

# Ashton Thomas Securities, LLC

SEC File Number: 801 – 69225, 8-34261

## **ADV Part 2A, Appendix 1 Wrap Fee Program Brochure**

**Dated: January 11, 2024**

200 Canal View Blvd. Ste 204  
Rochester, New York 14623  
(585) 424-1234

**This Brochure provides information about the qualifications and business practices of Ashton Thomas Securities, LLC (“Ashton Thomas”). If you have any questions about the contents of this Brochure, please contact us at (585) 424-1234. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

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

**References herein to Ashton Thomas as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2            Material Changes**

**We wish to inform you of significant changes that have occurred at Ashton Thomas Securities, LLC since our last annual amendment filing on March 15, 2023. The firm has recently undergone a name change, transitioning from Excel Securities & Associates, Inc. to Ashton Thomas Securities, LLC. Additionally, there have been adjustments to the ownership structure. Throughout this transitional period, we have taken the necessary steps to update our brochure to reflect these changes accurately. We highly recommend that you review the amended brochure in its entirety to gain a comprehensive understanding of the new structure of the firm and its implications for you as our valued client.**

### **Item 3            Table of Contents**

Item 1	Cover Page .....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents .....	3
Item 4	Services, Fees and Compensation .....	4
Item 5	Account Requirements and Types of Clients .....	9
Item 6	Portfolio Manager Selection and Evaluation.....	9
Item 7	Client Information Provided to Portfolio Managers.....	12
Item 8	Client Contact with Portfolio Managers.....	13
Item 9	Additional Information.....	13

## **Item 4 Services, Fees and Compensation**

Ashton Thomas Securities, LLC is an investment advisor registered with the Securities and Exchange Commission (SEC). Ashton Thomas Securities, LLC provides investment management services to its clients (individually, a "Client").

As of December 31, 2022, Ashton Thomas manages \$300,866,360 on a discretionary basis, and \$43,391,580 on a non-discretionary basis.

Advice is based on each client's financial situation, as well as detailed information about personal circumstances, such as age, investment time horizon, risk tolerance, expectations, goals, investment restrictions, etc. In determining whether to establish an account, a client should be aware that the overall cost to the Client of Advisory Services may be higher or lower than the Client may incur by purchasing separately the types of securities available through the Advisory Services. In order to compare the cost of the Advisory Services with unbundled services, the Client should consider the turnover rate in the investment strategies, trading activity in the account, standard advisory fees, and brokerage commissions that would be charged at other broker-dealers and investment advisors.

### **Ashton Thomas Wrap Program**

Ashton Thomas is the sponsor and investment manager of the Ashton Thomas Advisory Wrap Program (hereinafter the "Program"). Under the Program, Ashton Thomas is able to offer participants discretionary investment management services, for a specified annual Program fee, inclusive of trade execution, custody, and reporting fees. The current annual Program fee ranges from negotiable to 2.99%, depending upon the amount and type of the Program assets.

Ashton Thomas charges an annual wrap fee for participation in the Program. In addition, clients will pay an additional fee for independent investment management provider services (*Independent Manager[s]*). The wrap fee will be charged as a percentage of assets under management, as follows:

Ashton Thomas, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.)

Under the Program, Ashton Thomas shall be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written agreement between each client and Ashton Thomas. Clients may change/amend these limitations, in writing, at any time. The client shall have reasonable access to one of Ashton Thomas' investment professionals to discuss their account.

Ashton Thomas' annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Ashton Thomas), Ashton Thomas may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client. Pershing, LLC ("Pershing") and other qualified custodians are approved by Ashton Thomas to serve as the custodian for their Program accounts.

*Unaffiliated Independent Investment Managers:* As described below, within this section (see "Miscellaneous – Independent Manager") and further in Item 6 under Portfolio Manager Selection and Evaluation, Ashton Thomas may recommend the services of unaffiliated independent investment managers (*Independent Manager[s]*). The fees for such managers and their services are in addition to the fees described above,

however, the total advisory fee for an account utilizing these managers shall not exceed 2.99% per annum. The specific fee for each manager is provided in your Ashton Thomas Securities, LLC Investment Advisory Agreement.

