

## ADV PART 2A AND APPENDIX 1

### ITEM 1 – COVER PAGE

#### Cetera Advisory Services LLC

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El Segundo, California 90245  
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September 18, 2018

This Brochure provides important information about Cetera Advisory Services LLC. You should use this Brochure to understand the relationship between you and Cetera Advisory Services LLC. If you have any questions about the contents of this Brochure, please contact Kristy Haley, chief compliance officer for Cetera Advisory Services LLC, at the address or phone number listed above.

Cetera Advisory Services LLC is organized as a limited liability company under the laws of the state of Delaware and registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has neither been approved nor verified by the SEC or by any state securities authority.

Additional information about Cetera Advisory Services LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (select "investment adviser firm" and type in our name).



## ITEM 2 – MATERIAL CHANGES

Item 2 provides a summary of material changes, if any, that Cetera Advisory Services LLC has made to this brochure since the last annual update.

On or around October, 2018, subject to regulatory approval, the parent company of Cetera Advisory Services LLC (Cetera Advisory Services), Aretec Group Inc. (Aretec), will undergo a change in ownership. As a result of this change, Aretec will continue to be a privately held corporation and a wholly owned indirect subsidiary of GC Two Holdings, Inc.

### **Will I receive a brochure every year?**

We may, at any time, update this brochure. Any material changes will either be sent to you as a summary of those changes or, depending on the extent of these changes, you will receive the entire updated brochure.

### **May I request additional copies of the brochure?**

You may request and receive additional copies of this brochure in one of three ways:

- Contact your advisor with whom you are working;
- Download the brochure from the SEC website at [www.adviserinfo.gov](http://www.adviserinfo.gov). Select “investment adviser firm” and type in “Cetera Advisory Services LLC”; or
- Contact the Advisory Compliance Department at 800.879.8100, Ext. 77880.

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## ITEM 4 – ADVISORY BUSINESS

Cetera Advisory Services LLC (“CAS,” “Firm”) is an SEC-registered investment adviser and limited liability company organized in 2016 under Delaware law that sponsors, and provides investment advisory services in, the My Advice Architect Program. In this Brochure, “you,” “your,” “client,” and “customer” refer to the individual who opens an investment advisory account (Account) in the Program(s) (defined below). “Advisor” refers to the investment adviser representative of an investment adviser related with CAS (Affiliate) who provides certain investment advisory services to you. Affiliate is a co-sponsor of, and acts as an investment adviser to, the Programs. Affiliate and CAS are sometimes referred to as “we” or “us.” Please refer to Affiliate’s ADV Part 2A for more information about Affiliate. “Clearing Broker” refers to the broker-dealer executing securities transactions for your account. Envestnet Asset Management, Inc. (Envestnet), an independent investment adviser, acts as a co-sponsor and investment adviser in each of the Programs, with the exception of the Advisor Program (defined below). Please refer to Envestnet’s Form ADV Part 2A for more information about Envestnet.

As of March 31, 2018, the Firm had \$0 in assets under management and has \$3,058,207,134 assets under administration. All assets in these Programs are managed by the Firm’s Affiliates.

The Firm is a wholly-owned subsidiary of Cetera Financial Group, Inc. (Cetera), a Delaware corporation, which is wholly owned by Aretec Group, Inc. (Aretec). Please refer to Item 10 of this Brochure for more information on our corporate structure.

### **Important Considerations Prior to Opening an Account**

Prior to opening an Account, your Advisor will help you complete a risk tolerance questionnaire based on your risk tolerance, investment time horizon, and investment objectives. This information, along with consideration of all your assets, income, investments, and overall financial picture, will be used to select any of the Program(s) and an investment strategy(ies). The selection will be reflected in a Statement of Investment Selection (SIS), for which you will be required to review and sign. If your financial situation changes, including your goals and objectives, it is important that you let your Advisor know as soon as possible.

The list below is meant to provide you with general overviews of several important facts that are common with the Programs that we offer. While the list below is not meant to include every possible situation, we do consider and take into account the following:

#### *Reasonable Restrictions*

Upon your written request to us or Advisor, you may impose reasonable restrictions on the management of your Account. For example, a reasonable restriction may indicate your desire that we do not invest in a certain sector or industry. Your Advisor will also proactively reaffirm with you any modifications you may have to these restrictions at least on an annual basis during your normally scheduled client review meetings. Pursuant to any restriction(s) you may suggest, your Advisor will document this upon receipt. However, your Advisor may refuse to accept or manage your account if he/she determines that such restrictions are unreasonable. In the event that your Advisor is unable to accept your restriction, he/she will give you the opportunity to modify or withdraw the restriction.

#### *Deposits and/or Withdrawals*

Unless specifically stated, you may make additions to or withdrawals from your Account at any time. If your Account falls below the minimum required account value, we may terminate your Account. You may also add securities to your Account; however, note that we reserve the right to not accept particular securities into your Account.

#### *In Kind Transfers*

Accounts may be funded with both cash and securities with the Firm reserving the right to decline to accept particular securities.

#### *Trading Authorization*

Advisory accounts typically involve the purchase and/or sale of securities. Most Programs are managed solely on a discretionary basis, but accounts in the Advisor Program and the Advisor II Program may be managed on a nondiscretionary basis too. Unless you elect to open a nondiscretionary Advisor Program or Advisor II Program account, by completing the account opening documentation you authorize (i) us and/or Envestnet to have discretion over your account, or (ii) the Manager (defined below) selected in a Manager Program (defined below) account to have discretion over your Account. With the exception of Advisor Program and the Advisor II Program, Envestnet, or if applicable the Manager, has full discretion to place orders for the purchase and sales of securities in accordance with your selected portfolio and to rebalance your Account.

#### *Trade Confirmations*

You will receive trade confirmations from Clearing Broker for each security transaction placed in your Account. Trade confirmation suppression is available upon client request.

## *Quarterly Performance Reports*

On a calendar quarter basis, you may receive a performance report that indicates how your Account has performed over time. If you have any questions regarding the performance of your Account, please contact your Advisor.

## *Minimum Account Opening Balance*

Each Program requires a program-specific minimum account opening balance. At its sole discretion, the Firm may waive the minimum account size. If you establish a new account and deposit funds less than the minimum opening balance requirement, your funds will not be managed until the minimum dollar amount is met. Your cash will be placed into a money market fund until the minimum opening balance requirements are met. Your balance in the money market fund is not insured or guaranteed against loss.

## *Cash Sweep Program*

**FDIC Insured Bank Deposit Sweep Account.** Under two programs, the FlexInsured Account Program and the Insured Deposit Sweep Account Program (FDIC-Insured Programs), Affiliate or BD Affiliate (defined in Item 12 below) permits available cash balances in eligible accounts, including cash balances derived from the sale of securities, dividend payments, interest credited from bonds and cash deposits, to be automatically deposited (swept) into interest bearing deposit accounts at one of more participating program banks (Program Banks). Deposits made through an FDIC-Insured Program are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each Program Bank and up to \$2,500,000 for combined deposits at Program Banks. For the purposes of determining available FDIC coverage, funds deposited in a particular Program Bank are aggregated with all other deposits held by you (outside of the FDIC-Insured Programs) in the same insurable capacity at that Program Bank. It is your responsibility to monitor the insurable deposits that you may have with any Program Bank (including deposits outside of the FDIC-Insured Programs). Funds deposited through the FDIC-Insured Programs are not eligible for SIPC protection.

**FlexInsured Account Program.** The FlexInsured Account is the default sweep vehicle for non-retirement advisory accounts. For its role in offering the FlexInsured Account program, Affiliate or BD Affiliate earns additional compensation in the form of a fee from Participating Banks based on the amount of money on deposit from all FlexInsured Account participants. The fees received by Affiliate or BD Affiliate vary but will never exceed 2% on an annualized basis, as applied across all FlexInsured Accounts. In our discretion, we may reduce our fee and vary the amount of the reductions among clients. Additionally, the fees Affiliate or BD Affiliate receives may vary from Program Bank to Program Bank and will affect the interest rate paid to you. The interest you earn may be lower than interest rates available to depositors making deposits directly with a Program Bank or other depository institutions.

