



# **Wrap Program Brochure**

(Form ADV Appendix 1)

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## **Item 1 – Cover Page**

This wrap fee program brochure provides information about the qualifications and business practices of Independent Advisor Alliance, LLC. If you have any questions about the contents of this brochure, please contact us at 855-569-4684. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about IAA also is available on the SEC's website at **[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**.

**Item 2 – Material Changes**

Since the last annual filing of this brochure in March 2021, the following material changes have been made:

- Item 4 – Clarification on where investment advisory fee is disclosed
- Item 4 – Addition of disclosure of fee calculations done through Orion Advisor for FLEX Portfolio Services program accounts custodied at LPL
- Item 6 – Description of the risk tolerance software “Riskalyze” has been added
- Item 9 – Description of the client referral tool “SmartAsset” has been added
- Firm Brochure (Form ADV Part 2A) and Wrap Program Brochure (Form ADV Appendix 1) broken out into two separate documents.

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## Item 4 – Services, Fees, and Compensation

Independent Advisor Alliance, LLC (“IAA”) is a fee-only registered investment advisor that provides clients with asset management, retirement, and financial planning services. Our home office is in Charlotte, North Carolina, and our business model includes a network of advisory representatives with offices located throughout the United States which operate under a separate and independently owned “do-business-as” (“DBA”) name other than IAA. These DBA names and logos may appear on the advisory representative’s sales and marketing materials and are not owned or controlled by IAA with the exception of Yellow Penguin, Blackbridge Financial and Blackbridge Advisors. Regardless of the name used, these advisory representatives are licensed through IAA, and subject to our supervision when offering advisory services through IAA.

IAA offers discretionary asset management services through a program account (the “Program”) based on the individual needs of clients (“client,” “you” or “your”). In order for IAA to manage your assets, you will be required to establish a Program account in your name at LPL Financial, LLC (“LPL”), a registered broker/dealer and qualified custodian. LPL provides clearing, custody and other brokerage services for accounts established through the Program. You will retain all rights of ownership on your account, including the right to withdraw securities or cash, vote proxies, and receive transaction confirmations. In addition, you can also impose restrictions on investing in certain securities or types of securities at the time you open the account.

In order to hire us to provide management services, you will be asked to enter into a written investment advisory agreement with us. This agreement will set forth the terms and conditions of our relationship and what services comprise the fee. The LPL account application will set forth the amount of your investment advisory fee.

IAA also offers additional investment advisory services to clients. For more information about IAA’s other investment advisory services, please contact your advisory representative for a copy of IAA Firm Brochure or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Fees

In a Program account, clients pay IAA a single annual advisory fee for advisory services and execution of transactions. Clients do not pay brokerage commissions, markups, or transaction charges for execution of transactions in addition to the advisory fee.

The annual advisory fee for management services is a maximum of 2% and is based on a percentage of the market value of your account, including cash holdings. The fee may also include Financial Planning and Consulting services. Advisory fees are negotiable between IAA and the client, and the amount of the advisory fee will be as agreed upon in writing between IAA and the client. The advisory fee may be higher than the fee charged by other investment advisors for similar services.

Advisory fees are billed quarterly in advance and calculated based on the account’s market value on the last business day of the prior quarter. The initial advisory fee is due at the beginning of the quarter following execution of this Agreement and will include the prorated fee for the initial

quarter in addition to the standard quarterly fee for the upcoming quarter. Additional deposits and withdrawals will be added or subtracted from the account’s value which may lead to an adjustment of the advisory fee. IAA leverages the services of Orion Advisor and a 360-day year for calculating the advisory fees of accounts held at TD, Fidelity, and Schwab and for LPL accounts participating in IAA’s FLEX Portfolio Services program. IAA then provides the fees to be deducted from your account to the Custodian for processing. LPL also uses a 360-day year and is responsible for calculating and deducting all advisory fees from accounts held at LPL. Please see a sample calculation of advanced billing below (The example assumes the 1<sup>st</sup> quarter end account value of \$105,000, 1.75% Advisory Fee):

*Orion and LPL Methodology: 360-day year and quarters lasting 90 days.*

Depending upon the compensation structure between IAA and the advisory representative, the advisory fee may be shared between IAA and its advisory representative. In these cases, IAA will receive up to 12% of the advisory fee when asset management is provided by the advisory representative. For example, if the advisory representative’s compensation structure is based upon a “grid” (see below), IAA will retain a percentage of the advisory fee paid to the advisory representative. If, however, the advisory representative’s compensation structure is based upon a “flat fee,” the advisory representative will pay IAA a flat fee each month of up to \$2900.00 and will receive 100% of the advisory fees paid by the client. When IAA centrally provides management services to the Program account, IAA will retain an additional 0.08% to 0.22%, depending upon the size of the account.