Ashton Thomas offers three additional Programs further described below. The Client authorizes Ashton Thomas Securities, LLC to debit the advisory fee directly from the Client's investment account. If insufficient cash is available to pay such fees, securities in the amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

### **FB Advisory version 1 (FB1)**

Effective 5/1/2017 the Ashton Thomas Advisory wrap program is a discretionary advisory offering and all new agreements will be discretionary in nature. The Investment Advisor Representative that established the client relationship is named as the account Investment Adviser Representative (IAR) and portfolio manager, to provide ongoing account management. Client's will work closely with their IAR to identify and document their profile and establish risk/ return expectations. The IAR will use the profile data provided to make appropriate portfolio choices on behalf of the customer. The IAR will monitor the account and the recommended portfolio. Periodically, a thorough account review will be performed by the IAR and the results will be communicated to the client. Account reviews are designed to measure and report the effectiveness of the investment choices with respect to the customer's stated profile, goals, and account objectives. Periodic performance reports are used as a component of the account reviews.

### **Managed ETF Portfolios (METF)**

The Managed ETF Portfolios are a fully discretionary wrap program which leverages publicly available research provided by industry recognized third parties in the creation and maintenance of the program portfolios. The client provides full trading authority to Ashton Thomas to allocate the account according to the selected model. The program has eleven models that range from 100% fixed income to 100% equity. Ashton Thomas monitors drift from the model and periodically rebalances the account back to the model allocations. The program is now offered in two unique versions:

1. METF Blackrock Strategic Allocation models
2. METF Vanguard (CRSP) Models

### **Morningstar Managed Portfolios (MMP)**

The Morningstar Managed Portfolios are a set of portfolios sub advised by Morningstar Investment Management. There are five portfolios ranging from conservative to aggressive investment objectives. Each of the five models is offered in a tax sensitive and non-tax sensitive version. The Morningstar Investment Management team of analysts provide the portfolio asset allocations, select the portfolio holdings, and provide ongoing portfolio monitoring and guidance. Ashton Thomas' team trades the portfolios, and manages the program billing and all interactions with program account owners.

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client, pursuant to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (hereinafter the "Act").

**Fee Payment:** Clients will be charged in advance as specified in the *Investment Advisory Agreement* at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter, with prorated adjustments made for inflows and outflows in excess of \$10,000.00. Fees are prorated for accounts opened during the quarter. An additional fee for the current quarter will be assessed if assets are deposited after the beginning of the quarter, prorated based on the number of calendar days remaining in the quarter during which the service will be in effect. No portion of the fee will be credited to

the client for the current calendar quarter should any withdrawals from the portfolio occur in the same calendar quarter.

Clients electing a wrap fee program are charged an advisory fee expressed as an annual percent of their account value. These fees are billed monthly in advance and include the cost of asset manager fees, advisory services, trading costs, and performance reporting. In addition to the billed monthly advisory fee, wrap accounts may encounter additional non-billed expenses resulting from the internal mutual fund, ETF, and investment product expenses. All account types are subject to paper surcharges which can be avoided by electing electronic delivery of these items. All tax qualified accounts such as IRAs are subject to annual maintenance fees.

Sell transactions are subject to section 31 transaction fees. See <https://www.sec.gov/fast-answers/answerssec31htm.html> for more information on these fees. Section 31 fees will appear on the transaction confirmation as a transaction fee.

Other customer elected activities may result in additional charges. You should make inquiry around the cost of elective activities such as overnight delivery of checks or documents, electronic funds transfers to other financial institutions, check writing related costs, and other activities not related to the investment advisory services.

A portion of the fee collected from client is paid to the Investment Advisor Representative for his / her role in servicing the client account. The amount paid to Investment Advisor Representative varies based on contractual agreements between the Investment Advisor Representative and Ashton Thomas. The fee charged to client accounts is negotiable and many factors can affect the ultimate level of fees charged to client, but fees cannot exceed the maximum fees displayed below.

**Minimum & Maximum Program Fee as % of Assets**

<b>Assets Under Management</b>	<b>FBI</b>	<b>METF</b>	<b>MMP</b>
Minimum Account Size	0	\$25,000	\$25,000
Maximum Annual Fee %	1. 50%	1. 50%	1. 50%

A portion of the program fee is retained by Ashton Thomas to offset related program expenses such as, but not limited to, transaction fees for trade related activity, performance reporting fees, account maintenance fees, and technology costs related to account monitoring. Client may be able to purchase separately the services rendered in these wrap programs for less than the cost of participating in the wrap program. The ability to do so depends on factors such as the level of brokerage activity occurring in the program account, the ability to purchase certain services separately such as performance reporting, the value of the account, and the complexity of account strategies being employed.

