you separated from service with your employer if the separation occurred in or after the year you reached age 55. No client is under any obligation to rollover plan assets to an IRA managed by us or to engage our representative to monitor and/or consult on an account maintained at an existing plan. Please note that a recommendation to roll assets out of an employer-sponsored plan into an IRA will most likely result in more expenses and charges than if the assets were to remain in the plan.

You should speak to your representative to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. Arbor Point Advisors does not charge or accept performance-based fees.

We do not provide side-by-side management of mutual funds and other assets.

## **ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **Types of Clients**

We generally provide investment advice to:

- (1) Individuals;
- (2) High net worth individuals
- (3) Banks or thrift institutions
- (4) Pension and profit sharing plans
- (5) Trusts, estates, or charitable organizations
- (6) Corporations or business entities
- (7) State and municipal governmental entities

### **Account Minimums**

A minimum of \$25,000 is required to open an Asset Management Services Program account. However, exceptions to this minimum can be granted if negotiated between yourself, APA and your representative. If the market value of the account falls below the stated minimum, APA has the right to require that additional monies or securities be deposited to bring the account value up to the required minimum. APA also has the option to terminate the account.

## **ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION**

In the Asset Management Services Program, your representative serves as the portfolio manager and is selected by you at the time you enter into an agreement with our firm to manage your account. Your representative manages your portfolio and determines which investments are bought, sold, reallocated or redeemed. Refer to the *Investment Analysis* section for more information.

## **ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

The principal source of information used by your representative is the data provided by you, such as your personal data, assets and liabilities, income expectations, short-term and long-term financial goals, risk tolerance associated with goals and other relevant information. This information is collected as part of the new account form or subsequent account updates. Your representative uses this information to make decisions to buy, sell, redeem or reallocate the portfolios based on changing market conditions, client specific changes to their suitability and financial information. If you wish to update your suitability and financial information, or place or update any reasonable restriction on the account, please contact your representative. Your representative will then evaluate whether or not to change your investment portfolio based on the updated information.

## **ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

There are no restrictions on your ability to consult with your representative.

## **ITEM 9. ADDITIONAL INFORMATION**

### **Disciplinary Information**

Arbor Point Advisors has no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity. In the normal course of business, our parent company, SAFC, and some of its subsidiaries are involved in legal, regulatory and arbitration proceedings, including class actions, concerning matters arising in connection with the conduct of its activities.

### **Other Financial Industry Activities and Affiliations**

#### **Financial Industry Activities**

APA conducts activities with some affiliates who are "related persons" as defined on the SEC's Form ADV Instructions. These activities can be material to our investment advisory business or our advisory clients. These affiliates include companies under common control with us by virtue of their status as subsidiaries of Securities America Financial Corporation. Arbor Point Advisors, LLC, Securities America Advisors, Inc. and Securities America, Inc. are subsidiaries of Securities America Financial Corporation, as more fully described below.

#### **Securities America, Inc.**

SAI is a full-service, introducing broker/dealer, member of FINRA and SIPC. Investment advisor representatives of Arbor Point Advisors are also registered as securities representatives with SAI. All commission-based brokerage transactions are processed by SAI and cleared by National Financial Services, LLC (NFS) or Pershing, LLC (Pershing). NFS and Pershing are not affiliated with APA or SAI. When placing securities transactions through SAI in their capacity as registered securities representatives, APA investment advisor representatives are allowed to earn sales commissions. OSJ managers (supervisors) who are responsible for the direct supervision of your representative can receive a percentage of commissions or fees as an override to compensate them for their supervisory services. This can be perceived as a conflict of interest. However, your representative and his or her supervisor maintain their independence through their commitment to meeting their client duties and regulatory obligations. Paying an override, fee or commission is not the determining factor when making a recommendation or providing investment advice. However, you should discuss any conflict of interest with your representative prior to following any recommendation or investment advice. You are under no obligation to purchase products or services recommended by your representative.

SAI is also a licensed insurance agency and the associated persons of SAI and APA may also be independently licensed to sell insurance products through various insurance companies. When acting in these capacities, commissions are paid to SAI for selling these products.

The compensation received from SAI can create a conflict of interest whenever an associated person recommends an insurance or investment product through SAI. You are under no obligation to purchase insurance products or services recommended by your representative.

#### **Securities America Advisors, Inc.**

APA is under common ownership with another investment advisor firm, Securities America Advisors, Inc., which is also owned by SAFC. APA's principal office and place of business is the same as SAA, and we share officers and home office employees with SAA. In addition, some of our investment advisor representatives may also be licensed with SAA. Although our services are similar to those provided by SAA, our investment advisor representatives do not provide advisory services for SAA or utilize the programs sponsored by SAA.

### Other Financial Industry Affiliates

SAFC is a wholly-owned subsidiary of Ladenburg Thalmann Financial Services. Ladenburg Thalmann Financial Services provides financial products and services through subsidiaries and several of those are registered as investment advisors, broker/dealers, an investment company, a trust company, and insurance companies or agencies.

Other companies owned by Ladenburg Thalmann Financial Services and thus affiliated with Arbor Point Advisors are:

Ladenburg Thalmann Asset Management (LTAM)	100% owned by LTFS
Ladenburg Thalmann Fund Management, LLC (LTFM)	50% owned by LTFS
Ladenburg Thalmann & Co., Inc. (LTCO)	100% owned by LTFS
Ladenburg Capital Agency Inc.	100% owned by LTFS
Ladenburg Thalmann Annuity Insurance Services LLC	100% owned by LTFS
Ladenburg Thalmann Alternative Inc.	100% owned by LTFS
Triad Advisors, Inc.	100% owned by LTFS
Triad Hybrid Solutions, LLC	100% owned by LTFS
Highland Capital Brokerage	100% owned by LTFS
Investacorp, Inc.	100% owned by LTFS
Investacorp Advisory Services	100% owned by LTFS
Premier Trust, Inc.	100% owned by LTFS
KMS Financial Services, Inc.	100% owned by LTFS
Securities Services Network, Inc.	100% owned by LTFS
SSN Advisory, Inc.	100% owned by LTFS

Ladenburg Thalmann Asset Management ("LTAM"), Investacorp Advisory Services, Triad Advisors, Inc., Triad Hybrid Solutions LLC, SSN Advisory, Inc. and KMS Financial Services, Inc. are SEC registered investment advisors and are wholly owned subsidiaries of LTFS. Ladenburg Thalmann Alternative Inc. is also an investment advisor but is exempt from registration due to its limited regulatory assets under management. LTAM owns 50% of Ladenburg Thalmann Fund Management, LLC, which is a registered investment advisor. We are also affiliated with LTCO, Investacorp, Inc., Triad Advisors, Inc. KMS Financial Services, Inc. and Securities Services Network, Inc., which are registered full service broker/dealers. Triad Advisors, Inc. is also a licensed insurance entity as is Ladenburg Capital Agency, Inc. and Highland Capital Brokerage. Ladenburg Thalmann Annuity Insurance Services LLS is a full-service processing and marketing firm for fixed and equity-indexed annuities.