Example:

#### Independent Advisor Alliance (IAA) Grid

Advisory Payout
96%

In such cases where a custodian other than LPL is selected by the client, IAA may retain 5% of the advisory fee earned by the advisory representative on accounts custodied away from LPL as an oversight fee. In addition, IAA retains an additional 0.05% of assets under management custodied away from LPL in order to cover the 0.05% oversight fee charged to IAA by LPL. To the extent an advisory representative is permitted to use a custodian other than LPL, this presents a conflict of interest in that the advisory representative has a financial incentive to recommend LPL as a custodian. Notwithstanding, IAA and its advisory representatives take its responsibility to clients seriously and will recommend a custodian to clients only if it believes it is in the client’s best interest.

If the advisory agreement is terminated before the end of the quarterly period, client is entitled to a pro-rated refund of any pre-paid quarterly advisory fee based on the number of days remaining in the quarter after the termination date.

Although neither Client nor the IAA advisory representative pay a transaction charge for transactions in the account(s), Client should be aware that IAA pays LPL an annual asset-based pricing fee based upon a percentage of assets under management within the IAA Program account – this percentage is capped at 0.06%. This fee is then passed

down from IAA to the IAA advisory representative. Because the IAA Investment Advisor pays the Custodian an annual asset-based pricing fee in lieu of paying transaction charges, there is a conflict of interest. Client understands that the cost to the IAA Investment Advisor of the annual asset-based pricing fee may be a factor that he/she considers when deciding how much of an annual advisory fee to assess to the account(s).

Within the IAA Program account, IAA uses mutual funds that the custodians make available within their custodial platforms. In many instances, the available mutual funds offer multiple classes of shares, including shares designated as Class A shares and institutional share classes and other share classes that are specifically designed for purchase in a fee-based investment advisory program. In other instances, a mutual fund may offer only Class A shares, but another similar mutual fund may be available that offers an institutional or fee-based advisory share class. When Class A shares are purchased in the IAA Program account, the custodian receives from the mutual fund a portion of the 12b-1 fees charged by the mutual fund. Neither IAA nor its advisory representatives receive any portion of these 12b-1 fees. Because of the different expenses of the mutual fund share classes, it is generally more expensive for a client to own Class A shares than an institutional or fee-based advisory share class. As a result, IAA does not permit its advisor representatives to purchase Class A shares in Program accounts. Assets that transfer into IAA Program accounts will be converted to an alternate share class and/or investment within a specified time-frame. Institutional or fee-based advisory share classes generally are not subject to 12b-1 fees. An investor in an institutional or fee-based advisory share class will pay lower fees over time and keep more of his or her investment returns than an investor who holds Class A shares of the same fund. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio. In an advisory program, the appropriateness of a mutual fund share class should be determined based on a variety of different considerations, including but not limited to: the advisory fee that is charged; the anticipated frequency of transactions; the holding period for the mutual funds; the overall cost structure of the advisory program; share class eligibility requirements; and potential tax consequences.

In selecting a share class, the advisory representative may consider the overall profitability of the account or client relationship. Accordingly, the advisory fees that are charged on an account basis or in the aggregate at the relationship level may take into consideration the mutual fund share classes in which the client is invested. Clients that are invested in institutional or fee-based advisory share classes may have higher advisory fees.

#### Other Types of Fees and Charges

Program accounts will incur additional fees and charges from parties other than the IAA as noted below. These fees and charges are in addition to the advisory fee paid to IAA. IAA does not share in any portion of these third-party fees.

LPL, as the custodian and broker-dealer providing brokerage and execution services on Program accounts, will impose certain fees and charges. LPL notifies clients of these charges at account opening and makes available a list of these fees and charges on its website at [www.lpl.com](http://www.lpl.com).

LPL will deduct these fees and charges directly from the client's Program account.