**Insured Deposit Sweep Account.** The Insured Deposit Sweep Account (IDSA) is the default sweep vehicle for advisory IRAs. For its role in offering the IDSA program, Affiliate or BD Affiliate receives a per account fee each month. The compensation paid to Affiliate or BD Affiliate under the IDSA program does not vary among IDSA participants and is not affected by amounts actually deposited through the IDSA program. Affiliate's or BD Affiliate's compensation under the IDSA program is determined by a fee schedule indexed to the current Federal Funds Target (FFT) Rate. The monthly fee paid to Affiliate or BD Affiliate increases and decreases by \$0.07 with every 1 basis point (a basis point is equal to 0.01%) change in the FFT Rate. In cases where the FFT Rate is a range of rates, the FFT Rate will be deemed to be the midpoint of the range rounded to the nearest thousandth of a decimal. Using this calculation, Affiliate or BD Affiliate may be paid a maximum monthly per account fee of \$17.50. Although it is generally anticipated that Affiliate's or BD Affiliate's fee under the IDSA program will be offset by amounts paid by the Program Banks, Affiliate or BD Affiliate reserves the right to withdraw the monthly account fee, or portion thereof, in the event or to the extent that the amount received from the Program Banks and paid over to Affiliate or BD Affiliate is less than Affiliate's or BD Affiliate's fee for the same period.

Some non-retirement accounts established before May 21, 2018, utilize a money market fund previously designated as an alternative sweep option for non-retirement accounts (Prior MMFs). These Prior MMFs are no longer available as a new sweep selection; however, clients that previously chose the Prior MMFs may continue to use them until a new selection is made. Affiliate or BD Affiliate receives from Pershing distribution assistance in the form of annual compensation up to 0.78% for assets held in a Prior MMF. For a list of the money market fund options available in the cash sweep program, please consult your Advisor.

The compensation Affiliate or BD Affiliate receives from the FDIC-Insured Programs and the Prior MMFs defrays the costs associated with the FlexInsured Account program and the IDSA program and is also a source of revenue. This compensation presents a conflict of interest because Affiliate or BD Affiliate has a financial benefit when cash is invested in the FDIC-Insured Programs and the Prior MMFs. However, this compensation is retained by Affiliate or BD Affiliate and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend that cash be held in the FDIC-Insured Programs or a Prior MMFs as opposed to investing in securities.

Cash in ERISA accounts is not eligible for investment in the FDIC-Insured Programs. For ERISA advisory accounts, Affiliate or BD Affiliate offers a specific money market fund or funds, which provide a yield on your daily account balances, as a cash sweep default option. Affiliate or BD Affiliate and Advisor do not receive any compensation in connection with cash in ERISA accounts that are swept into any money market fund that Affiliate or BD Affiliate designates for ERISA accounts.

An investment in a money market mutual fund, unlike bank deposits, is not insured or guaranteed by the FDIC or any other governmental agency, and it is possible to lose money by investing in a money market mutual fund. Money market mutual funds are covered by Securities Investor Protection Corporation (SIPC), which protects against the custodial risk (not a decline in market value) when a brokerage firm fails by replacing missing securities and cash up to a limit of \$500,000, of which \$250,000 may be cash.

A money market mutual fund generally seeks to achieve a competitive rate of return (less fees and expense) consistent with the fund's investment objectives, which can be found in the fund's prospectus. Rates in the money market fund option offered as a cash sweep option will vary over time and may be higher or lower than the rate paid on other sweep options (including the FDIC-Insured Programs) or other money market mutual funds not offered as a cash sweep option. Affiliate or BD Affiliate may earn more by designating the Flex Insured Account or the IDSA as the default sweep option for your account. Accordingly, Affiliate or BD Affiliate has a conflict in selecting cash sweep options.

For detailed information regarding the terms and conditions of the products, including balance limitations, see Affiliate's or BD Affiliate's cash sweep disclosure document entitled Sweep Program General Terms and Conditions or your applicable money market fund prospectus. We may change the products available for your selection.

### **Important Note about Wrap Fee Programs**

All Firm-Sponsored Programs, with the exception of Advisor II Program, are considered "wrap fee" programs, in which the client pays a specified fee for portfolio management services and trade execution. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap fee programs assess trade execution costs that are in addition to the investment advisory fees.

Depending on the particular Program selected, your Account will be managed by Advisor or Manager and/or will utilize investment model portfolios created by registered investment advisers (each an "Investment Manager" or "Strategist") and unaffiliated third-party money manager(s) in accordance with the applicable Advisor's, Manager's, Cetera Investment Management LLC (CIM), and/or Investment Manager's investment methodology and philosophy. Firm and Affiliate share a portion of the Program Fee (listed in Section 5) that you pay to participate in the Programs described below. Advisor receives the Advisor Fee referenced in the SIS that you complete when you open an Account. Additionally, depending on the Program, the Investment Manager, Model Provider (defined below), and/or Manager will also receive a fee as described in your SIS or other document as designated by us.

### **Program Choice Conflict of Interest**

Clients should be aware that the compensation to us, Affiliate, BD Affiliate, and your Advisor will differ according to the specific Program chosen and may be more than the amounts otherwise received if you participated in another program or paid for investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules among the various Programs and services offered by us, Affiliate, CIM and your Advisor, we have a financial incentive to recommend a particular program or service over other programs and services based upon items such as anticipated trade volume and program fees.

### **More Detail About our Advisory Services**

We have developed the My Advice Architect Program, which consists of several advisory services and programs listed below (each a "Program" and collectively the "Programs") to give you as much flexibility as possible. The specific Program selected by you may cost you more or less than purchasing program services separately. Factors that bear upon the cost of a particular Program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client-related services provided to the account.

#### *Available Programs*

The following is a list of our available Programs (Firm-Sponsored Programs):

- a. Unified Program
- b. Guided Program
- c. Advisor Program
- d. Advisor II Program
- e. Manager Program

We may add new Programs from time to time. For a list of the current Programs we offer, please request the most up to date version our ADV Part 2A from your Advisor.

**Unified Program.** The Unified Program is discretionary, which means we, the Advisor, the Investment Manager, and/or Envestnet may make allocation changes or trades without your prior approval. Your Advisor, at his or her discretion, creates a customized investment strategy using one or more sleeves. Sleeves can be assigned to models created by Strategists or your Advisor (from a selection of mutual funds, exchange traded products, or equities). The ability to include more than one sleeve in the same account expands the ability to properly diversify your investments and enhance your ability to monitor the performance of your assets with both account-level and investment model-level performance reporting. In certain circumstances, certain products may not be combined in the same account. You and your Advisor will initially agree on an allocation for your Unified Program Account. Your Advisor must obtain your authorization to change your risk profile. Strategists manage assets in a comprehensive perspective using mutual fund-based models and/or exchange-traded product-based models. Some Investment Managers generally focus on a specific asset class or sector and typically invest in individual stocks and/or bonds, but can utilize exchange-traded products and/or mutual funds. Investment Managers that have discretion are referred to as Managers.



## *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. In the Unified Program, any transaction costs associated with your account are included or wrapped into your Program Fee. Other brokerage account charges, such as stop payment fees, Fed Fund Wire Fees and margin interest will be charged to your account when applicable; a list of those fees that may be charged are available on the Affiliate's or BD Affiliate's website or can be obtained from your Advisor. These other brokerage account fees and expenses, which vary based on the particular service, defray our costs associated with such services and include a profit to the Affiliate or BD Affiliate. The additional compensation the Affiliate or BD Affiliate receives represents a conflict of interest because the Affiliate or BD Affiliate receives a financial benefit when it provides services in connection with maintaining your account. This compensation, however, is retained by the Affiliate or BD Affiliate and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend certain transactions or for the Affiliate or BD Affiliate to provide such additional services.

**Guided Program.** The Guided Program (GP) is discretionary, which means we, the Advisor and/or Envestnet may make allocation changes or trades without your prior approval. You and your Advisor will initially select an investment strategy (asset allocation) for your GP Account. Your Advisor must obtain your authorization to change your risk profile. Model providers (Model Providers), which may be investment advisers and/or financial institutions, provide Asset Class Allocation Models (Models) to us to use in the GP. Each Model has a predetermined number of mutual funds and/or exchange traded products (ETPs) available within each asset class. Model Provider independently creates a set of Models available under GP and in its sole discretion, adds or removes the mutual funds and/or ETPs available in each Model. Your Advisor will identify a Model appropriate for your Account and will select and build an investment portfolio (Portfolio) consistent with your risk profile. Assets in GP may be invested in mutual funds, exchange-traded products, equities, and fixed income products.