Due to the interrelationship of these entities, conflicts of interest may arise that are not readily apparent to the client. In the course of its business operations, SAFC, through SAI, SAA, APA and LTFS, can engage in marketing reallowance or sponsorship arrangements with third parties, sub-advisors and brokerage firms to promote the distribution of investment products, including variable annuity and insurance products, mutual funds, managed accounts and customized portfolios. These additional engagements have the potential to, but may not necessarily, result in additional assets under management with our firm. Therefore, a potential conflict of interest may exist when investment advisor representatives recommend these products, as LTFS stands to receive earnings from the internal fees of the recommended securities as well as earnings from a portion of the investment advisory fee received by our



firm. Refer to the section titled "*Compensation for the Sale of Securities or Other Investment Products*" for more information.

Arbor Point Advisors also has an indirect relationship with CLS Investments, LLC (CLS), a registered investment advisor. CLS's parent company, NorthStar Financial Services Group, LLC (NorthStar) owns a minority interest in APA and certain officers and managers of NorthStar and/or CLS may also be involved in the operations or management of APA. In addition, NorthStar is the sole indirect owner of FTJ Fundchoice, LLC (FTJ), a registered investment advisor, making FTJ an affiliate of CLS. CLS has model portfolios available in FTJ's Strategist Program and Arbor Point Advisors representatives may use these model portfolios when providing services to their clients. NorthStar is also the parent company of Orion Advisor Services, LLC, and both FTJ and Arbor Point Advisors use Orion's technology platforms for back office support services. These direct and indirect affiliations between Arbor Point Advisors, NorthStar, Orion and FTJ can create a conflict of interest.

Your investment advisor may refer you to LTCO for investment banking services and receive a finder's fee in his or her capacity as a registered representative of SAI.

Your investment advisor representative can recommend Premier Trust to provide trust and administrative services. Premier Trust provides full disclosure with respect to its trust and administrative services and related costs.

LTFS is a publicly traded company with a substantial interest, both financial and with respect to its reputation, in assuring new and/or additional shares of their securities are being purchased. Our investment advisor representatives can recommend LTFS securities on a non-discretionary basis. We can have an incentive to recommend investment in these offerings because of our affiliation with LTFS rather than investment based on a client's needs. To address this conflict, we have policies and procedures in place to make sure securities in LTFS securities are recommended only to clients for whom they are suitable given the client's investment objectives and assets.

Furthermore, because of our affiliation with LTFS, clients might infer a recommendation is being made based on private information known to our investment advisor representative because of the affiliation. Our representatives generally do not have access to material non-public information concerning LTFS or their securities. Any recommendation based on such material non-public information would be considered insider trading and a violation of industry regulations. Should our representative become aware of such information they are prohibited from using it in any way. Clients should understand any recommendation to purchase LTFS securities must be based solely on the client's financial needs.

Your investment advisor representative may also recommend that clients invest in securities issued in an initial public and secondary offering (new issue) transactions for which LTCO, an affiliated broker/dealer, acts as a manager, an underwriter and/or a member of the selling syndicate or APA or SAI may also act as a member of the selling syndicate. Our firm has a conflict of interest when recommending these securities for several reasons. First, our affiliated broker-dealer, LTCO, receives all or a portion of the gross spread – the difference between the price that the client pays for the security and the price that LTCO purchases the security for -- in connection with such sales. This gross spread is generally 7%, but may be higher or lower in connection with certain offerings. If our firm is a member of the selling syndicate, we also receive a portion of the gross spread. Your investment advisor representative generally receives a portion of this compensation in his or her capacity as a registered securities representative for SAI. In addition, LTCO has a substantial interest—both financial and with respect to its reputation—in assuring that the offering is successful by having a large number of the securities purchased. Finally, in connection with certain offerings, LTCO has an obligation to purchase and resell a certain number of securities. Thus, because of our affiliation with LTCO, we can have incentives to recommend investments in these offerings for these reasons, rather than based solely on a client's needs. To address these conflicts, we have policies and procedures in place to make sure that securities in initial public offerings are recommended only to clients for whom they are suitable given the client's investment objectives and assets. In addition, clients are generally given transaction specific disclosure prior to the client's decision to invest in such securities.

Recommendations made to purchase these investments create a conflict of interest because LTAM and SAI generally receive more compensation in connection with the purchase of these funds than they do in connection with the purchase of other funds. In addition, these funds pay fees in connection with services or distribution, such as 12b-1 fees. These fees are paid to SAI as broker/dealer. To the extent allowed by applicable law, your investment advisor representative may receive part of the compensation paid to SAI in his or her capacity as a registered securities representative of SAI. SAI and Arbor Point Advisors have policies and procedures to address such conflicts of interest. These additional engagements have the potential to, but may not necessarily, result in additional revenue to our firm or an affiliate.

The principal executive officers, other employees and representatives can be separately licensed as registered representatives and registered principals of SAI and/or agents or brokers of various insurance companies. As such, these individuals are able to effect securities transactions and can receive separate compensation when doing so. These individuals can spend the majority of their time involved in all or a portion of these activities.

The majority of Arbor Point Advisors' investment advisor representatives are independent contractors and not employees of APA or SAI. Some representatives can be employees of Arbor Point Advisors or our affiliated broker/dealer. Representative may own, operate, be employed by or otherwise maintain affiliations with other business entities such as insurance agencies, law firms, real estate or mortgage companies, financial planning firms, investment advisors and/or accounting firms. Many of these representatives market their services under a different marketing name and/or as an outside business activity.

Arbor Point Advisors conducts its business through a network of independent investment advisor representatives who operate offices located throughout the United States. The representatives may operate under their own business name(s) or "doing business as" names (DBAs). These business names, DBAs and logos may appear on their sales and marketing materials and the representatives may offer and provide other services through those business names and DBAs. However, the representatives must disclose on all materials and correspondence that advisory services are offered through Arbor Point Advisors, LLC. All sales and marketing materials used by the representatives are reviewed and approved by Securities America home office personnel. The business names, DBAs and logos used by the representatives are separate from and are not owned or controlled by Arbor Point Advisors. Information about the representatives' other businesses can be found in their respective Form ADV Part 2B Supplemental Brochure, which also contains more detailed information about their educational backgrounds, business experience and disciplinary history (if any).

## **Other Affiliations**

### **Banking or Thrift Institution**

Our brokerage affiliate, SAI, markets its services through banks and thrifts. In some circumstances, investment management services are also marketed through these banks and thrifts, provided that such marketing is done in compliance with applicable SEC and state regulations.

### **Accounting Firm**

Representatives may be separately licensed as accountants and may offer accounting services to advisory clients for separate and typical compensation. You are not obligated to use any of these individuals to provide accounting services.

### **Law Firm**

Representatives may be separately licensed as attorneys and, as such, may offer to provide legal advice for separate and typical compensation. You are not obligated to use any of these individuals to provide legal services.