There are other fees and charges that are imposed by other third parties that apply to investments in program accounts. Some of these fees and charges are described below:

- If your account invests in mutual funds or ETFs, please note that you will pay the fund a management fee as a shareholder of the fund in addition to paying us an advisory fee for managing the assets. As many of the funds available in the Program may be purchased directly, you could avoid the second layer of fees by not using IAA's management services and by making your own fund investment decisions.
- Certain mutual funds impose fees and charges such as contingent deferred sales charges, early redemption fees and charges for frequent trading. These charges may apply if client transfers into or purchases such a fund with the applicable charges in a program account.
- Although only no-load and load-waived mutual funds can be purchased in a Program account, client should understand that some mutual funds pay asset-based sales charges or service fees (e.g., 12b-1 fees) to the custodian with respect to account holdings.
- If client holds a variable annuity as part of an account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor.
- Certain retirement accounts - IRA and qualified retirement plan fees.
- Certain trust accounts - Administrative servicing fees for trust accounts.
- Unit investment trusts ("UIT") - creation and development fees or similar fees imposed by UIT sponsors.
- Alternative investments - hedge fund and managed future investment management fees, managed futures investor servicing fees, and business development company fees.
- Sweep money market funds and cash balances – 12b-1 fees or other fees based on average daily deposit balances.
- Other charges required by law and imposed by the executing broker/dealer or custodian.

Further information regarding fees assessed by a mutual fund, or variable annuity is available in the appropriate prospectus, which is available upon request from the IAA or from the product sponsor directly.

#### Other Important Considerations

The advisory fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. The advisory fee may cost the client more than purchasing the program services separately, for example, paying an advisory fee plus commissions for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the type and size of the account, historical and or expected size or number of trades for the account, and number and range of supplementary advisory and client-related services provided to the client.

- The advisory fee also may cost the client more than if assets were held in a traditional brokerage account. In a brokerage account, a client is charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a commission-based brokerage account rather than a Program account.
- IAA is recommending the Program account to the client and receives compensation because of the client's participation in the program. This compensation includes the advisory fee and may include other compensation, such as bonuses, awards or other things of value offered by LPL to IAA or its advisory representatives. The amount of this compensation may be more or less than what the IAA would receive if the client participated in other LPL programs, programs of other investment advisors or paid separately for investment advice, brokerage, and other client services. Therefore, the IAA has a financial incentive to recommend a Program account over other programs and services. IAA takes its responsibilities seriously and will only recommend that clients hire IAA for management services if IAA believes it is appropriate and in the client's best interests.
- The investment products available to be purchased in the program can be purchased by clients outside of a Program account, through broker-dealers or other investment firms not affiliated with IAA.

## **Item 5 – Account Requirements and Types of Clients**

IAA provides services to individuals, trusts, estates, and small businesses.

## **Item 6 – Portfolio Manager Selection and Evaluation**

In the Program account, IAA does not select, review, or recommend other investment advisors or portfolio managers. IAA offers the Program account through its advisory representatives located in a variety of office locations in multiple states. Each client is responsible for selecting his or her own advisory representative. Each advisory representative is responsible for determining

his/her investment strategies and methods of analysis. For more information about the IAA advisory representative's management style, you are encouraged to speak with your advisory representative. For more information about the advisory representative managing the account, client should refer to the Brochure Supplement for the associated person, which client should have received along with this Brochure at the time client opened the Program account.

LPL performs certain administrative services for Advisor, including generation of quarterly performance reports for program accounts. Client will receive an individual quarterly performance report, which provides performance information on a time weighted basis. The performance reports are intended to inform clients as to how their investments have performed for a period, both on an absolute basis and compared to leading investment indices.

### **Methods of Analysis and Investment Strategies**

It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

The following outlines the types of investment strategies and methods of analysis that may be used by IAA's advisory representatives in managing or handling your account. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

One tool that IAA offers its advisory representatives access to at a discounted rate to help determine a particular client's risk analysis is "Riskalyze." Riskalyze provides a quantitative risk analysis by asking the client a series of questions to help determine their overall comfort level with certain scenarios. Once the system has assigned a risk tolerance number to the client based on their responses, the system will then assist the advisor in developing portfolios to fit that risk tolerance. The fee associated with this tool is charged by IAA to the advisor and paid by the advisor directly - there is no fee to the client.