## *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. In the GP, any transaction costs associated with your account are included or wrapped into your Program Fee. Other brokerage account charges, such as stop payment fees, Fed Fund Wire Fees and margin interest will be charged to your account when applicable; a list of those fees that may be charged are available on the Affiliate's or BD Affiliate's website or can be obtained from your Advisor. These other brokerage account fees and expenses, which vary based on the particular service, defray our costs associated with such services and include a profit to the Affiliate or BD Affiliate. The additional compensation the Affiliate or BD Affiliate receives represents a conflict of interest because the Affiliate or BD Affiliate receives a financial benefit when it provides services in connection with maintaining your account. This compensation, however, is retained by the Affiliate or BD Affiliate and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend certain transactions or for the Affiliate or BD Affiliate to provide such additional services.

**Advisor Program (APM) and Advisor II Program (APM II).** APM and APM II are materially the same with one important exception. In APM, Affiliate or BD Affiliate pays for any transaction costs (the fees associated with purchasing or selling securities) incurred in your account. In APM II, transaction costs are paid by you. Because you are not paying for transaction costs in APM, the Program Fee in APM is higher than the Program Fee in the APM II. Please refer to Item 5 of this brochure for further information regarding fees for each Program. Both APM and APM II can be managed on a discretionary or non-discretionary basis, as shown on the SIS. You and your Advisor will work together on determining the investment strategy that works for you. Your Advisor must obtain your authorization to change your risk profile. Envestnet does not provide advisory services or act as co-sponsor for either Program. Both Programs offer you access to a selection of multiple products and security types and allow your Advisor to build an investment strategy with these securities in order to meet your financial needs. The Advisor is responsible for the creation, implementation, and ongoing management of the investment strategy. The Affiliate may have a financial incentive to recommend one of these programs over the other based upon anticipated trade volume and the different Program Fees, which result in additional compensation to the Affiliate and/or the BD Affiliate.

## *Transaction Costs*

As mentioned above, in an APM Account, transaction costs are included in your Program Fee.

In an APM II Account, you will be responsible for paying transaction costs associated with each purchase and sale of a security. Your executed advisory services agreement lists the fixed transaction costs you pay in your APM II Account. Affiliate or BD Affiliate marks up the transaction costs that Clearing Broker charges, which is a source of additional compensation to Affiliate or BD Affiliate. The Affiliate's or the BD Affiliate's compensation received from transaction costs varies based on the specific characteristics of each purchase and sale transaction (including, but not limited to the type of security, the number of shares purchased or sold etc.). The more transactions a client enters into, the more compensation the Affiliate or BD Affiliate receives. The transaction costs you pay in APM II represent a conflict of interest due to the fact that Affiliate or BD Affiliate has a financial incentive to establish an APM II Account and receive additional compensation versus establishing an account in an another advisory program offered by Affiliate that does not assess transaction costs. This compensation, however, is retained by the Affiliate or BD Affiliate and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend that you open an APM II Account or to recommend or to purchase or sell one type of security (in which Affiliate or BD Affiliate receives more compensation) over another type of security. For a further description of the other advisory programs offered by Affiliate, as well as the associated compensation received, please see the Affiliate's ADV Part 2A.

In addition to the fixed transaction cost mentioned above, for certain mutual fund purchases and sales in APM II, Pershing assesses your account a \$10 servicing fee. Pershing retains the entire amount of this servicing fee and neither Firm, Affiliate or BD Affiliate, or Advisor share any part of this servicing fee. This additional \$10 servicing fee makes the cost to you of certain mutual fund purchases and sales

higher than other securities purchases and sales. Your Advisor, upon request, will provide you with the most up to date list of mutual fund purchases and sales for which Pershing assesses the \$10 servicing fee, which list may change from time to time.

Other brokerage account charges, such as stop payment fees, Fed Fund Wire Fees and margin interest will be charged to your account when applicable; a list of those fees that may be charged are available on the Affiliate's or BD Affiliate's website or can be obtained from your Advisor. These other brokerage account fees and expenses defray our costs associated with such services and include a profit to the Affiliate or BD Affiliate. The additional compensation the Affiliate or BD Affiliate receives represents a conflict of interest because the Affiliate or BD Affiliate receives a financial benefit when it provides services in connection with maintaining your account. This compensation, however, is retained by the Affiliate or BD Affiliate and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend certain transactions or for the Affiliate or BD Affiliate to provide such additional services.

#### Borrowing Money (Margin Accounts) in the Advisor Program and Advisor II Program

A margin account is an account where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider the following:

- If you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account or withdraw funds.
- You are using the securities that you own as collateral.
- Money borrowed is charged an interest rate that is subject to change over time.
- Your Advisor has a conflict of interest when recommending that you purchase or sell securities using borrowed money. This conflict occurs because your advisory fee is based on the total market value of the securities in your account. If you have a margin debit balance (in other words you have borrowed and owe money to Affiliate or BD Affiliate), your margin debit balance does not reduce the total market value. In fact, since you have borrowed money to purchase additional shares, the total market value of your account will be higher, which results in a higher advisory fee.

Please also carefully review the margin disclosure document for additional risks involved in opening a margin account.

**Manager Program.** This Program is discretionary, which means we, the Advisor, Envestnet and/or the Investment Manager may make allocation changes and make trades without your prior approval. The Manager Program is a separately managed account (SMA) program that allows you and your Advisor to select one of several investment managers (Manager) to manage your Account directly or as model providers. These Managers generally focus on a specific asset class or sector and typically invest in individual stocks or bonds, but can utilize a variety of securities such as exchange-traded products or mutual funds. You and your Advisor will initially choose one of the available investment strategies. Your Advisor must obtain your authorization to change your risk profile. By completing the account opening documentation, you authorize us or the Manager of an SMA strategy, to act as your agent and attorney-in-fact to direct the investment and reinvestment of the assets in your Account. The selected Manager has full discretionary trading authority to place orders for the purchase and sale of securities in your Account.

#### *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. In the Manager Program, any transaction costs associated with your account are included or wrapped into your Program Fee. Other brokerage account charges, such as stop payment fees, Fed Fund Wire Fees and margin interest will be charged to your account when applicable; a list of those fees that may be charged are available on our Affiliate's or BD Affiliate's website or can be obtained from your Advisor. These other brokerage account fees and expenses, which vary based on the particular service, defray our costs associated with such services and include a profit to the Affiliate or BD Affiliate. The additional compensation the Affiliate or BD Affiliate receives represents a conflict of interest because the Affiliate or BD Affiliate receives a financial benefit when it provides services in connection with maintaining your account. This compensation, however, is retained by the Affiliate or BD Affiliate and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend certain transactions or for the Affiliate or BD Affiliate to provide such additional services.

## ITEM 5 – FEES AND COMPENSATION

The Firm, Affiliate, BD Affiliate, and/or your Advisor are compensated in several ways. We want to ensure that you understand how the Firm, and our Affiliate, BD Affiliate and Advisor are compensated as well as the other costs associated with your Account. Here are a few important facts about the fees and costs associated with your Account:

Client shall pay an annual asset-based fee according to the schedule listed below, which shall be a percentage of the assets under management (AUM) in the Account and shall be calculated and deducted from the account quarterly, in advance, based on the account's AUM on the last day of the prior calendar quarter on which the account may have traded on the New York Stock Exchange. The fee shall include the fee charged to invest in each Program listed below (a "Program Fee") and, for APM II only, an Annual Account Fee. Your SIS, or other document as designated by us, will list out the fee paid to the Advisor (Advisor Fee), and for some Programs, the fee charged by the Investment Manager, Manager or Strategist (Manager Fee), and for the Guided Program only, the model provider fee (Model Provider Fee). Envestnet determines the value of your Account in accordance with its normal practices and procedures and such determination will



be binding on the parties to this Agreement. Client understands and expressly authorizes Firm to sell securities in the account and pay these fees. If you terminate your account prior to the end of a quarter, we will refund any advisory fees owed to you on a prorated basis. The prorated fee is based on the number of days remaining in the quarter.

### Unified Program

The minimum Program Fee to be charged will be \$99 per account per year. In addition to the Program Fee and Advisor Fee, each Strategist and/or Investment Manager will charge a fee as specified in the SIS or other location, as designated by us. In addition, certain Clearing Broker Fees such as stop payment fees and Fed Fund Wire Fees (as referenced in Item 4) will be charged to your Account when applicable. For a full list of such fees, request a Clearing Broker's Fee Schedule and the My Advice Architect Fee Schedule from your Advisor. The maximum fee that may be charged by your Advisor is 2.00%.