### Insurance Company or Agency

Some principal executive officers, investment advisor representatives and other employees of our firm are agents and/or brokers of various insurance companies. Some individuals are able to effect insurance and/or annuity transactions if you elect to have insurance recommendations implemented. In this separate capacity, your investment advisor representative may suggest that you purchase disability insurance, life insurance, annuities or other insurance products. If you do so and elect your representative to implement transactions, he or she can receive commissions. Receiving commissions in this separate capacity creates an incentive for your representative to recommend those products and so he or she can have a conflict of interest and the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment advisor representative.

We have arrangements that are material to our advisory business with related persons who are insurance companies and agencies. SAI, our broker/dealer affiliate, is also a licensed insurance agency and may receive commissions in connection with the sale of fixed insurance products by registered representatives who are licensed to sell these products. SAI, in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for marketing, training and distribution support. None of these additional payments are paid or directed to any registered representative/insurance agent who sells these products. The registered representative/insurance agent does not receive a greater or lesser commission for sales of these insurance products from which our broker/dealer affiliate receives revenue sharing payments. However, the marketing, educational and distribution activities paid with revenue sharing could potentially lead a registered representative/insurance agent to focus more on products offered by insurance sponsors that make revenue sharing payments to our broker/dealer affiliate, than those of sponsors that do not make such payments when recommending insurance products to their clients.

### Pension Consultant

Representatives may be separately engaged in providing pension-consulting services. If you are in need of these services, you may engage these individuals for separate and typical compensation. You are not obligated to use any of these individuals to provide this service. In addition, representatives may establish relationships with outside parties that provide pension-consulting services. In such instances, representatives may refer you to pension consultants and may receive a solicitor referral fee. Such arrangements are fully disclosed to you at the time of referral.

### Real Estate Broker or Dealer

Representatives may be separately licensed as real estate agents. As such, these individuals will, for a separate commission or fee, provide real estate brokerage and/or appraisal services for clients who require these services. You are not obligated to use these individuals for real estate services.

### Recommendation or Selection of Other Investment Advisers for Our Clients and Compensation Received

For a discussion of our compensation arrangements involving the recommendation or selection of other investment advisers for our clients, refer to the section titled *Client Referrals and Other Compensation*.

### Board of Directors

Members of the Securities America Board of Directors may serve as board members for several of our affiliated companies. There may be a perceived conflict of interest. You should be aware that the Board of Directors does not make decisions for our firm without following the process set forth in our firm's by-laws.

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

### Our Approach to Conflicts of Interest

Conflicts of interest that may arise in the course of providing investment management services are described throughout this Brochure, as are some of our policies and procedures designed to address specific conflicts of interest, such as our Code of Ethics and personal trading practices.

We have a compliance program in place that is intended to identify, mitigate and, in certain instances, prevent actual and potential conflicts of interest, ensure compliance with legal and regulatory requirements and ensure compliance with client investment guidelines and restrictions. Our compliance program includes written policies and procedures that we believe are reasonably designed to prevent violations of applicable law and regulations.

We maintain various committees which provide oversight and review of compliance across functional boundaries, including several operating committees whose membership is comprised of personnel from the impacted business area(s). These committees receive input from compliance and legal as appropriate to help ensure compliance with some of these policies and procedures. Some of the key committees (or subcommittees) supporting our compliance program efforts include those committees (or subcommittees) responsible for trading, best execution and new products.

### Code of Ethics

We have established a Code of Ethics to comply with the requirements of Section 204A-1 of the Investment Advisers Act of 1940 (Advisers Act) reflecting our fiduciary obligations and those of our supervised persons and requiring compliance with federal securities laws. Our Code of Ethics covers all individuals who are classified as "supervised persons." Arbor Point Advisors officers, directors, representatives and their associated persons are classified as supervised persons. We require our advisory affiliates and their supervised persons to consistently act in their clients' best interests in all advisory activities. We impose certain requirements on our advisory affiliates and supervised persons to ensure they meet the firm's fiduciary responsibilities to their clients. The standard of conduct required is higher than that ordinarily required and encountered in commercial business and includes compliance with applicable federal securities laws and regulations and with the Code of Ethics. Under the Code of Ethics, supervised persons are required to report their personal securities holdings and transactions, may be required to pre-clear certain investments, or may be restricted with respect to the timing of certain investments or prohibited from making certain investment. All supervised persons are required to conduct all personal trades through designated broker/dealers unless an exception has been granted.

This response is only intended to provide you with a summary description of our Code of Ethics. If you wish to review our Code of Ethics in its entirety, a copy may be obtained by calling us at (402) 399-9111 or writing to the RIA Compliance Department at Arbor Point Advisors, 12325 Port Grace Blvd., La Vista, NE 68128.

### Participation or Interest in Client Transactions

Representatives can sell mutual fund, unit investment trust and insurance products offered by subsidiaries of LTFS. Therefore, a potential conflict of interest may exist when Arbor Point Advisors investment advisor representatives recommend these products because LTFS stands to receive earnings from the internal fees of the recommended securities as well as earnings from a portion of the investment advisory fee received by our firm. Representatives are not under any obligation to sell these products or to meet any selling quotas related specifically to these products. Refer to the *Other Financial Industry Activities and Affiliations* section, review this ADV closely and discuss any potential conflicts of interest with your investment advisor representative.

When our representatives recommend third-party money managers to you, those managers determine the brokers to be used for client trades. In certain circumstances, and when consistent with the manager's fiduciary obligation of best execution, trades may be effected through SAI and its registered securities representatives, who receive separate and typical compensation for implementation of these transactions. You should review the third-party money manager's disclosure documents of the third-party money manager to determine if these managers block trade, negotiate

commissions and/or obtain volume discounts. Refer to the section titled *Other Financial Industry Activities and Affiliations*.

#### Policy Regarding Engaging in Agency Cross Transaction in Advisory Accounts

It is APA's policy to prohibit representatives from engaging in agency cross transactions where representatives act as brokers for both buying and selling a single security between two different clients where the representatives are compensated through an agency commission or principal mark-up for the trades. If we adopt a different policy in this area, we will observe all rules and regulations in accordance with the disclosure and consent requirements of Section 206(3) of the Advisers Act. Additionally, we are aware that such transactions can only occur if we can ensure that we meet our duty of best execution for the client.

#### Policy Regarding Engaging in Principal Trading Involving Advisory Accounts

LTCO, our affiliate, acts as a dealer with respect to certain securities, and as such, may execute transactions for APA clients as principal unless the account is covered under ERISA. Principle transactions are prohibited in ERISA accounts. As a dealer, LTCO may receive a "mark-up," "mark-down," and/or spread in the net price at which principal transactions are executed. This compensation is in addition to other compensation paid to APA and its affiliates under your advisory program. Thus, APA has a conflict of interest in deciding to execute trades through LTCO on a principal basis. APA has policies in place to address this conflict of interest in the following ways. After receiving disclosures about a specific principal transaction with LTCO, clients have the opportunity to reject the transaction before it is completed, to the extent required by applicable law. In addition, APA has policies and procedures in place to assure clients receive best execution with respect to principal trades, regardless of whether the trade is executed by LTCO or an unaffiliated dealer.