The portion of the program fee paid to the Investment Advisor Representative may be different between the wrap fee programs described in this brochure and may differ from other Ashton Thomas sponsored advisory offerings. Additionally, the possibility exists that the amount earned by the Investment Advisor Representative could be greater if a non-advisory product is recommended. As such an Investment Advisor Representative may have an economic incentive to recommend one program or product over the other. Each of Ashton Thomas' representatives has acknowledged our Code of Ethics and has agreed to be bound by this

code. Among other things the Code of Ethics states that Ashton Thomas and its employees have "an affirmative duty of utmost good faith to act solely in the best interest of its clients."

**Termination of Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

**Please Note: Investment Performance:** As a condition to participating in the Program, the participant must accept that past performance may not be indicative of future results, and understand that the future performance of any specific investment or investment strategy (including the investments and/or investment strategies purchased and/or undertaken by Ashton Thomas) may not: (1) achieve their intended objective; (2) be profitable; or, (3) equal historical performance level(s) or any other performance level(s).

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** If requested by the client, Ashton Thomas may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Ashton Thomas, nor any of its representatives, serves as an attorney or accountant and no portion of Ashton Thomas' services should be construed as same. To the extent requested by a client, Ashton Thomas may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of Ashton Thomas in their separate registered/licensed capacities as discussed. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Ashton Thomas. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client's responsibility to promptly notify Ashton Thomas if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Ashton Thomas' previous recommendations and/or services.

**Alternative Investments.** Ashton Thomas may provide investment advice regarding unaffiliated alternative investments. Ashton Thomas' role relative to the alternative investments shall be limited to its initial and ongoing due diligence and investment monitoring. If a client determines to become an alternative investment investor, the amount of assets invested may be included as part of "assets under management" for purposes of Ashton Thomas calculating its investment advisory fee.

**Conflicts of Interest:** If requested, the client can engage certain of Ashton Thomas' representatives, in their individual capacities as broker-dealer registered representatives to implement investments on a commission basis in alternative investments. Ashton Thomas is not a broker-dealer and any such engagement would be outside the client's relationship with Ashton Thomas and at the volition of the client.

Clients can also engage Ashton Thomas Representatives in their individual capacities as insurance agents to purchase insurance products. Any sale of an insurance product is outside the client's relationship with Ashton Thomas and at the volition of the client. Additionally, Ashton Thomas has a related entity that is an insurance agency.

To address these **material conflicts of interest:**

1. Ashton Thomas does not recommend that clients allocate investment assets in any alternative investments in which Ashton Thomas and/or its related persons also have a financial interest;
2. Ashton Thomas does not have, nor will it exercise, any discretionary authority to place any client assets in any alternative investments in which Ashton Thomas and/or its related persons also have a financial interest;

3. Ashton Thomas reminds its clients in Form ADV where appropriate, and before they consider allocating investment assets that they are under absolutely no obligation to consider or make an investment in alternative investments;
4. Before a client allocates investment assets in any alternative investment in which Ashton Thomas and/or its related persons also have a financial interest, clients are required to sign an alternative investment acknowledgment form, which identifies the particular alternative investment and/or alternative investment company at issue and the conflicts associated with the sale of that particular investment; and
5. Ashton Thomas' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above material conflicts of interest.

**Please Note:** The above 1-5 apply to Ashton Thomas in its capacity as a registered investment adviser. It does not exclude its representatives from offering such alternative investments in their separate individual capacities as registered representatives. Regardless, such offer presents a material conflict of interest.

**Please Note:** Alternative investments generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each alternative investment's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, alternative investments do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the alternative investment and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** The value(s) for all alternative investments owned by the client shall reflect the most recent valuation provided by the investment sponsor or custodian. If no subsequent valuation post purchase is provided by the investment sponsor or custodian, then the valuation shall reflect initial purchase price. If the valuation reflects the initial purchase price (and/or a value as of a previous date), then the current value(s) (to the extent ascertainable) could be significantly more or less than original purchase price. If, in the rare instance that Ashton Thomas believes that it should undertake an analysis of the value provided, Ashton Thomas will base such analysis on its knowledge of the security and current market conditions, and, to the extent available/applicable, compare the value to similarly situated publicly traded companies. If Ashton Thomas receives information it deems material to the value of the alternative investment, it shall take reasonable measures to confirm such information with the investment sponsor and contact the client to communicate such information.