Asset Value	Program Fee
First \$250,000	0.40%
Next \$250,001 - \$500,000	0.37%
Next \$500,001 - \$750,000	0.32%
Next \$750,001 - \$1,500,000	0.27%
Next \$1,500,001 - \$3,500,000	0.22%
Above \$3,500,001	0.20%

In general, the minimum account size for the Unified Program is \$10,000. Under certain circumstances, we may waive this minimum. Strategists and Investment Managers may have different account minimums, restrictions on the types of investments they manage, and other pertinent details. For additional information regarding any restrictions imposed by a third party money manager, please ask your Advisor for the third party money manager's Form ADV Part 2A Brochure.

### Guided Program

The minimum Program Fee to be charged will be \$99 per account, per year. In addition to the Program Fee and Advisor Fee each Model Provider will charge a fee listed below and/or on your SIS. Moreover, certain Clearing Broker Fees (as referenced in Item 4) such as stop payment fees and Fed Fund Wire Fees will be charged to your Account when applicable. For a full list of such fees, request a Clearing Broker's Fee Schedule and the My Advice Architect Fee Schedule from your Advisor. The annual Program Fee and the fee payable to the Model Provider selected for your Account are listed below and/or on your SIS. The maximum fee that may be charged by your Advisor is 2.00%.

Asset Value	Program Fee	Model Provider Fee
First \$250,000	0.35%	0.03%
Next \$250,001 - \$500,000	0.33%	0.03%
Next \$500,001 - \$750,000	0.28%	0.03%
Next \$750,001 - \$1,000,000	0.23%	0.03%
Next \$1,000,001 - \$2,000,000	0.18%	0.03%
Above \$2,000,001	0.13%	0.03%

In general, the minimum account size for the Guided Program is \$25,000. Under certain circumstances, we may waive this minimum.

### Advisor Program

The minimum Program Fee to be charged will be \$99 per account, per year. In addition, certain Clearing Broker Fees (as referenced in Item 4) such as stop payment fees and Fed Fund Wire Fees will be charged to your Account when applicable. For a full list of such fees, request a Clearing Broker's Fee Schedule and the My Advice Architect Fee Schedule from your Advisor. The annual fee payable to your Advisor for your Account will be listed in the Fees section of the SIS. The maximum fee that may be charged by your Advisor is 2.00%.

Asset Value	Program Fee
First \$500,000	0.25%
Next \$500,001 - \$1,200,000	0.22%
Next \$1,200,001 - \$2,500,000	0.18%
Next \$2,500,001 - \$5,000,000	0.12%
Above \$5,000,001	0.09%

The minimum account size for the Advisor Program is \$25,000. Under certain circumstances, we may waive this minimum.

## Advisor II Program

The Advisor II Program charges an Annual Account Fee in addition to the Program fee. The Annual Account Fee is a flat fee based on the market value of your account, payable based on the table below. In addition, certain Clearing Broker Fees (as referenced in Item 4) such as stop payment fees and Fed Fund Wire Fees will be charged to your Account when applicable. For a full list of such fees, request a Clearing Broker's Fee Schedule and the My Advice Architect Fee Schedule from your Advisor. The annual fee payable to your Advisor for your Account will be listed in the Fees section of the SIS. The maximum fee that may be charged by your Advisor is 2.00%.

Asset Value	Program Fee
First \$750,000	0.13%
Next \$750,001 – \$1,500,000	0.12%
Next \$1,500,001 – \$2,500,000	0.11%
Next \$2,500,001 – \$5,000,000	0.09%
Above \$5,000,001	0.07%

Asset Value	Annual Account Fee
\$0 - \$100,000	\$100
\$100,001 – \$200,000	\$80
\$200,001 – \$300,000	\$60
\$300,001 – \$400,000	\$40
\$400,001 – \$500,000	\$20
Over \$500,001	\$0

You will also be responsible for paying transaction costs associated with each purchase and sale of a security. Your executed advisory services agreement lists the fixed transaction costs you pay in your APM II Account. Affiliate or BD Affiliate marks up the transaction costs that Clearing Broker charges, which is a source of additional compensation to Affiliate or BD Affiliate. The Affiliate's or the BD Affiliate's compensation received from transaction costs varies based on the specific characteristics of each purchase and sale transaction (including, but not limited to the type of security, the number of shares purchased or sold etc.). The more transactions a client enters into, the more compensation the Affiliate or BD Affiliate receives. The transaction costs you pay in APM II represent a conflict of interest due to the fact that Affiliate or BD Affiliate has a financial incentive to establish an APM II Account and receive additional compensation versus establishing an account in an another advisory program offered by Affiliate that does not assess transaction costs. This compensation, however, is retained by the Affiliate or BD Affiliate and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend that you open an APM II Account or to recommend or to purchase or sell one type of security (in which Affiliate or BD Affiliate receives more compensation) over another type of security. For a further description of the other advisory programs offered by Affiliate, as well as the associated compensation received, please see the Affiliate's ADV Part 2A.

In addition to the fixed transaction cost mentioned above, for certain mutual fund purchases and sales in APM II, Pershing assesses your account a \$10 servicing fee. Pershing retains the entire amount of this servicing fee and neither Firm, Affiliate or BD Affiliate, or Advisor share any part of this servicing fee. This additional \$10 servicing fee makes the cost to you of certain mutual fund purchases and sales higher than other securities purchases and sales. Your Advisor, upon request, will provide you with the most up to date list of mutual fund purchases and sales for which Pershing assesses the \$10 servicing fee, which list may change from time to time.

The minimum account size for the Advisor II Program is \$25,000. Under certain circumstances, we may waive this minimum.

## Manager Program

The minimum Manager Program fee to be charged will be \$199, per account, per year. In addition to the Program Fee and Advisor Fee each Manager will charge a fee as specified in the SIS or other location, as designated by us. In addition, certain Clearing Broker Fees (as referenced in Item 4) such as stop payment fees and Fed Fund Wire Fees will be charged to your Account when applicable. For a full list of such fees, request a Clearing Broker's Fee Schedule and the My Advice Architect Fee Schedule from your Advisor. The annual fee payable to your Advisor, and the exact fee payable to the Manager, for your Account will be listed in the Fees section of the SIS. The maximum fee that may be charged by your Advisor is 2.00%.

<b>Asset Value</b>	<b>Program Fee</b>
First \$250,000	0.40%
Next \$250,001 - \$500,000	0.37%
Next \$500,001 - \$750,000	0.32%
Next \$750,001 - \$1,500,000	0.27%
Next \$1,500,001 - \$3,500,000	0.22%
Above \$3,500,001	0.20%

The minimum account size for the Manager Program is \$100,000. Under certain circumstances, we may waive this minimum. Managers may have different account minimums, restrictions on the types of investments they manage, and other pertinent details. Please refer to the Manager's Form ADV Part 2A Brochure for additional information.

#### *Consolidated Billing*

If you have multiple accounts, you may be able to consolidate account assets for fee billing purposes and performance reporting, while receiving a reduced Program and Advisor Fee based on a tiered fee schedule of total advisory assets under management. This tiered fee schedule could have a mix, or "blend," of fees that consist of lower calculated percentage rates for progressively higher investment amounts that exceed each threshold. Please note that the APM II's Annual Account Fee is solely determined based on assets in each of your APM II Accounts.

You may consolidate, or "household," these accounts (when multiple account holders reside in the same primary residence or household) if within the household there are multiple accounts for the same Program with the same fee schedule. The default billing method is to debit advisory fees for each account respectively, although you may be offered the option to have a consolidated management fee deducted from one primary account, instead of having fees deducted from each account, provided this primary account is not a retirement account and that the accounts have the same fee schedules and Advisors. The primary account will have lower performance returns than it would otherwise have, and your other accounts will have higher returns than they would otherwise have. To determine whether or not this election to consolidate household accounts is appropriate, your Advisor will review with you its applicableness to your particular situation, so that you may make an informed decision in whether to make this election.

Generally, householding your accounts will result in a financial benefit to you due to reduced overall Program and Advisor Fees and should be considered where applicable.

#### *Negotiable Fees*

Because the Advisor Fee is negotiated between you and your Advisor, individual clients may pay different fees for receiving the same or similar advisory services.

#### *You Pay Your Fees in Advance*

Unless specifically stated below, AUM fees are assessed on a quarterly basis in advance. This means that you are charged for the following calendar quarter's advice and not for past advice. Fees are generally automatically deducted from your advisory account. If you terminate your account prior to the end of a quarter, we will refund any fees owed to you on a prorated basis. The prorated fee is based on the number of days remaining in the quarter.

