



**Form ADV Part 2A**  
**Disclosure Brochure**  
**March 2024**

This brochure provides information about the qualifications and business practices of American Portfolios Advisors, Inc. If you have any questions about the contents of this brochure, please contact Michaela Myers, Chief Advisory Compliance Officer at (631) 439-4600 Ext. 143. 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.

American Portfolios Advisors, Inc. is an SEC Registered Investment Adviser. Registration as an investment adviser does not imply a certain level of skill or training. Additional information about American Portfolios Advisors, Inc. also is available on the SEC's Web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

CRD Number: 112697  
SEC Filer Number: 801-61065

American Portfolios Advisors, Inc. | 4250 Veterans Memorial Hwy, Suite 420 E | Holbrook, NY 11741  
Telephone: (631) 439-4600 Ext. 143 Fax: (631) 439-4698  
<http://www.americanportfolios.com>

## Item 2: Material Changes

This section of the brochure summarizes the material changes that have occurred since the prior filing.

- Updates pursuant to the annual updating amendment filing
- Item 5 – Fees and Compensation to clarify the billing methodology
- Overall Formatting

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	2
Item 4: Advisory Business.....	2
Item 5: Fees and Compensation.....	5
Item 6: Performance and Side-By-Side Management.....	12
Item 7: Types of Clients.....	12
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	13
Item 9: Disciplinary Information.....	14
Item 10: Other Financial Industry Activities and Affiliations.....	15
Item 11: Code of Ethics, Participation or Interest in Client Transactions.....	17
Item 12: Brokerage Practices.....	17
Item 13: Review of Accounts.....	18
Item 14: Client Referrals and Other Compensation.....	18
Item 15: Custody.....	20
Item 16: The Use of Investment Discretion.....	20
Item 17: Voting Client Securities.....	20
Item 18: Financial Information.....	20

## Item 4: Advisory Business

### Description of Advisory Firm

American Portfolio Advisors, Inc. (“APA” or the “Firm”) is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). APA was formed in 2001. The Firm offers personalized investment advisory services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. APA offers these services to clients through investment advisory representatives (“Advisors/IARs”). APA is a wholly owned subsidiary of American Portfolios Holdings, Inc. (“APH”). In addition to APA, APH also owns American Portfolios Financial Services, Inc. (APFS) a registered broker-dealer. On November 1, 2022, APH was acquired by Osaic Holdings, Inc. (“OHI”). APH is a wholly owned subsidiary of AGHI, which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P. and The Berlinski Family 2006 Trust.

APFS is a registered broker-dealer that is wholly owned by APH and an affiliate of APA. APA will recommend that advisory clients establish accounts through APFS for trade execution and account service. This creates a conflict of interest because APA and APFS are affiliated firms and APFS is compensated for those transactions and shares in other custodial fees.

When clients use APFS as introducing broker and one of the clearing broker and custodians APA approves, this allows us and our affiliates to receive considerable benefits (including free or discounted goods or services), and avoid significant costs (collectively, “Compensation”). The Form ADV Part 2A

Compensation creates an incentive for APA to approve, and your IAR to recommend, the selection and retention of these firms over other firms that do not or would not provide the same Compensation.

As of December 31, 2023, APA has regulatory assets under management of:

- \$9,486,563,866 is assets managed on a discretionary basis.
- \$3,597,072,335 in assets managed on a non-discretionary basis.

## Types of Advisory Services

APA financial advisors work with clients to assess their investment objectives based on the information initially provided, and periodically updated thereafter. Once this assessment is complete, one or more advisory services may be recommended. Clients have the ability to choose which advisory services to utilize and place restrictions on the types and classes of securities that may be purchased for their account(s).

All APA IARs are all independent advisors and offer unique advisory fee structure and services to their clients based on the agreements they agreements that have entered with APA. APA will allow its Investment Advisor Representatives (IAR) to co-brand using their own "doing business as" entity names on all APA documents, including client agreements and all APA Programs, after review and approval by APA compliance.