#### Personal Trading

APA, our representatives and our supervised persons can buy, sell or hold a position in securities identical to the securities recommended to you, at or about the same time that they or a related person buys or sells the same securities for their own or a related person's account. It is APA's policy that no supervised person will put his or her interest before your interests. APA and our representatives may not trade ahead of any client or trade in a way that would cause the supervised person to obtain a better price than the price a client would obtain.

#### **Pre-Clearance and Restricted Securities Policy**

Due to our affiliation with another investment company, investment advisors, and broker/dealers, we maintain a Restricted and Pre-Clearance Equity List which may limit our firm and the investment advisor representative's ability to transact in certain equities on your behalf in a discretionary advisory program. Your representative may not be able to place certain transactions or may experience delays in submitting certain transactions on your behalf based on any pre-clearance or pre-approval requirements implemented by the firm. You may receive a worse price than what you might receive if you placed the transaction through another investment advisor representative not affiliated with SAI and not subject to any trading restrictions. These trading restrictions are subject to change without notice.

#### **Insider Trading Policy**

APA and our supervised persons may come into possession of material non-public information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, our firm and our supervised persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client. Accordingly, should APA or our supervised persons come into possession of material non-public information with respect to any company, we and they are prohibited from communicating such information to, or using such information for the benefit of, our respective clients. We have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, our clients when following policies and procedures designed to comply with law.

APA and our affiliated entities have adopted an "Insider Trading Policy" in accordance with Section 204A of the Advisers Act, which establishes procedures to prevent the misuse of material non-public information by our firm and our supervised persons. If your investment advisor representative maintains a personal investment account with another advisory firm or broker/dealer, your representative must make arrangements with that outside firm or broker/dealer to send at least quarterly statements to SAI. The representative must complete an annual certification concerning their personal securities activities, and provide such additional information about personal trading activities as may be required under the Insider Trading Policy and the Code of Ethics. Supervised persons who violate this policy may be subject to sanctions imposed by our firm.

### **Policy Governing Contributions to Local and State Elected Officials and Candidates**

APA requires that its supervised persons seeking to make a political contribution to or volunteer for a state or local candidate, political action committee or political party pre-clear their political contributions or activity through the firm. We do not require our supervised persons to pre-clear contributions to federal candidates unless the candidate is currently a state or local government official running for federal office. However, we do require supervised persons to notify us of any contributions made to or volunteer activity done on behalf of federal candidates, political action committees or political parties. APA and your investment advisor representative will also be subject to local and state pay-to-pay rules in addition to federal securities rules and regulations.

### **Methods of Analysis**

Security analysis methods may include (1) fundamental analysis, (2) technical analysis and (3) cyclical analysis.

- **Fundamental** – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

- **Technical** – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis because it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness

in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

- Cyclical – This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company rises just before an economic upturn begins and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

The main sources of information include (1) financial newspapers and magazines, (2) inspections of corporate activities, (3) research materials prepared by others, (4) timing services, (5) annual reports, prospectuses and filings with the Securities and Exchange Commission and (6) company press releases.

Your representative has access to third party vendors that provide programs or software to analyze individual securities. We also offer your advisor access to third party vendors that provide support services in portfolio design and strategy implementation. One of our affiliates, LTCO, provides research designed to help clients capitalize on inefficiencies in the market. Their institutional quality research provides their partners with value-added insights that enables their decision-making processes, informs their strategies and allows them to address critical market issues. Your representative may use the services of LTCO in addition to other third-party services made available. Refer to the section titled *Other Financial Industry Activities and Affiliations* for more information about our affiliates.

At the request of Arbor Point Advisors or SAI, Ladenburg Thalmann Asset Management may provide model allocations, including strategy performance and standard deviation information. These model allocations are selected based upon criteria established by Arbor Point Advisors or SAI. Your investment advisor representative can use this information in constructing your portfolio. Ladenburg Thalmann Asset Management may also provide your investment advisor representative with research information pertaining to exchange traded funds traded in the United States.

## Investment Strategies

Various investment strategies can be employed in our programs and when providing advisory services, including (1) long-term purchases (securities held at least one year), (2) short-term purchases (securities sold within a year), (3) trading (securities sold within 30 days), (4) short sales, (5) margin transactions and (6) option writing (including covered options, uncovered options or spreading strategies).

A specific investment strategy or investment policy is determined for you focusing on your specific goals and objectives. Investment strategies and philosophies used in our managed programs or when providing advisory services vary based on the advice provided by your representative. Models and strategies used by one representative can be different than models and strategies used by other representatives. Some representatives limit their advice to mutual funds and

others will provide advice on a full range of securities that include equities, mutual funds, options, fixed income and other types of investments. Some representatives will develop models or strategies that are generally applied to their clients while other representatives will develop individualized portfolios for each client.

Your representative is responsible for developing and determining the investment strategies that will be used when managing your accounts. He or she is responsible for monitoring your portfolios and, when appropriate, reallocating the portfolios based on changing market conditions, changes in your individual circumstances or other factors. If your account is managed on a discretionary basis, reallocations are implemented without prior notice to you. If the account is managed on a non-discretionary basis, you will be consulted prior to any securities being reallocated.

If your individual situation changes, you should notify your representative who will assist you in revising the current portfolio and/or prepare an updated client profile so that he or she can determine if a different model portfolio would be appropriate to your new situation. You may also directly contact the third-party advisor managing the account.

It is important that you understand the concept and risks inherent in exchanging an investment from one position to another. Some investment decisions result in profit and others in losses. APA and your representative cannot guarantee that the objectives of any investment program will be achieved. Furthermore, it is important that you understand that exchanging one mutual fund for shares of another mutual fund is treated as a sale for federal income tax purposes, and that capital gains or losses may be realized unless you are eligible for tax deferral under a qualified retirement plan.

In limited circumstances, your representative or third-party money manager may engage in a strategy involving frequent trading. You should consider the following points before entering into an advisory relationship where such trading occurs:

- Active trading can be extremely risky and is not appropriate for someone with limited resources and limited investment trading or trading experience and low risk tolerance. You should be prepared to lose all of the funds that you invest in securities. In particular, you should not fund this type of trading with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet your living expenses.
- Active trading may result in few or no profits and, worse, may lead to large financial losses very quickly. Active trading requires in-depth active knowledge of the securities market and of sophisticated and disciplined trading techniques and strategies. Also, you must compete with professional, licensed traders employed by securities firms and other knowledgeable, experienced and well-trained traders. You should have appropriate knowledge and experience before engaging in active trading. You should be familiar with a securities firm's business practices, including the operation of the firm's order execution systems and procedures. Under certain conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. Your success will be affected by strengths and weaknesses and the methods and practices of the brokerage firm in executing trades. You should develop an intimate knowledge of these matters before you engage in an active trading strategy.
- Active trading may involve aggressive trading, and you can, generally, expect to pay commissions, ticket and transaction charges on each trade. The total daily commissions you pay on your trades will add to your losses or significantly reduce your earnings. For instance, assuming each trade costs \$16 and an average of 29 transactions are conducted per day, you would need to generate an annual profit of \$111,360 just to cover trading costs.
- Active trading can result in tax consequences can be affected due to shorter-term purchases and sells. You may want to consult your tax professional for advice. Your portfolio may tend to be more volatile with shorter term or more active trading.