#### *Advisory Programs May Be More Expensive*

The fees you pay to participate in each Program are for the investment advisory services and certain brokerage services provided in each Program. Because most advisory programs purchase investments that have their own internal or management fees (such as mutual funds), the total cost of a particular Program will be more than if you were to buy the securities individually.

You may purchase certain investment products that we recommend through other brokers or agents that are not affiliated with us.

#### *Additional Compensation*

These Programs may invest in companies, such as our Affiliate's or BD Affiliate's Strategic Partners, that also provide our Affiliate or BD Affiliate's with additional revenue. Regardless of this additional compensation, these products do not cost you more by purchasing them from us versus another firm. Affiliate's or BD Affiliate's Strategic Partner program and the revenue received are described in more detail further in this section.

All accounts may invest in mutual funds that make a distribution payment referred to as a 12b-1 fee. The clearing/custodial firm has been instructed to credit any 12b-1 fees received to the client's account. As a result, neither us, Affiliate, BD Affiliate, nor the Advisor shall receive 12b-1 fees from mutual funds purchased in the accounts.

In addition to Advisor Fees, your Advisor may earn sales incentives or awards based on the value of assets under management, investment products sold, number of sales, client referrals, amount of new deposits or amount of new accounts. Your Advisor may also receive forgivable loans from Affiliate or BD Affiliate, which are conditioned on your Advisor retaining Affiliate or BD Affiliate as broker-dealer and/or registered investment adviser's services. This additional economic benefit creates a conflict of interest for your Advisor to retain affiliation with Affiliate or BD Affiliate in order to avoid re-payment on a loan. Affiliate maintains a Code of Ethics requiring your Advisor to always act in your best interest, and maintains a supervisory structure to monitor the advisory activities of your Advisor in order to reduce potential conflicts of interest.

#### *Fee Schedules May Change*

In general, we may change our fee schedules at any time by providing you with 30 days advance notice.

#### *Quarterly Performance Reports*

As we mentioned in Item 4 of this brochure, we may send you a quarterly report listing the performance of your account as well as any fee that was deducted from your account for the quarter.

#### *Additional Fees and/or Expenses*

Products such as certain mutual funds and variable annuities are required to be held by you for a period of time. If you sell a security prior to the required holding period, the issuer may assess a fee. These fees commonly referred to as contingent deferred sales charges (CDSCs) or surrender charges are described in detail within the product's prospectus. Please read the prospectus or statement of additional information carefully so that you fully understand any fees you may incur when selling a security.

As discussed in Item 4, your accounts may include additional costs including but are not limited to, account maintenance fees, transaction costs, wire transfer fees, costs associated with exchanging currencies, and return check fees. These other brokerage account fees and expenses defray Affiliate or BD Affiliate costs associated with such services and include additional compensation to the Affiliate or BD Affiliate. The additional compensation the Affiliate or BD Affiliate receives represents a conflict of interest because the Affiliate or BD Affiliate receives a financial benefit when it provides services in connection with maintaining your account. This compensation, however, is retained by the Affiliate or BD Affiliate and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend certain transactions or for the Affiliate or BD Affiliate to provide such additional services.

For a description of transaction and other brokerage related costs charged to your account, see the information specific to your account in Item 4 and see a further description of brokerage practices in Item 12.

All Programs listed above, except for the APM II, include transaction costs, the costs associated with purchasing or selling securities (such as brokerage commissions or expenses) in the account, and are included or wrapped into your Program Fee. For the APM II, you pay transaction costs in addition to the Program Fee and Annual Account Fee listed above.

For a description of other brokerage costs charged to your account see the description of brokerage practices in Items 12 and 4.

#### *Additions and Withdrawals*

You may make additions to or withdrawals from an account in any of the Firm's sponsored programs at any time, subject to the Firm's right to terminate the account if it falls below the minimum account value as determined by the Firm from time to time or as otherwise provided in the your advisory agreement. Additions may be in cash or securities, provided that the Firm reserves the right to decline to accept particular securities into the account or to impose a waiting period before certain securities may be deposited.

If cash or securities are accepted for management in your account during the quarter, a prorated asset-based fee based on the value of the assets will be charged upon deposit. You may request periodic withdrawals; and alternatively, may withdraw account assets subject to the usual and customary securities settlement procedures. You must acknowledge that your account is responsible for any charges, including contingent deferred sales charges, surrender charges, or redemption fees, that apply to redemptions or liquidations of securities held in the account. No asset-based fee adjustment will be made during any quarter for appreciation or depreciation in account asset value during that period, nor shall any adjustment or refund be made with respect to partial additions or withdrawals which when aggregated, total less than \$10,000 per day.

#### **Compensation from Strategic Partners**

Although we offer thousands of mutual funds from more than 250 mutual fund companies, and hundreds of variable life and annuity contracts from more than 100 insurance companies, Affiliate or BD Affiliate concentrates its marketing and training efforts on those investments offered by a much smaller number of select and well-known companies (Strategic Partners). Strategic Partners are selected by our Affiliate or BD Affiliate, in part, based on the competitiveness of their products, their technology, their customer service and their training capabilities. Strategic Partners have more opportunities than other companies to market and educate Advisors on investments and the products they offer. For a current list of Affiliate or BD Affiliate's Strategic Partners, please see the below list of Strategic Partners.

Strategic Partners pay extra compensation to our Affiliate or BD Affiliate in addition to the usual product compensation described in the prospectus. The additional amounts Strategic Partners pay Affiliate or BD Affiliate vary from one Strategic Partner to another and from year to year. Some Strategic Partners pay Affiliate or BD Affiliate up to 0.45%, of your total purchase amount of a mutual fund or variable insurance product. So, for example, if you invest \$10,000 in a mutual fund, Affiliate or BD Affiliate could be paid up to \$45. Additionally, some Strategic Partners make a quarterly payment or additional quarterly payment based on the assets you hold in the fund or variable insurance product over a period of time of up to 0.15% per year. For example, on a holding of \$10,000, Affiliate or BD Affiliate could receive up to \$15.

Alternatively, Affiliate or BD Affiliate may receive compensation from the mutual fund or insurance company as: (1) a flat fee regardless of the amount of new sales or assets held in client accounts; or (2) the greater of such flat fee or amount based on assets and/or new sales as referenced above and any ticket charge payments referenced below. These payments are designed to compensate Affiliate or BD Affiliate for ongoing marketing and administration and education of its employees and representatives. You do not make these payments. They are paid by the mutual fund and insurance companies and/ or their affiliates out of the assets or earnings of the funds or insurance companies or their affiliates.

It is important to note that you do not pay more to purchase Strategic Partner mutual funds or insurance products through us than you would pay to purchase those products through another broker-dealer, and your Advisor does not receive additional compensation for selling a Strategic Partner product.

Affiliate or BD Affiliate also receives revenue sharing payments from companies that are not Strategic Partners.

#### *Potential Conflicts of Interest in Receiving Revenue Sharing from Strategic Partners*

A potential conflict of interest exists in that Affiliate or BD Affiliate is paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product from one particular sponsor instead of another. Your Advisor also indirectly benefits from Strategic Partner payments when the money is used to support costs relating to product review, marketing or training, or for waiver of ticket charges, as described below. Advisors do not receive any compensation associated with the revenue sharing payments.

#### *Mutual Fund Ticket Charges*

When you purchase a mutual fund of a Strategic Partner in a Pershing brokerage account, we generally absorb the "ticket charge" for each transaction which would normally be paid by you in your APM II Account. Generally, the mutual fund families that participate in the Strategic Partner Program subsidize some of these ticket charges through the compensation mentioned above or by paying us a per trade fee. The type of transaction in a Strategic Partner mutual fund purchase that qualifies for a ticket charge waiver varies depending on the particular Strategic Partner. In general, the ticket charge will be waived for the purchase of certain mutual funds in the amount of \$2,500 or more, however, this dollar amount may vary based on the Affiliate or BD Affiliate. For more information regarding the dollar amount at which trades are waived, please ask your Advisor or see the Affiliate's Form ADV. Every mutual fund offered by us may be purchased without a ticket charge by processing the transaction with a check and application sent directly to the mutual fund company. We believe that these ticket charge waivers do not result in a conflict of interest between you and your Advisor.

In general, if you are not comfortable with the use of Strategic Partners products in your account and the resulting conflicts of interest, then you should notify your Advisor of this preference and you should not participate in any advisory program that includes Strategic Partner products.