Within a Program account, the advisory representative is responsible for constructing a portfolio using an asset allocation mix that is appropriately diversified and consistent with your investment objective for the Program account. While the majority of IAA's advisory representatives invest in mutual funds and ETFs within Program accounts, other securities types are also used as discussed throughout this brochure. IAA typically does not engage in active trading when managing Program accounts. IAA's goal is to construct a portfolio using an appropriate mix of investments consistent with your investment objective for the Program account, and then monitor the account and rebalance as necessary when the percentages of certain holdings exceed or fall below target allocations.

In some cases, IAA's advisory representatives may use index strategies based on efficient market theories when managing accounts. Index management is a financial strategy that does not entail any forecasting or market timing. The goal is to minimize transaction costs, maximize diversification and avoid adverse consequences of failing to correctly anticipate the future. This strategy is implemented

by constructing a portfolio of multiple mutual funds that are designed to track markets. By tracking the market, a portfolio is highly diversified, has low turnover and low internal mutual fund management fees.

In certain situations, the advisory representative may utilize the services of IAA to centrally manage a client's Program account. IAA is responsible for constructing the portfolios and placing rebalancing transactions as needed. IAA obtains research and portfolio construction services from a third-party advisor but is responsible for making all final decisions with respect to portfolio construction and transactions. The advisory representative remains responsible for the ongoing individualized investment advice provided to the client. For more information regarding the individuals associated with IAA that are involved in providing the centralized management, refer to the brochure supplements at the end of this Brochure.

IAA typically manages Program accounts focusing on one of the following investment objectives based on the client's goals and risk tolerance; income with capital preservation, income with moderate growth, growth with income, growth, or aggressive growth. The allocation of assets to different mutual funds or other securities in a Program account will be made based on these overall objectives as well as based on consultations with the client.

As stated above, IAA generally uses the following types of investment vehicles within Program accounts: mutual funds (including asset allocation funds, index funds, international funds, emerging market funds, real estate funds, high yield bond funds and funds that short the market), ETFs (including commodity funds, precious metal funds and agricultural funds), variable annuity subaccounts, alternative investments (including managed futures funds, hedge funds, real estate investment trusts and business development companies), individual stocks and bonds. The particular investments selected for your Program account will depend upon your investment objective, level of risk tolerance, sensitivity to taxes, and other factors.

There are risks associated with investing in securities. The following highlights some of the risks associated with the types of investments that may be purchased for your account:

- Investing in international markets presents additional risks including currency fluctuations, the potential for diplomatic and political instability, regulatory and liquidity risks, and foreign taxation, among others. The risks of foreign investing are generally greater in emerging markets.
- High yield bonds carry greater risks than bonds rated as investment grade. For example, they are issued by organizations that do not qualify for an investment grade rating by one of the rating agencies because of the potential for higher default by the issuer. Another risk is that further financial difficulties by the issuer may result in a decrease in the market value, and this may make it impossible to liquidate the bond prior to maturity.
- Funds designed to short the market, or inverse funds, have a goal of providing the opposite or inverse of the return for the underlying index.

Inverse funds may have higher expense ratios and be less tax-efficient than a traditional mutual fund or ETF. They may also be riskier. IAA may use inverse mutual funds or ETFs as a short-term holding in Program accounts when deemed appropriate.

- ETFs are typically investment companies that are legally classified as open-end mutual funds or UITs. However, they differ from traditional mutual funds in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF 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 ETF's trading volume and market liquidity and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, those that invest in commodities, are not registered as an investment company.
- Business development companies ("BDCs") are operated for making investments in small and developing business, as well as financially troubled businesses. BDCs must also make available managerial assistance to certain of its portfolio companies and is only required to disclose its net asset value on a quarterly basis. BDCs are often characterized as a publicly traded venture capital or private equity firm that is subject to certain provisions of the Investment Company Act. BDCs can be speculative investments because of the types of investments they make and involve significant risks. These risks include, but are not limited to, portfolio company credit and investment risk, leverage risk, market and valuation risk, price volatility risk, liquidity risk, capital markets risk, interest rate risk, dependence on key personnel, and structural and regulatory risk.
- Managed futures funds, hedge funds and real estate investment trusts may be purchased within Program accounts on a non-discretionary basis by clients meeting certain standards. Investing in these funds involves additional risk including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing tax information. You should be aware that these funds are not liquid as there is no secondary trading market available.