**Retirement Rollovers-No Obligation/Conflict of Interest:** A client or prospective client is under no obligation to engage Ashton Thomas as the investment adviser for his/her employer sponsored retirement account. Rather, a client can continue to self-direct his/her retirement account at his/her employer. If the client determines that he/she would like Ashton Thomas' assistance, Ashton Thomas shall charge a separate and additional advisory fee for its ongoing advisory services. The client will not incur this separate and additional advisory fee if he/she determines to continue to self-direct his/her account. As a result, any recommendation by Ashton Thomas that a client engage Ashton Thomas to manage his/her retirement account presents a conflict of interest since Ashton Thomas shall derive an economic benefit from such engagement. Again, a client is under no obligation to engage Ashton Thomas as the investment adviser for his/her retirement account. In providing advice to a client with regard to the client's employer retirement account, Ashton Thomas is not advising the employer's plan and is not acting as a fiduciary to the employer's plan under ERISA. Ashton Thomas' Chief Compliance Officer remains available to address any questions that a client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.



**Use of Mutual Funds:** Most mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Ashton Thomas independent of engaging Ashton Thomas as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Ashton Thomas' initial and ongoing investment advisory services.

**Bitcoin, Cryptocurrency, and Digital Assets:** For clients who want exposure to cryptocurrencies, including Bitcoin, Ashton Thomas will consider investment in corresponding exchange traded securities, or an allocation to separate account managers and/or private funds that provide cryptocurrency exposure. Cryptocurrencies are digital assets that can be used to buy goods and services and use an online ledger with strong cryptography (i.e., a method of protecting information and communications through the use of codes) to secure online transactions. Unlike conventional currencies issued by a monetary authority, cryptocurrencies are generally not controlled or regulated, and their price is determined by the supply and demand of their market. Cryptocurrency is currently considered to be a speculative investment. The speculative nature of cryptocurrencies notwithstanding, the Registrant may (but is not obligated to) utilize crypto exposure in one or more of its asset allocation strategies for diversification purposes. Please Note: Investment in cryptocurrencies is subject to the potential for liquidity constraints, extreme price volatility and complete loss of principal.

**Notice to Opt Out:** Clients can notify the Registrant, in writing, to exclude cryptocurrency exposure from their accounts. Absent the Registrant's receipt of such written notice from the client, the Registrant may (but is not obligated to) utilize cryptocurrency as part of its asset allocation strategies for client accounts.

**Independent Managers.** Ashton Thomas may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. Ashton Thomas shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Ashton Thomas shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

Certain *Independent Manager[s]* may offer their services as a Unified Managed Account (UMA) platform or as a Separately Managed Account (SMA) platform, or both.

Within a UMA platform environment, the *Independent Manager* makes available a menu of investment models and strategies maintained by Third-Party Money Managers (TPMMs). The TPMMs maintain model portfolios and provide allocation and trade instructions/signals to the *Independent Manager* of the UMA platform. The *Independent Manager* then implements the allocation or trade instruction/signal within the client's UMA platform accounts for those clients subscribed to such TPMM's model portfolios. At no time does a TPMM on the UMA platform have any advisory relationship with the client or have control or discretion of client assets. Trade discretion lies with the *Independent Manager*, whose authority is derived from the advisory agreement in place between the client and Ashton Thomas. In addition, the *Independent Manager* has the authority to substitute any security recommended by TPMM for a security which the *Independent Manager* has determined is more suitable for the model and/or the individual client account.

Within an SMA platform environment, the *Independent Manager* makes available a menu of Portfolio Managers offered through separate accounts and managed by the Portfolio Manager. Portfolio Managers do have authority and discretion of the assets in the separately managed accounts and effect trades in such accounts in accordance with the intended objectives of their stated investment strategy. Trade discretion lies with the Portfolio Manager, whose authority is derived from the advisory agreement in place between the client and Ashton Thomas.

The *Independent Manager[s]* may offer a platform which includes both UMA and SMA services. *Independent Manager[s]* may provide other back-office and administrative services for Ashton Thomas. *Independent Manager[s]* firm disclosure brochure will be made available to you, at no charge, upon request. You may opt for Ashton Thomas to receive any *Independent Manager[s]* firm disclosure brochure on your behalf, if you so choose.