#### *Training and Education Compensation*

Affiliate and its representatives also receive additional compensation from mutual fund and insurance companies, including Strategic Partners that is not related to individual transactions or assets held in accounts. This money is paid, in accordance with regulatory rules, to offset up to 100% of the costs of training and education of our representatives and employees. In some instances, mutual fund and insurance companies pay a flat fee in order to participate in Affiliate's training and educational meeting. These meetings or events provide Affiliate's representatives with comprehensive information on products, sales materials, customer support services, industry trends, practice management education, and sales ideas.

It is important to note that due to the number of mutual fund and variable insurance products we offer, not all product sponsors have the opportunity to participate in these training and educational events of Affiliate. In general, Strategic Partners have greater access to participation in these events and therefore greater access to, and opportunity to build relationships with, Advisors.

Some of the training and educational meetings for which Affiliate, BD Affiliate, or Advisors receive reimbursement of costs include client attendance. If you attend a training or educational meeting with Advisor and a product sponsor is present, you should assume that the product sponsor has paid for all or a portion of the costs of the meeting or event.

#### *Other Cash and Non-Cash Compensation*

In addition to reimbursement of training and educational meeting costs, Affiliate, BD Affiliate, and its representatives receive promotional items, meals or entertainment or other non-cash compensation from representatives of mutual fund companies, insurance companies, and direct participation sponsors, as permitted by regulatory rules. The sale of mutual funds, variable insurance products and other



products, whether of Strategic Partners or not, may qualify our representatives for additional business support and for attendance at seminars, conferences and entertainment events. Further, some of Affiliate's home-office management and certain other employees receive a portion of their employment compensation based on sales of products of Strategic Partners.

### **Exchange Traded Products Partner Program**

Effective July 24, 2018, Affiliate or BD Affiliate launched an exchange traded products partner program (ETP Partner Program), which as described below, has similar features to Affiliate's or BD Affiliate's Strategic Partner Program. Affiliate or BD Affiliate currently has one ETP Partner, WisdomTree Asset Management, but intends to add additional ETP Partners on an ongoing basis. For a current list of Affiliate's or BD Affiliate's ETP Partners, please refer to Affiliate's or BD Affiliate's website or contact your Advisor.

Although we offer thousands of exchange traded products (ETPs), Affiliate or BD Affiliate concentrates its marketing and training efforts on those investments offered by select and well-known ETP Partners. An ETP Partner is selected, in part, based on the competitiveness of its products, its technology, its customer service and its training capabilities. An ETP Partner has greater exposure to Affiliate or BD Affiliate Advisors (e.g., at conferences), and more opportunities to market and educate Advisors on investments and the products they offer.

An ETP Partner pays extra compensation to our Affiliate or BD Affiliate in addition to the compensation described in the prospectus. The additional amounts may vary from one ETP Partner to another and from year to year. In general, an ETP Partner pays Affiliate or BD Affiliate the greater of an annual flat fee regardless of the amount of new sales or assets held in client accounts or up to 0.25% of the ETP's net expense ratio (as set forth in the prospectus or supplement) of your investment's average daily balance during the quarter. So, for example, for each \$10,000 average quarterly daily balance of an ETP Partners' product held by our clients, Affiliate or BD Affiliate would be paid up to \$25 on an annual basis. Further, if the annual flat fee were \$500,000 and the total asset-based fee did not reach that amount Affiliate or BD Affiliate would still be paid \$500,000.

These payments help compensate Affiliate or BD Affiliate for maintaining the platform and providing ongoing marketing, administration and education to Affiliate or BD Affiliate employees and representatives. The payments are paid by the ETP Partner and/or their affiliates out of the assets or earnings of the ETP Partner or their affiliates. You do not pay more to purchase an ETP Partner's product through Affiliate or BD Affiliate than you would pay outside of the ETP Partner Program, and your representative does not receive additional compensation for selling an ETP Partner product. For the most current description of the compensation Affiliate or BD Affiliate receives from ETP Partners, please refer to Affiliate's or BD Affiliate's website or contact your Advisor

#### *Conflicts of Interest in Receiving Revenue Sharing from ETP Partners and with Ticket Charge Waivers*

A conflict of interest exists in the recommendation of ETP Partner products since Affiliate or BD Affiliate receives additional revenue if you purchase an ETP Partner product and/or if you purchase a product from one particular sponsor instead of another. Your representative also indirectly benefits from ETP Partner payments when the money is used to support costs relating to product review, marketing or training, or for waiver of ticket charges, as described below. Advisors do not receive any compensation associated with the revenue sharing payments.

When you purchase a Wisdom Tree ETP product, we absorb the nominal "ticket charge" (sometimes referred to as a transaction charge) for each transaction, which would normally be paid by you or your representative. In general, the ticket charge will be waived for the purchase of certain ETPs in an amount of \$2,500 or more. For more information regarding the dollar amount at which trades are waived, please ask your Advisor or see the Affiliate's Form ADV. We believe that these ticket charge waivers do not result in a conflict of interest between you and your Advisor in other advisory programs.

In general, if you are not comfortable with the use of ETP Partner products in your account and the resulting conflicts of interest, then you should notify your Advisor of this preference and you should not participate in any advisory program that includes ETP Partner products.

### **Retirement Strategic Partners Program**

Affiliate also receives certain revenue sharing payments from third-party firms, including plan recordkeeping platforms as well as investment managers of mutual funds and the issuers of annuities (each a "Retirement Partner"). Retirement Partners participate in activities that are designed to help facilitate the distribution of their products and services, such as marketing activities and educational programs, including attendance at conferences and presentations to Affiliate's Advisors. These revenue sharing payments are in the form of a fixed dollar amount that does not depend on the amount of the Plan's investment in any product or utilization of any Retirement Partner's services. Retirement Partners also pay the Affiliate's expenses, or provide non-cash items and services, to facilitate training and educational meetings for the Affiliate's Advisors, which similarly do not depend on the amount of the Plan's investment in any product or utilization of any Retirement Partners' services. Advisors do not receive any portion of these payments.

Retirement Partners currently include:

- American Funds
- Empower Retirement
- John Hancock
- J.P. Morgan Asset Management
- Lincoln Financial Group
- Mutual of Omaha
- Nationwide Financial
- Oppenheimer
- Principal Financial Group
- Transamerica Retirement Solutions
- Voya



It is important to note that you do not pay more to purchase Retirement Partner products or services through the Firm, than you would pay to purchase those products or services through another firm, and your Adviser does not individually receive additional compensation for selling or recommending a Retirement Partner product or service.

## 529 Plans

In addition to commission-based compensation for sales of 529 plans, 529 plan assets are included in the amount of total mutual fund or variable annuity assets for which revenue sharing is paid as described above. Affiliate does not separately account for these payments and it does not have any 529 Plan Strategic Partners.

## Direct Participation Programs and Other Alternative Investments

Affiliate, through its representatives, offer clients a wide variety of direct participation programs and alternative products including: non-listed real estate investment trusts, limited partnerships, 1031 exchange programs, business development companies, and oil and gas programs.

Whether an Advisor charges a commission to the client upon the sale of a direct participation program or other alternative investment, be it assessed in full, in part, or not at all, is based upon whether the investment is held in an advisory or brokerage account, and if it is on Affiliate's approved products list. If a client purchases an alternative investment product from the advisory approved products list, it will be sold in an advisory program without a commission, and will be included in the billing and reporting of the account assets.

If the alternative investment product is not on the advisory approved products list, the Advisor has the ability to:

- Purchase the product for the client while charging a commission and holding it directly within a brokerage account; or
- Have the product held in an advisory account solely for convenience purposes, but will be excluded from the billing and reporting of the account assets, and regular billing will continue on all other eligible assets held in the account.

In addition to commissions Affiliate or BD Affiliate receives from the sale of these products, Affiliate or BD Affiliate receives due diligence and/or marketing allowance payments from certain sponsors. While the additional compensation Affiliate or BD Affiliate receives as well as the arrangements it has varies with each sponsor, some product sponsors pay a due diligence or marketing allowance fee of (i) up to 0.30% annually on assets held at the sponsor, (ii) up to 1.50% on the gross amount of each sale, depending on the product, or (iii) a flat fee from certain sponsors regardless of the amount of new sales or assets held in client accounts. These payments are designed to compensate Affiliate or BD Affiliate for ongoing marketing and administration as well as education of its employees and representatives regarding these types of products. You do not make these payments. They are paid by the product sponsor out of the assets or earnings of the product sponsor.