## Risk of Loss

Investment portfolios, programs, models, asset allocations or strategies entail the risk of loss; and values and returns fluctuate over time. While we seek to limit any losses, there have been periods of loss in the past, and there will likely be others in the future. APA and the representatives emphasize investment returns, particularly over shorter time periods that depend on trends in the various investments markets. Thus, our investment management services are generally suitable only for long-term investment objectives or strategies, rather than for short-term trading purposes. Diversification does not guarantee a profit or guarantee to protect you against loss, and there is no guarantee that your investment objectives will be achieved. These 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 are borne by you. Our investment approach constantly keeps the risk of loss in mind. You face the following investment risks:

- **Market Risk:** This type of risk is caused by external factors independent of a security's particular underlying circumstances. Markets can, as a whole, go up or down on various news releases for no understandable reason at all. This sometimes means that the price of specific securities can go up or down without any real reason and take some time to recover any lost value. Adding securities does not help to minimize this risks since all securities may be impacted by market fluctuations.
- **Short-Term Trading Risk:** These types of transactions may result in short-term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long-term strategies. SAA and your representative attempt to invest your assets in a tax efficient manner, but you should consult with your tax professional regarding transactions in your account.
- **Investment Term Risk:** If you require us to liquidate your portfolio during a period in which the price of the security is low, you will not realize as much value as you would had the investment had the opportunity to increase or regain its value (as investments frequently do) or had we been able to reinvest in another security.
- **Short Sales Risk:** Short sales are motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit. The maximum gain on a short sale is limited but the maximum loss is theoretically infinite. Short sales also involve significant expenses, dividend responsibilities, possible regulatory prohibitions and critical timing considerations that impact potential profitability.
- **Margin Risk:** If you engage in margin transactions then you are borrowing funds to purchase securities using loans for which your portfolio serves as collateral for repayment. Use of margin increases a portfolio's risk as price swings are amplified and, if the value of your securities declines, you can lose more funds than you originally deposited. The lender or custodian may be required to cease trading or liquidate securities to meet a margin call or credit line demand. When using margin as a strategy, you can lose more than your original investment.
- **Option Risk:** An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time, reflecting the nature of the option as a wasting asset becoming worthless when it expires. If you don't sell an option in the secondary market or exercise it prior to expiration, you will lose your entire investment in the option.
- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates raise yields on existing bonds become less attractive, causing their market values to decline.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

- **Inflation Risk:** The risk is that the rate of inflation will exceed the rate of return on an investment. The investment value itself does not decline but its relative value does.
- **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.
- **Political Risk:** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **Regulatory Risk:** Changes in law and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **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.
- **Concentrated Investment Risk:** Certain investment strategies may be concentrated in a specific sector, industry or individual security. In this case, your portfolio will be more likely to sharply increase or decrease in value with changes in the market. This strategy is more volatile because the risk associated with each security represents a large percentage of your overall portfolio.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial or Default Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations and service its debts in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value. Ratings provided by several ratings services help to identify those companies with more risk.
- **Risk Specific to Sub-Advisors and Other Managers:** If we invest some of your assets with another advisor (including private placement), there are additional risks. For example, the other manager may not be as qualified as we believe them to be, the investments those managers use may not be as liquid as we would normally use, or the managers' risk guidelines may be more liberal than we would normally employ.

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal. There is no guarantee that your investment objectives will be achieved.

Our firm and our affiliated entities make no promises, representations, warranties or guarantees that any of its services to be rendered will result in a profit to you. Our firm and our affiliated entities do not guarantee the future performance or any specific level of performance, the success of any investment decision or strategy our firm and any of our affiliated entities may use or the success of our overall management. You should understand that investment decisions made for you by our firm or any of our affiliated entities are subject to various market, currency, economic, political and business risks and that those investment decisions will not always be profitable. You should understand that APA, our representatives and our affiliated entities 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 APA, your representative or our affiliated subsidiaries breach any fiduciary duty owed to you.

APA monitors accounts based on standard deviation thresholds. For information about these thresholds, please visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

## Brokerage Practices

You are under no obligation to act on the recommendations of Arbor Point Advisors and are free to select any broker/dealer or investment advisor you'd like to implement our recommendations. In other words, you are not *required* to work with us. However, if you want to hire us for our Asset Management Services Program, we are responsible for executing your account transactions and therefore responsible for attaining the best execution possible. Please note that we cannot promise or guarantee our brokerage platforms are the least expensive in the industry. There may be other platforms with lower costs.

If clients contract for our Asset Management Services Program, we require them to use particular broker/dealers recommended or approved by us. Please note that not all investment advisors require the use of particular broker/dealers. Some investment advisors permit clients to use any broker/dealer of the client's own choosing. In very rare cases, we may work with a client that wants to direct us to use a particular broker/dealer. In such cases, those clients must understand that we may be unable to effectively negotiate brokerage compensation on the client's behalf. When directing brokerage business, clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they obtain through their selected broker/dealer(s) are adequately favorable in comparison to those that we would otherwise obtain for our clients. Clients with client-directed brokerage arrangements should also understand we may be limited in our trading ability (compared to platforms recommended by Arbor Point Advisors) and may be required to execute client directed trades after trades are implemented through accounts at our preferred platforms. Clients are encouraged to discuss available alternatives with their advisor representative.

When selecting brokerage platforms for client accounts, we consider standard benefits that are available without cost to all investment advisor firms using the platform, including our firm. These benefits include, but are not necessarily limited to, the following products and services: receiving duplicate client statements and confirmations; research related products and tools; access to a trading desk serving APA account participants; the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds with no transaction fees. Some of the products and services made available by a broker/dealer through their program may benefit APA but may not benefit client accounts. These products or services may assist APA in managing and administering client accounts, including accounts not maintained at the broker/dealer providing the benefit.

APA may also receive additional services which can include assistance with transitioning assets to custodial platforms. Without these arrangements, APA might be compelled to purchase the same or similar services at its own expense. As a result of receiving such services for no additional cost, APA may have an incentive to continue to use or expand the use of a custodian's services. APA examines these potential conflicts of interest when it chooses to enter into a relationship with a custodian to determine that the relationship is in the best interests of APA's clients and satisfies its client obligations, including its duty to seek best execution. Clients may pay a commission that is higher than another qualified broker/dealer might charge to effect the same transaction where APA determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although APA will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by APA will generally be used to service all of its clients, a brokerage commission paid by a specific client may be used

to pay for research that is not used in managing that specific client's account. APA and the qualified custodians are not affiliates, and no broker/dealer affiliated with APA is involved in the relationship.

Our recommendation of broker/dealers will be partially based on past experiences, minimizing commissions and other costs as well as offerings or services the broker/dealer provides that Arbor Point Advisors or client may require or find valuable such as online access. However, clients may pay commissions higher than those obtainable from other broker/dealers in return for those products and services. Commission and fee structures of various broker/dealers are periodically reviewed to ensure clients are receiving best execution. Accordingly, while Arbor Point Advisors will consider competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Therefore, the overall services provided by the broker/dealer are evaluated to determine best execution.