**Client Responsibilities:** In performing any of its services, Ashton Thomas shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Furthermore, unless the client indicates to the contrary in the client's Investment Objective Confirmation letter, Ashton Thomas shall assume that there are no restrictions on its services, other than to manage the account in accordance with the client's designated investment objective. Moreover, it remains each client's responsibility to promptly notify Ashton Thomas if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Ashton Thomas' previous recommendations and/or services.

- A. Participation in the Program may cost more or less than purchasing such services separately. Also, the Program fee charged by Ashton Thomas for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the percentage wrap-fee charged by Ashton Thomas, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if Ashton Thomas were to negotiate transaction fees and seek best price and execution of transactions for the client's account.

- B. The Program's wrap fee does not include certain charges and administrative fees, including, but not limited to, fees charged by *Independent Managers*, Amplify Program, transaction charges (including mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than the designated Program custodian(s) (i.e. *Fidelity, Schwab, Pershing, and/or Goldman* as applicable) alternative investment fees, wire fees, short term redemption fees, bond concessions, and loads. Participants may also incur transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's wrap fee.

**Please Also Note:** Clients who select *Fidelity, Schwab, Pershing, and/or Goldman* as applicable as their custodian for their Program account shall not be responsible for commission expenses but shall be responsible for transaction costs.

- C. Ashton Thomas' related persons who recommend the Ashton Thomas Advisory Wrap Fee Program to clients do not receive compensation as a result of a client's participation in the wrap fee program.

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

Ashton Thomas' clients shall generally include individuals, business entities, trusts, estates, and charitable organizations. The Managed ETF Portfolios and the FB Advisory portfolios have a \$25,000 minimum account size. Generally, the three wrap fee programs discussed here are used by individuals and trusts. Ashton Thomas acts as the portfolio manager for the METF Portfolios and the MMP portfolios while Lockwood Advisors acts as the Portfolio manager on the MAC Advisory program. The MAC offering was closed to new investors on 4/1/18. Effective 1/1/2018, the FB Advisory program is a discretionary

offering by default. Ashton Thomas offers FB Advisory version 3 (FB3) for non-discretionary account relationships.

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

- A. Ashton Thomas may allocate a portion of a client's Program assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated Program assets. Ashton Thomas shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Ashton Thomas shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.
- B. Ashton Thomas acts as the portfolio manager for the Program. In as much as the execution costs for transactions effected in the client account will be paid by Ashton Thomas, a potential conflict of interest arises in that Ashton Thomas may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by Ashton Thomas as a result of the client's participation in the Program may be more than what Ashton Thomas would receive if the client paid separately for investment advice, brokerage and other services.

As the Program sponsor, Ashton Thomas shall be responsible for the primary management of the Program, including the selection and termination of all *Independent Manager[s]*. Once selected, *Independent Manager[s]* shall be responsible for day-to-day management and selection of securities for the account.

#### **FB Advisory**

The FB1 program is a discretionary program by default and the Investment Advisor Representative acts as the portfolio manager. The standards used to evaluate results are actual results relative to appropriate industry benchmarks and blended benchmarks. Material variances from appropriate benchmarks will prompt Ashton Thomas to investigate the reasons for such departures and take any actions deemed appropriate based on the findings and circumstances.

#### **Managed ETF Portfolios**

The METF portfolios follow the publicly available portfolio guidance provided by Blackrock and Vanguard. Both of these offerings are ETF based offerings and each of the portfolios are intended to track the performance and risk attributes of a blend of indices with the same ratio of stocks, bonds, and other assets. Material departure from the intended outcomes will prompt Ashton Thomas to investigate the reasons for such departures and take any actions deemed appropriate based on the findings and circumstances.

#### **Morningstar Managed Portfolios (MMP)**

Each of the portfolios offered in the MMP program are sub-advised by Morningstar Investment Management and made available to our customers through a definitive licensing agreement. This offering blends both actively managed mutual funds and passively managed ETFs in an effort to take advantage of active management in asset sectors where added portfolio value can be achieved. Material variances from appropriate benchmarks will prompt Ashton Thomas to investigate the reasons for such departures and take any actions deemed appropriate based on the findings and circumstances.