IAA may use either a fundamental or technical method for analyzing investment opportunities for Program accounts. Fundamental analysis means that the overall business is considered by reviewing a business' financial statements

and financial health, its management and competitive advantages, and its competitors and markets. Technical analysis is an investment analysis discipline that attempts to forecast the direction of prices through the study of historical trends in past market data, primarily price and volume. Of course, past performance does not guarantee future results.

IAA considers the overall economy, both domestically and globally, when selecting specific investments and making asset allocation decisions. IAA also considers current and recent market levels and volatility when making management decisions. IAA uses a variety of sources of data to conduct economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases.

#### Voting Client Securities

IAA does not have any authority to vote client securities or proxies on your behalf. Within a Program account, the client retains the right to vote all proxies. Proxy information for any securities which are held in your accounts will be sent to you by LPL as the custodian of your funds and securities. IAA will not be providing you with this information. However, if you have any questions about a particular solicitation, you may contact IAA for general information.

### **Item 7 – Client Information Provided to Portfolio Managers**

In the Program account, IAA, through its advisory representatives, is responsible for account management; there is no separate portfolio manager involved. IAA obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. This information is obtained through detailed discussions and by having the client complete a written investment advisory agreement and other documentation. Clients are encouraged to contact IAA if there have been any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. Client should be aware that the investment objective selected for the program is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. Client should further be aware that achievement of the stated investment objective is a long-term goal for the account.

### **Item 8 – Client Contact with Portfolio Managers**

Client should contact his/her advisory representative at any time with questions regarding program account.

### **Item 9 – Additional Information**

#### Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of their advisory business or the integrity of their management. IAA has no information applicable to this Item.

#### Other Financial Industry Activities and Affiliations

IAA is only in the business of providing investment advice as described above. However, as also noted above, advisory representatives of IAA may also be registered representatives of LPL, an SEC registered broker/dealer and member of the Financial Industry Regulatory Authority. In this capacity, the advisory representative can sell securities to clients and receive normal and customary compensation in the form of commissions. However, such compensation will not be received in connection with investments made in Program accounts. Clients purchasing securities from an advisory representative outside of a Program account will receive disclosure documents (e.g., prospectus, brokerage account agreement) when conducting such transactions.

LPL's parent company, LPL Investment Holdings, Inc., is a publicly traded company with shares listed on The NASDAQ Global Select Market under the trading symbol "LPLA." Certain advisory representatives of IAA are shareholders and/or option holders of LPLA.

Certain advisory representatives are also being licensed as independent insurance agents and appointed through various insurance companies to offer a variety of types of insurance depending upon the individual. The types of insurance that may be available include life insurance, long term care insurance, fixed annuities, and disability insurance. In such capacity, the advisory representatives can sell insurance products to clients and receive normal and customary compensation in the form of commissions. Client's purchasing insurance from advisory representatives will receive certain disclosure documents and complete an insurance application process when conducting such transactions.

As discussed previously, advisory representatives of IAA may also be registered representatives of LPL. Because of this relationship, LPL may have access to certain confidential information (for example, financial information, investment objectives, transactions, and holdings) about IAA's clients, even if the client does not establish an account through LPL. If you would like a copy of LPL's privacy policy, please contact your IAA advisory representative to request a copy.

IAA has an arrangement with Horizon Investments wherein Horizon Investments provides IAA with non-discretionary investment recommendations and research information that IAA will use in constructing and managing its client portfolios. In addition, Horizon Investments provides access to technology for tracking investment decisions and communicating market commentaries. The access to technology and provision of investment recommendations and research is provided by Horizon Investments to IAA at no charge. Horizon Investments and IAA are not affiliated. Horizon Investments is a registered investment advisor, an investment advisor to the Horizon mutual funds, and a sub-advisor to Horizon ETFs. It is important to understand that investment recommendations provided to IAA may include a recommendation to include a Horizon mutual fund or Horizon ETF within a portfolio. When Horizon mutual funds or ETFs are held in IAA client accounts, Horizon Investments will receive compensation related to its duties to the Horizon mutual funds and ETFs. This presents a conflict of interest as IAA may be inclined to include the Horizon mutual fund or ETF within client portfolios so that Horizon Investments continues to provide services to IAA. However, there is no



obligation for IAA to include any Horizon mutual fund or ETF within any portfolio and IAA will do so only if it is deemed in the best interest of the client.