#### Clearing and Custodial Arrangement

Although we may permit our investment advisor representatives to use several different brokerage platforms and consider the overall services provided by those brokerage firms, we have material arrangements with some firms that create an incentive for us to recommend those firms over other broker/dealers. Some of the arrangements may result in conflicts of interest with our clients and are explained in the following sections.

A referring broker/dealer firm may also have paid for business consulting and professional services received by Arbor Point Advisors' related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Arbor Point Advisors' personnel to attend conferences or meetings relating to the programs or advisor custody and brokerage services generally. Some of the products and services made available by such referring firms may benefit Arbor Point Advisors but may not benefit its client accounts. These products or services may assist Arbor Point Advisors in managing and administering client accounts, including accounts not maintained at the referring firm. Other services made available may help Arbor Point Advisors manage and further develop its business enterprise. The benefits received by Arbor Point Advisors or its personnel generally do not depend on the amount of brokerage transactions directed to a referring firm. As part of its fiduciary duties to clients, Arbor Point Advisors endeavors at all times to put the interests of its clients first. Clients should be aware, however, that receipt of economic benefits by Arbor Point Advisors or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Arbor Point Advisors' choice of one of these referring broker/dealer firms for custody and brokerage services.

#### TD Ameritrade Institutional

APA and its representatives can recommend the use of TD Ameritrade. In addition, we participate in the TD Ameritrade Institutional program (the Program). TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisors that include custody of securities, trade execution, clearance and settlement. Arbor Point Advisors receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Arbor Point Advisor participates in TD Ameritrade's institutional customer program and we can recommend TD Ameritrade to our clients for custody and brokerage services. There is no direct link between Arbor Point Advisors participation in the program and the investment advice we give to our clients, but because of our participation we receive economic benefits that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Arbor Point Advisors participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Arbor Point Advisors by third party vendors.

TD Ameritrade may also pay for business consulting and professional services received by Arbor Point Advisors related persons. Some of the products and services made available by TD Ameritrade through the Program may benefit Arbor Point Advisors but may not benefit our client accounts. These products or services may assist Arbor Point Advisors in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Arbor Point Advisors manage and further develop our business enterprise. The benefits received by Arbor Point Advisors or our personnel through participation in the Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of clients first. Clients should be aware, however, that receiving economic benefits in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

Some clearing and custodial firms may refer financial professionals to Arbor Point Advisors to possibly join our firm as investment advisor representatives. Currently, Arbor Point Advisors has such a referral relationship with TD Ameritrade. Any such referring broker/dealer or clearing/custodial firm does not supervise Arbor Point Advisors and has no responsibility for supervision of our investment advisor representatives, managing client portfolios or other advice or services. We have the final authority and responsibility for approving all investment advisor representatives licensed with our firm. Our receipt of investment advisor representative referrals from these firms raises potential conflicts of interest. Such firms will most likely refer potential investment advisor representatives to Arbor Point Advisors when we encourage those investment advisor representatives' clients to custody their assets at the referring firm and whose client accounts are profitable to that firm. Consequently, in order to obtain investment advisor representative referrals, Arbor Point Advisors may have an incentive to recommend to clients that the assets under management by Arbor Point Advisors be held in custody with the referring firm and to place transactions for client accounts with that same firm. Our arrangement does not diminish our duty to seek best execution of trades for client accounts. A referring custodial or clearing firm does not receive solicitor or referral fees from us for providing Arbor Point Advisors with a potential investment advisor representative referral.

We also receive an economic benefit from TD Ameritrade when our investment advisor representatives select TD Ameritrade Institutional to serve as the brokerage platform for their client accounts. When an account is opened through TD Ameritrade, we receive compensation from TD Ameritrade in the form of a reimbursement to cover the first year's annual fee charged by Orion. Refer to the section Advisory Business of this Brochure to read about the services provided by Orion. The reimbursement paid by TD Ameritrade is paid directly to Arbor Point Advisors and the entire portion is retained by Arbor Point Advisors. The fact that TD Ameritrade has agreed to pay the first year's annual fee charged by Orion against each account opened through TD Ameritrade creates the potential for us to recommend or even require clients use the services of TD Ameritrade. However, as previously stated, we permit brokerage arrangements other than TD Ameritrade.

#### Schwab Advisor Services

APA can also recommend or require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker/dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Arbor Point Advisors is independently owned and operated and not affiliated with Schwab. Schwab provides Arbor Point Advisors with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research (including that in the form of advice, analyses and reports) and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab generally does not charge separately for custody services for Arbor Point client accounts maintained in its custody. Instead, it is generally compensated through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Because APA pays Schwab the execution costs associated with securities transactions, there is a potential disincentive to trade securities. Arbor Point Advisors does not receive any portion of the commission or fees from either Schwab or from clients.

In addition, clients can incur certain charges imposed by third parties other than us in connection with investments made through your account including, but not limited to, wire fees, overnight check fees, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges and IAR and qualified retirement plan fees. APA's fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses is available in each security prospectus.

The Arbor Point Advisors Asset Management Services program can cost clients more or less than if the assets were held in a traditional brokerage account. In a brokerage account, clients are charged commissions for each transaction and the representative has no duty to provide ongoing advice with respect to the account. If clients plan to follow a buy and hold investment strategy for the account or do not wish to purchase ongoing investment advice or management services, they should consider opening a brokerage account rather than an Asset Management Services account.

Schwab also makes available to Arbor Point Advisors other products and services that benefit us but may not benefit our clients' accounts. These benefits can include national, regional or specific Arbor Point Advisors educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of Arbor Point Advisors personnel by Schwab Advisor Services personnel, including meals, invitations to sporting events (including golf tournaments) and other forms of entertainment, some of which may accompany educational opportunities.

Other of these products and services assist Arbor Point Advisors in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Arbor Point Advisors' fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of Arbor Point Advisors' accounts, including accounts not maintained at Schwab Advisor Services.

Schwab Advisor Services also makes available to Arbor Point Advisors other services intended to help Arbor Point Advisors manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to Arbor Point Advisors by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Arbor Point Advisors. As a fiduciary, Arbor Point Advisors endeavors to act in its clients' best interests, but its recommendation and/or requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Arbor Point Advisors of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab. This may create a potential conflict of interest.

#### Fidelity Institutional Wealth Services

Arbor Point Advisors can also recommend or require that clients establish a brokerage account with Fidelity Institutional Wealth Services (Fidelity) to maintain custody of clients' assets and to effect trades for their accounts. Arbor Point Advisors is independently owned and operated and is not affiliated with Fidelity. Fidelity provides us with access to their institutional trading and custody services, which are typically not available to retail investors. The services from

Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally can be used to service all, or a substantial number, of our accounts, including accounts not maintained at Fidelity. Fidelity also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

In addition, Fidelity may make available, arrange and/or pay for these types of services rendered by independent third party providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our recommendation or requirement that you maintain your assets in accounts at Fidelity may be based in part on the benefit to us in the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity. This may create a potential conflict of interest.