It is important to note that you do not pay more to purchase products through us than you would pay to purchase those products through another firm, and your representative does not receive additional compensation for selling products from sponsors that pay Affiliate or BD Affiliate such additional compensation.

A conflict of interest exists because Affiliate or BD Affiliate is paid more revenue-sharing fees if you purchase one type of product instead of another and/ or you purchase a product from one particular sponsor instead of another. Your Advisor also indirectly benefits from these sponsor payments when the money is used to support costs relating to product review, marketing or training.

## List of Strategic Partners

The following is the list of Strategic Partners in alphabetical order.

### Mutual Fund Companies:

- |  |  |
|--|--|
| • Allianz Global Investors                 | • Lord, Abbett & Co. LLC                       |
| • American Funds Distributors <sup>1</sup> | • Mainstay Investments                         |
| • Blackrock Investments, LLC               | • Natixis Global Asset Management <sup>3</sup> |
| • BMO Funds                                | • Neuberger Berman                             |
| • Columbia Management                      | • Oppenheimer Funds Distributors, Inc          |
| • Deutsche Asset and Wealth Management     | • Pacific Life                                 |
| • Eaton Vance Distributors, Inc            | • PIMCO  |
| • Federated                                | • Pioneer Funds Distributor, Inc.              |
| • Fidelity Investments <sup>2</sup>        | • Principal Funds                              |
| • Franklin Templeton Distributors, Inc.    | • Prudential Financial, Inc.                   |
| • Goldman Sachs Asset Management           | • Putnam Investments                           |
| • Invesco                                  | • Transamerica                                 |
| • Ivy Funds                                | • Virtus Investment Partners, Inc.             |
| • John Hancock Funds                       | • Voya Investment Management (ING Funds)       |
| • JP Morgan Investment Management          |  |

<sup>1</sup> For American Funds, the ticket charges are waived for purchases over \$10,000.

<sup>2</sup> For Fidelity Investments, ticket charges are waived on Fidelity Advisor Funds. Fidelity Direct Funds are not included in this program.

<sup>3</sup> Natixis Global Asset Management ticket charges are not waived on Oakmark and Loomis Sayles funds.

*Annuity Carriers:*

- AIG Annuities
- Allianz Life Financial Services
- AXA Distributors
- Global Atlantic (formerly known as Forethought)
- Great West
- Hartford Life
- Jackson National
- Jefferson National
- Lincoln Financial Distributors
- Brighthouse Financial (formerly known as Metlife)
- Nationwide Financial
- Pacific Life Insurance Company
- Protective Life
- Prudential
- Midland National (distributed by Sammons Financial Group)
- Securian Financial Group
- Transamerica Capital
- Voya

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

We do not receive performance-based fees.

## ITEM 7 – TYPES OF CLIENTS

We generally provides advisory services to individuals, tax-qualified retirement plans, and other institutions.

Our advisory accounts all require a minimum opening deposit. Depending on the specific program, the opening deposit may vary between \$10,000 - \$100,000. The minimum account opening balance required for each program is described in more detail in Item 4 of this brochure. Under certain circumstances, this minimum may be waived by us, or for certain programs, the Manager or third party investment adviser.

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

### **Method of Analysis**

Advisors may use various methods to determine an appropriate investment strategy for your portfolio. During your initial and subsequent meetings with your Advisor, they will discuss the methods they used. The analysis performed may include the following:

#### *Technical Analysis*

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

#### *Fundamental Analysis*

This type of analysis concentrates on earnings, a company's financial statements, and the quality of a company's management. These quantitative factors are then used to attempt to determine the financial strength of a company.

#### *Asset Allocation*

Asset allocation investment strategies attempt to optimize the risk and reward of your portfolio by investing among several asset classes.

#### *Timing Service*

While not a standard analysis method used by our Advisors, some Advisors may offer advisory services that attempt to time security performance. This essentially means they try to purchase or sell immediately preceding an increase or decrease in the security's price. This type of investing can substantially increase the amount of your brokerage transaction costs due to the frequency that transactions are occurring. Also, many mutual funds or variable annuities specifically prohibit excessive buying and selling within their fund in a short period of time. Affiliate monitors our accounts for excessive trading activity to ensure that you are aware and comfortable with the level of trading as well as to ensure that the investments are appropriate for you.

## **Types of Investments and Associated Risks**

All investing involves some level of risk. Most of the advisory services we provide involve the purchase or sale of securities. Investment in securities involves risk of loss. We apply risk analysis in making investment decisions or recommendations for its clients, but there can be no guarantee that it will produce the desired results. The risks include the potential to lose your entire principal value. All securities sold have disclosure documents that discuss these risks. This disclosure document is commonly referred to as a prospectus, but may be called something else depending on the type of security you have purchased. In any case, it is extremely important that you read these documents in their entirety.

Described below are some risks associated with investing and with some types of investments that are available through our advisory programs:

### *Management Risk*

The Program involves developing and implementing an investment strategy for you, which inherently involves making decisions about the future behavior of, among other things, the securities markets as a whole and the market for individual securities. Because there is no available methodology for accurately predicting future events over time, there can be no guarantee of success in developing a profitable investment strategy for you or in implementing the strategy developed.

### *Market Risk*

This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.

### *Equity Securities*

In general, prices of equity securities are more volatile than those of fixed income securities. The prices of equity securities will rise and fall in response to a number of different factors, including events that affect particular issuers as well as events that affect entire financial markets or industries.

### *Interest Rate Risk*

This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.

### *Credit Risk*

This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.

### *Concentrated Investment Strategies*

Certain investment strategies may be concentrated in a specific sector or industry. If you invest in a portfolio or strategy that is made up of a concentrated position, sector or industry, your portfolio will be more likely to sharply increase or decrease in value with changes in the markets. Concentrated strategies are more volatile because the risk associated with each company represents a large percentage of your overall portfolio value.

### *Options*

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

### *Exchange-Traded Products (ETPs)*

ETPs are investment companies that are legally classified as open end mutual funds or unit investment trusts (UITs). ETPs differ from traditional mutual funds in that ETP shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETP shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETP's trading volume and market liquidity, and is generally lower if the ETP has a lot of trading volume and market liquidity and higher if the ETP has little trading volume and market liquidity. Although many ETPs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETPs (in particular those that invest in commodities) are not registered as investment companies. ETPs may be closed and liquidated at the discretion of the issuing company.

## *Structured Products*

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

## *Alternative Investments*

Non-traded REITS, non-traded business development companies (BDCs), limited partnerships, and direct alternatives (Alternative Investments) are subject to various risks such as limitations on liquidity, pricing mechanisms, and specific risk factors associated with the particular product, which for products associated with real estate, would include, but not be limited to, and property devaluation based on adverse economic and real estate market conditions. Alternative Investments may not be suitable for all investors. A prospectus that discloses all risks, fees and expenses, and risk factors associated with a particular Alternative Investment may be obtained from your Advisor. Read the prospectus carefully before investing.

Investors considering an investment strategy utilizing Alternative Investments should understand that Alternative Investments are generally considered speculative in nature and involve a high degree of risk, particularly if concentrating investments in one or few Alternative Investments or within a particular industry. The risks associated with Alternative Investments are potentially greater and substantially different than those associated with traditional equity or fixed income investments.

## ITEM 9 – DISCIPLINARY INFORMATION

The Firm has no legal or disciplinary events to disclose.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The Firm is part of Cetera Financial Group, Inc., which is a wholly owned by Aretec. Cetera Financial Group, Inc. has a network of independent broker-dealers, investment advisers registered with the SEC, and general insurance agencies.

## ITEM 11 – CODE OF ETHICS

To help avoid potential conflicts of interest, the Firm has developed a Code of Ethics. The Code of Ethics is designed to comply with federal securities laws or other applicable securities laws.

Clients may request a copy of the Firm's Code of Ethics at any time by contacting Firm's chief compliance officer via the contact information found in Item 1 of this Brochure.