- C. As discussed below, Ashton Thomas also offers to its client's discretionary investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **ADVISORY BUSINESS SERVICES**

#### **FINANCIAL PLANNING AND CONSULTING SERVICES**

To the extent requested by a client, Ashton Thomas may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Ashton Thomas' planning and consulting fees are negotiable, but generally range from \$150 to \$1,000 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Ashton Thomas to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Ashton Thomas setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Ashton Thomas commencing services. If requested by the client, Ashton Thomas may recommend the services of other professionals for implementation purposes, including certain of Ashton Thomas' representatives in their individual capacities as registered representatives of a broker-dealer and/or licensed insurance agents. (See disclosure below). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Ashton Thomas. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional and not Ashton Thomas. Clients are also reminded that they have certain rights under state and federal laws, and nothing contained above shall be deemed a waiver of those rights. **Please Also Note:** It remains the client's responsibility to promptly notify Ashton Thomas if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Ashton Thomas' previous recommendations and/or services.

Ashton Thomas shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Ashton Thomas shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Ashton Thomas' services.

#### **PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Neither Ashton Thomas nor any supervised person of Ashton Thomas accepts performance-based fees.

#### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Ashton Thomas may utilize the following methods of security analysis:

- **Charting** - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)
- **Technical** - (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- **Cyclical** - (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Ashton Thomas may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Ashton Thomas) will be profitable or equal any specific performance level(s).

Ashton Thomas' methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Ashton Thomas must have access to current/new market information. Ashton Thomas has no control over the dissemination rate of market information; therefore, unbeknownst to Ashton Thomas, certain analyses may be compiled with outdated market information, severely limiting the value of Ashton Thomas' analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Ashton Thomas' primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer-term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short-term investment strategy and substantially higher transaction costs than a longer-term investment strategy.

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

Currently, Ashton Thomas primarily allocates client investment assets among various mutual funds and/or exchange traded funds and *Independent Manager[s]*, on a discretionary basis in accordance with the client's designated investment objective(s). (**See *Independent Manager[s]*** above).

## VOTING CLIENT SECURITIES

Ashton Thomas votes proxies on behalf of clients when instructed to do so. Upon indicating to their custodian that they wish to vote their own proxies, clients forgo the option to have their proxies voted by Ashton Thomas. Clients maintain exclusive responsibility for (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Ashton Thomas to discuss any questions they may have with a particular solicitation.

### Item 7 Client Information Provided to Portfolio Managers

Ashton Thomas shall be the Program's portfolio manager. Ashton Thomas shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). Ashton Thomas shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at any time, impose restrictions, in writing, on Ashton Thomas' services.

As indicated above, each client is advised that it remains his/her/its responsibility to promptly notify Ashton Thomas if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Ashton Thomas' previous recommendations and/or services.

Ashton Thomas provides Morningstar Investment Management account meta data including account number, account value, advisor number, and portfolio selection. This data is used for determination of fees owed to Morningstar and as a means of providing targeted marketing support to Ashton Thomas' IARs. Ashton Thomas does not share customer information with Blackrock or Vanguard regarding customers using our METF programs.

To the extent the Program utilizes *Independent Manager[s]*, Ashton Thomas shall provide the *Independent Manager[s]* with each client's particular investment objective(s). Any changes in the client's financial situation or investment objectives reported by the client to Ashton Thomas shall be communicated to the *Independent Manager[s]* within a reasonable period of time.

### Item 8 Client Contact with Portfolio Managers

The client shall have, without restriction, reasonable access to the Program's portfolio manager.

### Item 9 Additional Information

#### Disciplinary Information

Ashton Thomas Securities & Associates, Inc. has no pending or prior legal or disciplinary events that we believe are material to a client's evaluation of Ashton Thomas Securities & Associates, Inc. advisory business or management. Certain Ashton Thomas related IARs have disclosure items that can be reviewed by visiting [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### Other Financial Industry Activities and Affiliations

Ashton Thomas is an independent investment advisor and a registered Broker Dealer. It is the Broker Dealer for the majority of accounts for which we provide advisory services. Currently, all of the Ashton Thomas IARs are also Registered Representatives with FINRA. This is not a requirement, but it can create a conflict

of interest because certain transactions may generate more commissions than would result from the same transaction in an Advisory account.

Alternatively, an Advisory account may result in fees that exceed the dollar value of the same activity in a commissionable setting. It is prudent to fully assess the forward-looking needs, and assess the fees and charges associated under each relationship type, Advisory or Brokerage.