1) **ADVISOR'S CHOICE:** The Advisor's Choice program is a discretionary program where the client will authorize the IAR to utilize discretion for transactions involving mutual funds, stocks, bonds, ETFs, individual bonds, call and put options (covered and long), and alternative investments that may or may not be registered. Clients may restrict or prohibit purchases of certain securities or certain types of securities for their accounts by providing these restrictions in writing to their IAR. In some Advisor's Choice program accounts (such as ERISA accounts) the IAR will not be granted discretionary authority (non-discretionary) and the client will be required to authorize all purchase and sale transactions in the account. Where deemed appropriate, suitable, and based on the client's objectives, assets, risk tolerance and investment experience, as well as to obtain greater asset and style diversification, APA may recommend to clients participating in the Advisor's Choice program that a portion of the client's portfolio be invested in one or more alternative investments that meet the permissible qualifications defined in the "General" Section of Item 5. Alternative investment choices used are registered or non-registered Regulation D offerings if the product has been approved by APA's broker/dealer affiliate, APFS. The Advisor's Choice program offers clients several distinct fee options which are described in Item 5: Fees and Compensation section of this brochure.

2) **TURN-KEY ASSET MANAGEMENT PROGRAMS:** Under the Turn-Key Asset Management programs (TAMP), the IAR helps clients complete a TAMP agreement, develop a basic plan to allocate their assets, and select one or more outside investment managers. TAMP provide complete investment advisory services. APA's supervisory function is limited to determining and monitoring suitability of the client, as described in the client agreement. The terms of the client's relationship with the TAMP will vary depending on which program is chosen. In some cases, APA acts as a solicitor for the TAMP and is paid a solicitor fee out of the fee the TAMP charges the client. In other cases, clients in this program will grant the TAMP and their affiliated outside investment managers authority to purchase and sell assets (discretion) on their behalf as set forth in their account agreement with that TAMP. A description of the limitations on the authority of the TAMP and the manager may be found in the TAMP Brochure.

Additionally, since each TAMP is uniquely structured with different investment products, please ensure that you carefully review all documents provided to you on behalf of the TAMP. These include but are not limited to: The TAMPs Form ADV Part 2A or Disclosure Brochure for specific program descriptions; the TAMP's Client Agreement as well as any other agreement entered into regarding a TAMP program, specific contractual terms (including fees, billing methods, administrative and other fees, etc.); and any additional disclosure or offering documents provided by the TAMP in connection with investment products.

3) **ADVISOR'S SOLUTIONS:** Advisor's Solution is a program where APA offers clients the ability to utilize the investment advisory service or Model Portfolio of an Institutional Money Managers (aka third Party Manager). Please note that third-party managers may be unaffiliated, or affiliated. Affiliated managers pose a conflict of interest that is further addressed in Item 10 of this Brochure. The IAR will assist the client in selecting the third Party Manager or Model Portfolio based on their investment objectives and risk tolerance. The IAR will also be responsible for reviewing and monitoring the account to ensure the model or manager selected remains in line with the clients' objectives. APA is the sponsor of the program and provides access to custody, management of the program platform system, and clearing and execution for trades in the account(s). The third Party Manager will create the portfolio or model and be responsible for managing and rebalancing the portfolio or model. The Manager is responsible for setting account minimums. APA works with each manager to determine the most cost-effective way to offer third-party management. Factors such as trading volume, custody and account minimum help determine how services are offered. The Advisor's Solution program offers clients three distinct fee options which are described in Item 5: Fees and Compensation section of this brochure.

4) **MANAGER'S CHOICE:** APA is the sponsor for the Managed Account Command program, also known as Manager's Choice Program, offered through Pershing Investments with Lockwood Advisors, an affiliate of Pershing, the portfolio manager. Lockwood contracts with individual managers as a result of their proprietary research and makes them available to APA through the Manager's Choice Program sponsored by APA. APA receives compensation from the client by establishing an agreement with the client and a chosen third-party manager who has discretion to manage the client's account. APA negotiates the management fee with the third-party manager prior to approving that manager on the Manager's Choice Program. The client pays a fee based upon the asset value of the account billed quarterly in advance.

- 5) **UNIFIED SOLUTIONS:** Unified Solutions is an offering that allows for the consolidation of a wide range of investment products, including Model portfolios maintained by Institutional Managers, mutual funds, ETFs and individual securities to be held in a single investment account. The account can include multiple third-party model managed sleeves, along with an advisor-directed sleeve. This program is also known in the industry as a Unified Managed Account (UMA). This program is custodied at Pershing, LLC with the account prefix of AP7 and most transaction charges are included in the fee.