APA has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides APA with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like APA in conducting business and in serving the best interests of their clients but that may benefit APA.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables APA to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to APA, at no additional charge to APA, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by APA (within specified parameters) and used by APA to manage accounts for which APA has investment discretion.

#### Ladenburg Thalmann Initial Public Offering (IPO) Allocations

IPO allocations through Ladenburg Thalmann are only available to clients through investment advisor representatives who have completed APA's required IPO training. Consequently, advisory clients serviced by a representative who has not received the required training will not be allocated any shares in IPO securities.

## Order Aggregation

When possible, Arbor Point Advisors and your investment advisor representative may aggregate client transactions to improve the quality of execution. Mutual funds held in client accounts do not lend themselves to aggregate or block trades. To the extent other securities are purchased that do lend themselves to aggregating or block trading (e.g., stocks or exchange traded funds), Arbor Point Advisors and your representative may aggregate client transactions or allocate orders whenever possible. Arbor Point Advisors and our representatives allocate trades to advisory clients in a fair and equitable manner that is applied consistently to all clients. When trades are not aggregated, clients may not enjoy the effects of lower transaction per share costs that often occur as a result of aggregating trades. As a result, you may pay a higher transaction cost than could be received elsewhere. Personal accounts of our investment advisor representatives, associated persons and their family members are not treated more favorably than any other client account. Arbor Point Advisors and your representative strive to allocate investment opportunities believed to be appropriate for their client's account and other accounts in a manner that is consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to Arbor Point Advisors or your representative's attention will be allocated in any particular manner. You should be aware that if an order is not aggregated, you may or may not pay higher brokerage costs.

## Handling Trade Errors Made by APA or a Representative

If Arbor Point Advisors or our supervised persons make a trade error in your account, the error will be corrected and your account will be restored to where it would have been had the trade error not occurred. Any profit or loss from the trade correction will be maintained by Arbor Point Advisors. In our sole discretion, we can donate any profit from a trade correction to a charity of our choosing.

## Recommendation of Securities America, Inc.

If clients choose to work with our investment advisor representatives on a strictly commission basis to implement advice, they must work with them in their capacity as a registered representative of our affiliated broker/dealer, Securities America, Inc. When acting in their separate capacity as registered representatives, they are required to use the services of SAI and SAI approved clearing broker/dealers. SAI serves as the introducing broker/dealer; all accounts established through SAI will be cleared and held at NFS or Pershing.

SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI's registered representatives are required to adhere to these products when implementing securities transactions through SAI. Transaction fees charged for these products may be higher or lower than transaction fees clients may be able to obtain if transactions were implemented through another broker/dealer.

## **Review of Accounts**

### Frequency of Account Reviews

Managed Asset Services Program accounts are reviewed as needed, as required and as appropriate by APA supervisors (SAI principals) and your representative. The nature and timing of the reviews may vary by your representative. In all accounts, reviews are conducted at least annually. Other accounts are reviewed at least annually, although reviews may be conducted more frequently depending upon specific account circumstances as well as overall market conditions. Factors triggering an account review may include material market, economic or political events, changes in your financial or personal situation or performance of the account in general.

Account reviews include examining your investment strategy and objectives review and making updates if they have changed. Reviews are conducted by your investment advisor representative and performed in accordance with your investment goals and objectives.



## Reports and Account Statements

You will receive a confirmation from the custodian or clearing firm of each purchase and sale that occurs in your account. You will receive monthly statements from the account custodian or clearing firm if your account(s) have activity during the month. If the account does not have any monthly activity, the custodian or clearing firm provides an account statement at least quarterly. The statements will show any activity in the account as well as period ending balances.

Additionally, Arbor Point Advisors may provide position or performance reports to you on an on-going (monthly or quarterly) and/or as-requested basis. To the extent you receive performance reports from your representative, we urge you to compare performance reports received with account statements received from the custodian. Inquiries or concerns regarding the account, including performance reports, should be directed to the investment advisor firm at the phone number listed on the account statement. Each representative then decides whether to provide these reports to his or her clients. Performance information provided by your representative is believed to be accurate but cannot be guaranteed. Neither our firm nor your representative can guarantee the accuracy of fund values, securities' and other information obtained from third parties. If a representative prepares a quarterly performance report for an account, it is the representative who reviews the performance information to determine accuracy.

Whether position or performance reports by a third party money manager are provided to you depends upon the third party money manager.

You are encouraged to always compare any reports or statements provided by us or a third-party money manager against the account statements delivered from the broker/dealer-qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

Financial planning clients do not typically receive reports other than the written plan originally contracted for and provided by Arbor Point Advisors.

## **Client Referrals and Other Compensation**

### Incoming Referrals - Our Use of Solicitors/Payment of Referral Fee

We enter into agreements with solicitors (referring parties) to refer clients to us. The referral agreements between our firm and referring parties are designed to comply with SEC regulations as set out in 17 CFR Section 275.206(4)-3. If a referred client enters into an investment advisory agreement with our firm, and a cash referral is paid to the referring party, such fee is paid as a fixed fee or a percentage of the client advisory fees that are generated. Written disclosure regarding the referral fees we pay are provided to you prior to or at the time of entering into our investment advisory or financial planning agreements. The referral fee disclosed to you will be payable to the referring party for the duration of Arbor Point Advisors' advisory relationship with you, whether or not our investment or trading strategies, or your investment objectives, change over time. We will have no further referral fee obligation, if, the referring parties' representations and warranties outlined in our referral agreement become inaccurate or untrue, or if our investment advisory agreement with you is terminated for any reason. In those states that require solicitors to be licensed or filed as a registered investment advisor, we can require the solicitor to be licensed or filed under our registration.

The compensation to be paid in connection with these agreements is subject to negotiation between our firm, your investment advisor representative, and the referring party. The referral agreements between any referring party and our firm do not result in any charges to you in addition to the normal level of advisory fees charged. However, these situations may create a financial incentive to recommend one of our programs over another or over other investment advisors and broker/dealer programs, products and services. Your investment advisor representative recommending our programs receives compensation as a result of your participation in our programs.

In addition, we may award separate non-cash compensation to our investment advisor representatives and their staff for client referrals.

### Outgoing Referrals - APA as Solicitor for Other Investment Advisors/Receipt of Referral Fee

We have entered into solicitation agreements with independent third-party investment advisors, pursuant to which our firm and the independent investment advisor firm and the representative receive solicitation compensation from the third-party investment advisor in return for referral of accounts. APA's broker/dealer affiliate, SAI, and the representative, in his or her capacity as a registered representative, may serve as broker/dealer and/or representative of record on accounts managed by the independent third-party investment advisor. In such case, SAI and the representatives may receive normal and customary compensation (e.g., commissions, 12b-1 fees, trails) from the sale of mutual funds, exchange traded funds or variable annuities in such accounts. This compensation may be in addition to the solicitor fee paid by the third-party investment advisor.