Ashton Thomas, as a Broker Dealer, maintains a fully disclosed clearing relationship with Pershing LLC. In its capacity as clearing agent, Pershing provides custody for all of Ashton Thomas Advisory accounts. Through its affiliated companies Pershing also provides a variety of technological and operational systems that facilitate the reporting and oversight functionalities necessary to effectively perform our Advisory obligations. Pershing and Lockwood Advisors are wholly owned affiliates of the Bank of New York Mellon. As the size and scope of Ashton Thomas' business with Bank of New York Mellon and all related companies grows, the potential exists for Ashton Thomas to obtain enhanced pricing across its related businesses. This may be perceived as a conflict of interest and is disclosed here so that clients may assess the relevance. Many of the Ashton Thomas Advisor representatives also maintain insurance licenses and may engage in the sale of various insurance products. Some insurance products such as variable annuities and variable insurance are supervised by Ashton Thomas, and other non-variable types may be sold through insurance brokers unrelated to Ashton Thomas. These insurance activities are not offered on an advisory basis, and the commissions and fees generated by this activity can cause a conflict of interest to the Advisory relationship. This is disclosed here so that clients may assess the relevance.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**Registered Representatives of unaffiliated broker-dealers.** As disclosed above in Item 5.E, certain of Ashton Thomas' representatives are registered representatives of unaffiliated broker-dealers. Clients may choose to engage certain of Ashton Thomas' representatives, in their individual capacities as registered representatives of such broker-dealers, to effect securities brokerage transactions on a commission basis.

**Licensed Insurance Agents.** Certain of Ashton Thomas' representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. Clients may choose to engage these representatives, in their individual capacities as insurance agents, to purchase insurance products on a commission basis.

**Conflict of Interest:** The recommendation by Ashton Thomas' representatives that a client purchase a security or insurance product for a commission presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. Clients are under no obligation to purchase such commissionable products from any Ashton Thomas' representatives. Clients are reminded that they may purchase securities and/or insurance products recommended by Ashton Thomas through other non-affiliated registered representatives of broker-dealers or insurance agents. Ashton Thomas' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Ashton Thomas maintains an investment policy relative to its investment adviser representative's personal securities transactions. This investment policy is part of Ashton Thomas' overall Code of Ethics, which serves to establish a standard of business conduct for all of Ashton Thomas' representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Ashton Thomas also maintains

and enforces written policies reasonably designed to prevent the misuse of material non-public information by Ashton Thomas or any person associated with Ashton Thomas.

Except as stated immediately below, neither Ashton Thomas nor any related person of Ashton Thomas recommends, buys, or sells for client accounts, securities in which Ashton Thomas or any related person of Ashton Thomas has a material financial interest:

#### **Conflicts of Interest – Alternative Investments.**

If requested, the client can engage certain of Ashton Thomas' representatives, in their individual capacities as registered representatives of unaffiliated broker-dealers, to implement investments on a commission basis in alternative investments. Certain of Ashton Thomas' related persons have financial interests and/or warrants to purchase additional interests in the same alternative investments.

The recommendation by Ashton Thomas' related persons that clients purchase interests in alternative investments on a commission basis presents a material conflict of interest. Specifically, when the representative has a personal interest in the offering, the Ashton Thomas' related persons may have the incentive to recommend that a client make such an investment based upon the overall success of the alternative investment in which Ashton Thomas' related persons have a personal interest, as opposed to a particular client's need.

To address these **material conflicts of interest**:

1. Ashton Thomas does not recommend that clients allocate investment assets in any alternative investments in which Ashton Thomas and/or its related persons also have a financial interest;
2. Ashton Thomas does not have, nor will it exercise, any discretionary authority to place any client assets in any alternative investments in which Ashton Thomas and/or its related persons also have a financial interest;
3. Ashton Thomas reminds its clients in Form ADV where appropriate, and before they consider allocating investment assets that they are under absolutely no obligation to consider or make an investment in alternative investments;
4. Before a client allocates investment assets in any alternative investments in which Ashton Thomas and/or its related persons also have a financial interest, clients are required to sign an alternative investment acknowledgment form, which identifies the particular alternative investment at issue and the conflicts associated with the sale of that particular alternative investment; and
5. Ashton Thomas' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above **material conflicts of interest**.

**Please Note:** The above 1-5 apply to Ashton Thomas in its capacity as a registered investment adviser. It does not exclude its representatives from offering such alternative investments in their separate individual capacities as registered representatives. Regardless, such offer presents a material conflict of interest.