6) **FINANCIAL PLANNING, CONSULTATION AND ADVISORY SEMINARS**

- a) **Financial Planning:** APA offers financial planning services with the assistance of financial planning software. These financial plans may range from simple to complex depending upon the needs of the client. Financial planning advice will typically involve providing a variety of services, principally advisory in nature, to individuals, businesses or families regarding the management of their financial resources based upon an analysis of their individual needs.

All financial plans, unless indicated otherwise, are "one-time plans" and are not updated or reviewed on an ongoing basis unless an additional fee is paid to the Advisor by the client. The client's financial planning service will terminate upon receipt of the plan. Any implementation that may occur as a result of the plan will be considered separate from the plan.

- b) **Consultations:** Advisors may contract with clients for advice on various topics, such as the Employer/Employee Benefit Advice Program pursuant to a Service Agreement that will define the relationship. Advisors may also consult with employers concerning compensation programs. Such consultations will include advice on the relative advantages, disadvantages and feasibility of various funding vehicles such as variable insurance products, traditional insurance products and mutual fund products among other investment options and programs. Fees can be assessed by using a Flat fee or an hourly charge. The type of fee will be determined by the client and advisor and a separate Service Agreement will be agreed to and signed by the client.

- c) **Advisory Seminars:** Through APA's Advisors, seminars can be conducted for various audiences. These seminars are generic in nature and can cover several topics, including, but not limited to:

- i) Basics of Investing
- ii) Financial Planning Concepts
- iii) Asset Allocation
- iv) Estate Planning Concepts
- v) Benefits Planning
- vi) Retirement Planning

- 7) **PLAN SERVICES:** Retirement plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) may retain an investment advisor representative of the Firm to provide advisory and consulting services to the plan. In providing these services, APA Advisors will provide fiduciary services and/or non-fiduciary services, as defined under by ERISA, and will adhere to the provisions outlined by ERISA to provide the highest standard of care to qualified retirement plans. Non-ERISA plans may also retain our advisors for services.

**ADVISORY ANNUITIES:** No-load variable annuities can be purchased by Advisors for clients, or the client and Advisor may employ the services of a Third-Party Manager for the no-load variable annuity product by having a client sign a Variable Annuity Management Contract; a fee can be charged by the Advisor and/or the Third-Party Manager to manage the sub-accounts.

**TYPES OF SECURITIES:** Your Advisor will purchase securities on your behalf based on your goals and objectives. In order to meet your needs, we provide a wide range of investment choices for you to consider. Some of the securities we may offer to you include, but are not limited to:

- i) General securities (stocks and bonds)
- ii) Call and put options
- iii) Fixed income securities
- iv) Mutual funds
- v) Structured products
- vi) Exchange traded funds
- vii) Unit investment trusts

**GENERAL RULES FOR TYPES OF SECURITIES IN ACCOUNTS:** APA restricts the use of leveraged products in advisor-directed accounts to 1.25 max levered products. APA prohibits penny stocks in advisory accounts unless APA's Compliance department grants an exception. Generally, only mutual funds that are on the AGHI approved list will be permitted to be purchased. Unapproved mutual fund share classes may be converted at our discretion into approved share class.

**ALTERNATIVE INVESTMENTS AND CAIS:** The Firm has contracted with CAIS Capital, LLC and Capital Integration Systems LLC (collectively "CAIS") and has granted Advisory Representatives access to the CAIS alternative investment platforms. CAIS and its affiliates conduct the initial and on-going due diligence (investment and operational) on private equity and hedge fund offerings available on their platform. The Firm relies on the due diligence provided by CAIS related to the offerings available on the platform. Only Firm-approved alternative investment are available on the CAIS platform. CAIS pays a fee to attend our Firm's conferences for our Advisory Representatives. Please note that with privately held Form ADV Part 2A

alternatives valuations can lag a month or more and are received from the issuer's or offerings' third-party administrator. The fee billing calculation uses this data to calculate the Program Fee (as defined below in Item 5 Fees and Compensation). Please refer to Item 5 Fees and Compensation for additional information on fee calculation.

## Item 5: Fees and Compensation

APA offers many different advisory programs to meet the needs of the clients and the IARs who service these clients. IARs will work with each client to determine which program, custodian and fee structure will be in the best interest of the client. The program fee rate or "Advisory Fee" charged to clients is single fee that generally be comprised of an "IAR Fee", "Manager/Model Fee", "Administration Fee", "AP Platform Fee" or "Sponsor Program Fee". The IAR selects whether the IAR Fee will be a flat, breakpoint, or tiered fee. The IAR Fee portion of the Advisory Fee is negotiable. The "Advisory Fee" includes the management of the investment and reinvestment of each account's assets, the placing of orders for the purchase and sale of each account's securities, and the selection of brokers and dealer to effect the account's transactions.