You should be aware that APA and your representative may receive solicitor/referral fees for recommending certain portfolios to you. Therefore, a potential conflict of interest may exist because these circumstances may result in your representative having a financial incentive to recommend one portfolio over another. However, it is our policy that portfolios are selected and recommended to you based on your individual needs, goals and objectives. Your representative is not under any obligation to sell any particular product or to meet any selling quotas related specifically to these products. You are not under any obligation to engage the APA representative when considering implementing advisory recommendations. You are free to select any broker/dealer you wish when implementing recommendations and executing transactions. You may purchase the same investment product from a non-affiliated broker or could implement securities transactions without the services offered by your representative. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

We have established a relationship with LTAM's \$ymbil program. APA representatives can provide clients access to LTAM's \$ymbil program through the individual representative's website. APA receives a portion of the asset management fee that LTAM charges. These fees can be paid on an ongoing basis and can continue even if your relationship with the representative and/or APA is terminated.

### Lead Generation Programs

Our representatives can utilize the services of lead generation or business development firms. Generally, prospects will contact that firm directly or online and receive the names of several financial service providers in the prospect's area. The prospect can then review the list and make a decision whether or not to contact a selected financial service provider. The firm does not provide the prospect any advice or recommendations concerning the list of advisors. Typically, advisors pay a subscription or membership fee to be included in the firm's network or association. In addition, some firms can provide marketing resources.

### **Other Compensation**

Arbor Point Advisors or our affiliated broker/dealer, SAI, may form alliances and networking and referral arrangements with financial institutions such as community banks, credit unions, credit union service organizations and farm credit services (Third-Party Financial Institutions). These alliances and arrangements allow representatives to offer financial planning services and certain other non-deposit investment and insurance products and services, to customers/members of those Third-Party Financial Institutions. Our firm may lease space in selected branches of the Third-Party Financial Institutions and then sub-lease it to your representative, if he or she conducts business from these locations. As a result of these alliances or networking arrangements, your representative may not be able to offer certain products that are otherwise available through our firm. Also as a result of these alliances or networking arrangements, the Third-Party Financial Institutions can receive compensation representing payment for the use of the facilities and equipment of the Third-Party Financial Institutions. Compensation can be in the form of a program support

or rent payment and/or a portion of advisory fees or securities and insurance commissions paid to representatives for sales to customer/members of the institutions.

These relationships may create compliance issues relative to consumer protection. At a minimum, joint guidelines of regulators of the depository institution call for at a minimum written and verbal disclosure at or prior to the time securities products are purchased or sold. Also, the securities products:

- Are not insured by the Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund, the Federal Deposit Insurance Corporation, the National Credit Union Administration, or any other federal or state deposit guarantee fund or other government agency;
- Not endorsed or guaranteed by the bank or credit union or their affiliates;
- Are not deposits or obligations of the depository institutions and are not guaranteed by the depository institutions;
- Are subject to investment risks, including possible loss of principal invested.

Your representative can have an incentive to join and remain affiliated with Arbor Point Advisors and SAI through certain compensation arrangements which could include bonuses, enhanced pay-outs, forgivable loans and/or business transition loans. Furthermore, there can be production goals associated with the recommendation of a transaction from your representative. We can also offer incentives to your representative for meeting certain production levels above and beyond compensation he or she receives for providing advisory services through Arbor Point Advisors and/or selling products and services through SAI. Receiving incentives may be considered to be a conflict of interest. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

Our firm, our officers and our representatives can receive reimbursements from marketing and distribution allowances, due diligence fees and travel expenses. Other compensation or reimbursement may also be received based on deposits and/or assets under management directly from third-party money manager program sponsors for the costs of marketing, distribution, business and client development, educational enhancement and/or due diligence reviews incurred by our firm or your representatives relating to the promotion or sale of the program sponsor's products or services.

Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements is not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or it is anticipated sales will be made.

In order to help cover or defray the costs of transitioning from another registered investment advisor to APA, our representatives may receive various forms and amounts of transition assistance. Such transition assistance may include a promissory note loan, rent, technology services and equipment, legal expenses, administrative support, termination fees associated with moving accounts, and regulatory services. Transition assistance is based on production, fee reimbursement, free or reduced-cost marketing material, attendance at conferences and events, or access to preferred pricing.

SAI can issue payments in the form of loans to representatives which may be forgivable based on years of service with SAI or the extent of their production with SAI. This practice may create a conflict of interest because the representative can have a financial incentive to recommend a client engage APA for advisory services in order for the loan to be forgiven. However, if you engage APA for an advisor managed account, your representative will obtain the necessary financial data from you, assist you in determining the suitability for the advisor managed account and help you set appropriate investment objectives. Your representative will then be able to purchase and sell securities in accordance

with your investment objectives. APA periodically reviews advisory accounts to ensure suitability and adherence to investment objectives. Please consult with your representative if you have questions regarding this issue.

## **Custody**

APA does not maintain physical custody of client funds or securities; physical custody is maintained by an outside custodian. However, APA is deemed to have custody of your funds or securities because of the (a) direct deduction of advisory fees from your accounts within the programs described in the Advisory Business section above and (b) disbursement of money from your account to you or third parties when authorization has been granted pursuant to certain standing letters of authorization or similar requests. Because of this custody, SEC regulation requires us to undergo an examination provided by a qualified independent public accountant at least annually. Additionally, APA must undergo an independent verification of client assets under its control.

## **Investment Discretion**

When providing investment management services, and upon receiving written authorization from you in our standard client agreement, Arbor Point Advisors maintains trading authorization over your Account(s) and provides management services on a discretionary basis. When discretionary authority is granted, we have the authority to determine the type of securities, the amount of securities that can be bought or sold, the timing of such purchase or sale, and the commission rates paid for your portfolio without obtaining your consent for each transaction. Discretionary trading authority facilitates placing trades in your accounts on your behalf so that APA and your representative can promptly implement the investment policy you have approved in writing.

You have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Arbor Point Advisors so long as the limitations are specifically set forth or included as an attachment to the client agreement. You can change/amend these limitations as required. Such amendments must be submitted in writing.

## **Voting Client Securities**

### Proxy Voting

Arbor Point Advisors does not vote proxies on your behalf. You are solely responsible for all proxy voting decisions. You receive proxies directly from the qualified custodian or transfer agent; we do not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us. However, you have the ultimate responsibility for making all proxy-voting decisions.

With respect to assets managed by a third-party money manager, we will not vote the proxies associated with these assets. You need to refer to each third-party money manager's disclosure brochure to determine whether the third-party money manager votes proxies on your behalf. You may request a complete copy of third-party money manager's proxy voting policies and procedures as well as information on how your proxies were voted by contacting the third-party money manager.

### Class Action Lawsuits

You retain the right under applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for you. Arbor Point Advisors does not initiate any such legal proceeding on behalf of clients and does not provide legal advice to clients regarding potential causes of action against such a security issuer or whether the client should join a class-action lawsuit. We recommend that you seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. Moreover, our

services do not include monitoring or informing you of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased or sold by or for you.

### **Financial Information**

This item is not applicable to Arbor Point Advisors. We do not require or solicit or accept prepayment of more than \$1200 in fees per client, six months or more in advance of services being provided. Therefore, we are not required to include a balance sheet for the most recent fiscal year. In addition, we are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Arbor Point Advisors has not been the subject of a bankruptcy petition at any time.