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

IAA has adopted a Code of Ethics which establishes standards of conduct for its supervised persons. The Code of Ethics includes general requirements that such supervised persons comply with their fiduciary obligations to clients and other applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings quarterly to IAA and requires IAA to review those reports. Each supervised person receives a copy of the Code of Ethics and must acknowledge in writing having received the materials. Clients and prospective clients may obtain a copy of the Code of Ethics by contacting IAA.

It is IAA's policy not to affect any principal trades for client accounts. Principal trades are generally defined as transactions where an advisor, acting for its own account, buys from or sells a security to an advisory client. It is also IAA's policy not to cross trades between your account and the account of another client.

IAA and its advisory representatives may buy or sell securities for their personal accounts identical to those recommended to clients. This creates a potential conflict of interest. It is IAA's policy that all persons associated with them in any manner must place the interests of clients ahead of their own when making personal investments. In addition, IAA requires that client transactions be placed before their own transactions. IAA also monitors trading by its advisory representatives.

LPL's parent company, LPL Investment Holdings Inc., is a publicly traded company. IAA does not recommend or solicit orders of LPL Investment Holdings Inc. stock in Program accounts.

#### Review of Accounts

Advisory representatives conduct reviews of client Program accounts on a quarterly basis for consistency with the client's stated investment objectives, among other factors. Client account reviews may also be triggered upon client request, a change in client circumstances, or unusual economic or market activity.

All Program accounts are also subjected to a risk-based exception reporting system that flags accounts on a quarterly basis for criteria such as performance, trading activity and position concentration. The exception reporting identifies accounts where additional scrutiny or analysis by IAA may be appropriate.

During any month that there is activity in a Program account, you will receive a monthly account statement from LPL showing account activity as well as positions held in the account at month end. Additionally, you will receive a confirmation of each transaction that occurs unless the transaction is a result of a systematic purchase, redemption, or exchange. You will also receive a detailed quarterly performance report prepared by LPL on behalf of IAA. All

account data and statements are also available online through the LPL Account View portal.

#### Client Referrals and Other Compensation

IAA may from time to time compensate, either directly or indirectly, any person for client referrals. These individuals are referred to as solicitors and IAA pays them a portion of the advisory fee paid by the client. When a solicitor is used, the arrangement will be disclosed in writing to the client through a disclosure document signed by the client at the time the account is opened.

In addition, certain advisory representatives of IAA have a relationship with Ramsey Solutions ("RS") whereby RS provides online advertising services in exchange for a flat monthly marketing fee. The services include advertising space on RS's web-based SmartVestor™ lists assigned to particular geographic markets, use of the SmartVestor™ marks in advertising, and provision of other marketing materials. Potential clients using the SmartVestor™ site may select and choose to contact the advisory representative for services; potential clients are not referred to IAA or the advisory representative.

Some IAA advisors have a relationship with SmartAsset whereby SmartAsset provides leads to advisors by matching clients with advisors who may best suit their needs. The client answers a series of questions on SmartAsset's questionnaire and once the system determines a "match," they are connected with the advisor. SmartAsset does not receive a portion of the advisory fees paid by the client, rather, they are paid for each referral by the advisor directly. There is no ongoing compensation paid to SmartAsset by the advisor or the IAA.

IAA has entered into service agreements with certain unaffiliated financial institutions (e.g., banks) that permit IAA to provide investment advisory services to the financial institution's customers. Pursuant to service agreements, IAA shares a portion of the advisory fees with the financial institutions for use of the financial institution's facilities and for access to financial institution customers.

Because of IAA's relationship with LPL, they may receive production bonuses, stock options to purchase shares of LPL's parent company, and other things of value such as free or reduced-cost attendance at LPL's national sales conference or top producer forums and events. Such compensation may be based on overall business produced and/or on the amount of assets serviced through LPL. Thus, there is a financial incentive for us to recommend that you establish a Program account so that IAA will be compensated. IAA takes their responsibilities to clients very seriously and will only recommend that clients hire them for management services if they believe it is appropriate and in the client's best interests.