Ashton Thomas and/or representatives of Ashton Thomas may buy or sell securities that are also recommended to clients, which purchases may be made in the separate capacity as a registered representative of a broker-dealer. In fact, as stated above, Ashton Thomas' related persons have financial interests in some of the alternative investments that they recommend on a commission in their separate capacities as registered representatives. This practice may create a situation where Ashton Thomas and/or representatives of Ashton Thomas are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a material conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Ashton Thomas did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider



trading, “front-running” (i.e., personal trades executed prior to those of Ashton Thomas’ clients) and other potentially abusive practices.

To address this material conflict of interest, Ashton Thomas has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Ashton Thomas’ “Access Persons.” Ashton Thomas’ securities transaction policy requires that an Access Person of Ashton Thomas must provide the firm with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the firm with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Ashton Thomas selects; provided, however that at any time that Ashton Thomas has only one Access Person, he or she shall not be required to submit any securities report described above. Further, all Access Persons must submit to a pre-clearance review before investing in any alternative investments that are also recommended by Ashton Thomas’ related persons in their separate capacities as registered representatives of a broker-dealer. Finally, an Access Person is also required to obtain the pre-approval from the firm before engaging in any outside business activities that may be required for the Access Person to acquire an interest in an alternative investment or alternative investment company. Ashton Thomas’ personal securities transaction policy dictates that any proposed transaction will not be pre-approved by the firm if it would constitute or result in “scalping,” “front-running,” or other potentially abusive practices to the detriment of Ashton Thomas’ clients.

Ashton Thomas and/or representatives of Ashton Thomas (in the capacity as an investment advisor representative of Ashton Thomas or in a separate and individual capacity as a registered representative of a broker-dealer) *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Ashton Thomas and/or representatives of Ashton Thomas are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C., Ashton Thomas has a personal securities transaction policy, which prohibits any potential trades that would constitute or result in “scalping,” “front-running,” or other potentially abusive practices to the detriment of Ashton Thomas’ clients.

#### **REVIEW OF ACCOUNTS**

For those clients to whom Ashton Thomas provides investment supervisory services, account reviews are conducted on an ongoing basis by Ashton Thomas’ Director of Investments and Trading or a Senior Wealth Advisor. All investment supervisory clients are advised that it remains their responsibility to advise Ashton Thomas of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Ashton Thomas on an annual basis.

Ashton Thomas may conduct account reviews on an other-than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Ashton Thomas may also provide a written periodic report summarizing account activity and performance.

For accounts using the MAC program, Lockwood regularly reviews the adequacy of the investments made available in each of their portfolios and makes changes as they deem necessary. The Investment Advisor Representative on the account will perform periodic reviews to assess the continued appropriateness of the portfolio selection relative to client profile as may be updated from time to time.

For accounts using the **MMP** (Morningstar Managed Portfolio) program, Morningstar Investment Management regularly reviews the adequacy of the investments made available in each of their model portfolios and informs Ashton Thomas of portfolio changes as they deem necessary. Ashton Thomas manages the account association with the selected model. The Investment Advisor Representative on the account will perform periodic reviews to assess the continued appropriateness of the portfolio selection relative to client profile as may be updated from time to time.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

Ashton Thomas may receive an indirect economic benefit from *clearing through Pershing, LLC*. Ashton Thomas, without cost (and/or at a discount), may receive support services and/or products from *Pershing*.

Although not a material consideration when determining whether to recommend that a client purchase a specific investment product, Ashton Thomas may receive from a particular investment product sponsor (i.e., a mutual fund company, variable investment product sponsor, etc.) financial support that may assist the Registrant with client marketing events. Financial support received from a sponsor to conduct a specific marketing event could exceed the total cost of the specific event. However, there is no corresponding commitment made by Ashton Thomas, to any such product sponsor that its financial support will result in a certain level of sales production of their products to Ashton Thomas' clients. The receipt of financial support that may be received by Ashton Thomas is in addition to the commission compensation received by certain of Ashton Thomas' representatives when selling an investment product, in their individual capacities as registered representatives.

Ashton Thomas' clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* as a result of this arrangement. There is no corresponding commitment made by Ashton Thomas to *Pershing* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Neither Ashton Thomas nor any related person of Ashton Thomas directly or indirectly compensates any person for client referrals.

#### **FINANCIAL INFORMATION**

Ashton Thomas does not solicit fees of more than \$1,200, per client, six months or more in advance.

Ashton Thomas is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

Ashton Thomas has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Ashton Thomas' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**