## ITEM 12 – BROKERAGE PRACTICES

### *Selection of Brokers*

If your Advisor is also a registered representative of Cetera Investment Services LLC (CIS), an affiliate of Firm, then CIS will provide brokerage and custodial services for your Account. During the account opening process, you authorize us to open a custodial account with CIS, 400 First St. S. Suite 300, St. Cloud, MN 56302 and to transfer your account to such other clearing firm as CIS may determine, including a clearing broker affiliated with the Firm and CIS. If your Advisor is not a registered representative of CIS, but is a registered representative of Affiliate or a broker-dealer affiliated with Affiliate (BD Affiliate), then Affiliate or BD Affiliate (each an "Introducing BD") will provide brokerage services for your Account. During the account opening process, you authorize Introducing BD to open a custodial account with Pershing (Pershing), a subsidiary of The Bank of New York Mellon Corporation, One Pershing Plaza, 4th Flr., Jersey City, NJ 07399, and to transfer your account to such other clearing firm as Introducing BD may determine, including a clearing broker affiliated with Firm and Introducing BD. Both CIS and Pershing are referred to in this Brochure as Clearing Broker.

We do not receive research or other products or services other than execution from Pershing or CIS in connection with your securities transactions (soft dollar benefits). We do not consider, in selecting or recommending broker-dealers, whether we or a related person receives client referrals from a broker-dealer or third party.

In addition, you do not generally have the option to direct securities brokerage transactions to other broker-dealers or other account custodians. If, however, you should request, and we approve, the use of a broker-dealer other than CIS or Pershing for securities transaction execution, you should be aware that we will generally be unable to negotiate commissions or other fees and charges for your account, and we would not be able to combine your transactions with those of other clients purchasing or selling the same securities in a block trade. As a result of your directing trades to a broker-dealer, we would be unable to ensure that your trades receive "best execution". By directing brokerage to a broker, we may be unable to achieve the most favorable execution for your transactions and you may pay more in transaction charges than if you executed trades through another broker-dealer. Therefore, directed brokerage may cost you more money. For more information about the brokerage practices of a third-party money manager program, you should refer to the disclosure brochure for the applicable third-party money manager program.

#### *Agency Cross or Principal Trades*

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlling, controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Principal transactions arise when the Firm acts as an investment adviser and broker in a transaction between an advisory client on one side of a transaction and the Firm (including accounts of Firm representatives) on the other side of the transaction. This includes buying securities from or selling any security to an advisory client from the Firm's own account.

The Firm permits agency cross or principal trades in exceptional circumstances with approval from an Advisor's supervisor and the Firm's compliance department. If an exception is approved, the Firm will receive consent from the client prior to executing the transaction and the agency cross and/or principal transactions will be consistent with SEC guidelines. The Firm monitors trading for potential agency and principal trades and reviews every permitted agency cross and principal transaction for suitability. Some of the items that the Firm reviews include, but are not limited to, security pricing and trade volume in order to determine if an agency cross or principal transaction is in the client's best interest. No commission is received for the execution of agency cross or principal transactions.

It is important to note that if you have a retail brokerage account in addition to your advisory account, agency cross transactions executed as a buy and sell between retail brokerage accounts under the control of the same Advisor are permitted without prior approval. Such a transaction will not result in a sales credit or commission payable to the Advisor for the transactions.

#### *Block Trading*

Block Trading refers to the aggregation of multiple orders from different clients, for the same securities for submission as a single order for execution. When the purchase or sale of a particular security is appropriate for more than one client account, trades for advisory clients may be aggregated. This is done principally to ensure that clients are treated fairly and that one client is not advantaged at the expense of another client. Trades with advisory clients may be aggregated with those of other clients of your Advisor, the personal trades of supervised persons and trades in proprietary accounts.

Aggregate orders may be filled through multiple executions at different prices during the course of a trading day. If your order is aggregated with other orders, you will receive an average price. Aggregate orders will not reduce your transaction costs.

When an aggregated order is not fully filled (i.e., when an aggregated order is only partially filled), the Firm's trading system will allocate to each account participating in the order the pro-rata amount of shares to each account in accordance with the account's proportion of the overall order.

It is the Affiliate's policy that the order allocation between participating clients may not be changed after the order has been executed.

Affiliate's policies do not require your Advisor to block trade client orders. When an Advisor chooses not to aggregate client orders for the same security a conflict of interest exists. In such instances, the adviser must decide which client order to place first which may result in one client receiving a better execution price over another client and could lead to certain client accounts receiving more favorable order executions over time. Affiliate does not monitor Advisors choosing not to aggregate orders to determine whether any one client or group of clients is systematically disadvantaged over time.

Clients that are not included in block trading of other client accounts may receive a higher or lower price than clients that have been included in a block trading order. In order to ensure that no client or group of clients is favored over another, Affiliate monitors the block trading activity with respect to clients that are not included in block trades with other clients of an Advisor.

#### *Trading Errors*

Occasionally, a trading error may occur where either we, or our Advisors are at fault. If this occurs in your Account, the error will be corrected and your Account will be restored to where it would have been had the error never occurred. However, in the process of restoring your Account, we may realize a profit or suffer a loss in connection with correcting this error. Neither losses nor gains realized by us will be passed on to you.

## *Best Execution*

The Firm and Envestnet are obligated to ensure orders are being sent to the markets in an efficient manner and to execute any transactions in the manner it believes is in the client's best interest. The Firm's primary consideration with regard to purchases and sales for its clients is obtaining the most favorable execution of the transactions needed to implement client's investment strategy. The determinative factor is whether the transaction represents the best qualitative execution for the client account and not whether the lowest possible price is obtained. The Firm reviews reports that help analyze the quality of the executions of the orders that are sent to the market.

## ITEM 13 – REVIEW OF ACCOUNTS

Affiliate reviews the performance of investment strategies at least annually. Please refer to Affiliate's ADV Part 2A for a further description of Affiliate's review of accounts.

**Quarterly Performance Reports** - We may send you a written quarterly performance report, which among other things, lists your account holdings and performance.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Advisors may receive compensation from Third-Party Money Managers (TPMMs) that creates a conflict of interest. This compensation may include training, educational meetings, training events, industry conferences and entertainment for our Advisors and/or clients, as permitted by industry rules. The conflict of interest exists in that this compensation may provide your Advisor with an incentive to recommend one TPMM versus another TPMM. However, clients do not pay more to purchase TPMM products through us than clients would pay to purchase the same TPMM products.

## ITEM 15 – CUSTODY

The Firm does not have physical or constructive custody of client funds. Client funds are held by an approved custodian (Custodian) selected by the Firm. The Custodian will send account statements to Clients at least quarterly. Account statements include a summary of all transactions, all deposits and withdrawals, all fees and expenses, and the value of the account at the beginning and end of the stated time period. Clients should review these statements carefully. As referenced in Item 12, either CIS or Pershing will be the Custodian for the Programs.

In addition to the account statements CIS or Pershing sends you, we may send you, or otherwise provide, a quarterly performance report, which among other things, lists your account holdings and performance. You should compare our report to the account statements you receive from CIS or Pershing. In the event of any discrepancy between our report and any statement you receive from CIS or Pershing regarding the same investment, you should rely on the statement from CIS or Pershing. The Firm relies on the Custodian to price and value assets and provide cost basis information for tax reporting of client assets. You should contact the Custodian for the cost basis accounting method applicable to your account. Initial cost basis is the value at deposit. The Firm's quarterly report information should not be relied upon for tax purposes.

For IRA and other retirement accounts, Pershing or CIS may charge termination fees pursuant to an adoption agreement you enter into with Pershing or CIS which authorizes Pershing or CIS to act as the IRA custodian for Internal Revenue Service's purposes. Pershing may resign at any time as the IRA custodian and then you have the right to appoint a successor IRA custodian (Successor). We may recommend that you appoint an affiliate of ours as the Successor. We will notify you in writing of any change of the IRA custodian, which will not require any action on your part to choose our affiliate as the Successor.

## ITEM 16 – INVESTMENT DISCRETION

Except as noted in Item 4, the Firm has discretionary authority to manage accounts. In order to take advantage of the services provided by the Programs, Clients must provide a limited power of attorney.

## ITEM 17 – VOTING CLIENT SECURITIES (I.E., PROXY VOTING)

For all the advisory services and programs offered through Firm, we have no authority to vote proxies on your behalf. For the Advisor Program and Advisor II Program, Client is responsible for receiving and voting proxies for the securities that are within your account. In the Unified Program and Guided Program, Overlay Manager is responsible for receiving and voting proxies for the securities that are within your account. For the Manager Program, the Manager selected is responsible for receiving and voting proxies for the securities that are within your account.

## ITEM 18 – FINANCIAL INFORMATION

We do not take prepayment of more than \$1,200 in fees, six months or more in advance or have a financial condition that could impair our ability to meet our contractual obligations. Therefore, we are not required to provide our audited balance sheets.