As stated previously, advisory representatives of IAA may also be registered representatives with LPL. If an advisory representative has recently become associated with IAA, the advisory representative may have received payments from LPL in connection with his/her transition to LPL as a registered representative and IAA as an advisory representative from another broker/dealer and investment advisor firm. Robert Russo, owner of IAA, in his status as an LPL branch manager, will receive a portion of such

payments. These payments, which may be significant, are intended to assist the registered representative/advisory representative with the costs associated with the transition, such as moving expenses, leasing space, furniture, staff, and termination fees associated with moving accounts; however, there is no verification to confirm the use of these payments for such transition costs. These payments may be in the form of loans to the advisory representative, which are repayable to LPL or forgiven by LPL based on years of service with LPL (e.g., if the registered representative/advisory representative maintains a relationship with LPL for 5 years) and/or the scope of business engaged in with LPL, including the amount of advisory assets custodied with LPL that are managed by the IAA advisory representative. The receipt of these payments presents a conflict of interest in that an advisory representative has a financial incentive to recommend that a client engage with IAA and the advisory representative for advisory services for the loan to be forgiven. However, to the extent we recommend you establish or maintain an account with IAA and LPL, it is because we believe it is in your best interest to do so, based on your goals and objectives, as well as the services offered. IAA has processes in place to review advisory representative managed accounts for suitability over the course of the advisory relationship.

### **Financial Information**

IAA is required to provide clients with certain information or disclosures about its financial condition. We have no financial commitment that impairs our ability to meet contractual or fiduciary commitments to clients, and we have not been the subject of a bankruptcy petition. Due to our firm's structure and the uncertainty surrounding general access to capital as the result of the 2020 Covid-19 Pandemic, we have applied for and received a PPP loan in order to ensure our ability to retain our highly skilled employees.

### **Custody**

We do not have custody of client funds or securities. Custody for all Program, MAS, MWP, PWP, GWP and OMP accounts is maintained by LPL or another qualified custodian. Betterment Securities maintains custody of Client assets that are managed by Betterment. Client receives periodic emails from Betterment with information about their accounts as well as links to account statements. Custody for Sub-Advisor Mutual Fund Models Program, Managed Account Program, Investment Strategies Program, and/or Managed Portfolios Program assets are maintained by the qualified custodian associated with the sub-advisor. You will receive accounts statements directly from the custodian at least quarterly. We encourage you to carefully review these statements upon receipt.

We will not have access to your funds or securities except for having advisory fees deducted from your accounts and paid to us by the custodian or via AdvicePay, the vendor we utilize for Credit Card/ACH fee payments. Any fee deductions will be done pursuant to your prior written authorization contained in the advisory agreement.

We may provide you with additional, customized reporting from time to time and upon request. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's

investment assets. We urge you to carefully review such statements and compare such official custodial records to the reporting that we may provide to you. These additional reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. This additional reporting does not take the place of the official statements that you receive from the custodian.

### **Investment Discretion**

Upon your written authorization in IAA's investment advisory agreement, IAA will provide discretionary investment advisory services for your Program account. Discretionary authority is limited only to affecting trades in your accounts; IAA will determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each trade.

We will not have access to your funds or securities except for having advisory fees deducted from your account and paid to us by the custodian. Any fee deduction will be done pursuant to your prior written authorization provided in your investment advisory agreement.

### **Brokerage Practices**

IAA requires that clients direct LPL as the sole and exclusive broker/dealer to execute transactions for Program accounts. LPL is not paid a commission for executing transactions. Because advisory representatives of IAA are licensed with LPL, this presents a conflict of interest. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to LPL, clients may be unable to achieve the most favorable execution of client transactions. Therefore, directed brokerage may cost clients more money.

IAA receives support services and/or products from LPL, many of which assist IAA to better monitor and service client accounts maintained at LPL. These support services and/or products may be received without cost, at a discount, and/or at another negotiated rate, and may include the following:

- investment-related research
- pricing information and market data
- software and other technology that provide access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products used by IAA in furtherance of its investment advisory business operations

These support services are provided to IAA based on the overall relationship between IAA and LPL. It is not the result of soft dollar arrangements or any other express arrangements with LPL that involves the execution of client transactions as a condition to the receipt of services. IAA will continue to receive the services regardless of the volume of client transactions executed with LPL. Clients do not pay more for services because of this arrangement. There is no corresponding commitment made by IAA to LPL or any other entity to invest any specific amount or percentage of client

assets in any specific securities because of this arrangement.

IAA may aggregate transactions for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. IAA may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities, and the discretionary or non-discretionary nature of the trades. If orders are not aggregated, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.