The IAR Fee and the Administration Fee may be discounted or negotiated at APA's discretion. Total fee rates will vary across clients. Comparable services may be available from other sources for fees lower than those charged by APA. Some IARs charge more (or offer fewer discounts) than others for similar services.

Advisory accounts billed monthly or quarterly in advance will be billed based on the total assets under management (AUM) in the account on the last day of the prior billing month or quarter. The calculation is based on the AUM multiplied by the program fee rate divided by the number of trading days in the year, multiplied by the number of trading days in the billing cycle. The fee will be recalculated each billing cycle based on the average daily balance of the prior billing cycle and adjustments (either up or down) will be applied to the next billing. This process is known as "True Up" and will more accurately reflect changes in the market value through the billing cycle. Advisory accounts that billed monthly or quarterly in arrears will be billed based on the average daily balance of the account during the billing cycle and will not require a "True Up".

Advisory accounts that are billed in arrears will be billed on the average daily balance of the account for the billing cycle, not the prior billing cycle month-end close value.

In advisory accounts custodied at Pershing receiving paper confirmations, the client will pay a fee for each confirmation sent. This fee is charged separately from your Advisory and Administration fees. Where the paper confirmation charge amount APFS charges exceeds the fee charged by Pershing, APFS keeps, as compensation for its services, the difference between the fee you pay on each paper confirmation and the amount APFS owes Pershing for its services in connection with the trade. The ability of APFS to add a markup to the paper confirmation charge or to profit from additional transactions presents a conflict, as setting a higher fee increases revenue for APFS and results in additional costs that reduce your returns.

Because these fees are paid on a per-transaction basis, APA has an incentive to favor investment strategies (and approve recommendations from IARs) that trade (or trade more frequently) in assets that generate higher transaction fees for APFS. In advisory programs where your IAR pays the fee to APFS, IARs have an incentive to avoid trades, or trade less frequently, in assets subject to higher transaction fees. To determine which assets are subject to higher transaction fees and generate more Compensation for APFS, please refer to the AP Accountholder Commission and Fee Schedule at [www.americanportfolios.com](http://www.americanportfolios.com) Disclosure Section.

- 1) **ADVISOR'S CHOICE PROGRAMS:** Based on the Advisor's Choice Agreement all Advisory Fees are deducted from the client's account in advance or arrears, either monthly or quarterly using the account value on the last day of the previous month or quarter, prior to February 28, 2022. Fees calculated in advance for a billing cycle after March 1, 2022 are calculated based on account value plus or minus asset values from the prior billing cycle. This is known as "True Up". Fees can also be calculated by average daily balance and assessed and debited in arrears from client accounts. APA Advisory Fees charged to clients can be changed with 30 days' written notification to clients by its Advisors or by APA using a negative consent Letter of Notification. IAR Fees are negotiable. Under the Advisor's Choice programs, except for AP2 accounts, an administration fee based on the account's value each billing period is added to the advisory fee to calculate the total client fee. See the fee table below for more details. The IAR selects which Advisor's Choice program (1,2,3,4, or 5) will be offered to clients. Generally IARs that select Advisor's Choice 1 or 2 are not eligible to use Advisor's Choice 3, 4, or 5. Generally IARs that select Advisor's Choice 3, 4, or 5 are not eligible to use Advisor's Choice 1 or 2.

**Advisor's Choice 1 (Pershing 0A1, TD Ameritrade and Schwab Institutional):** Advisory program in which the client pays an Advisory Fee that includes an IAR Fee and an Administration Fee (defined below). All or a portion of the IAR Fee is paid to the APA IAR, and APA retains all the Administration Fee. The Advisory Fee covers custodial services, asset allocation analysis for assets under management, monitoring, portfolio supervision, support services, and consolidated reporting. The maximum fee charged to the client in this program is 3% of assets under management. This is not a "wrap account" and from time to time there may be additional charges/fees assessed by the custodian that the client will pay from the account. In this program, the Advisor pays for most transaction charges, resulting in an asset-based fee that is typically higher than a program where the client pays for transaction charges. Any additional custodial fees and/or charges are paid by the client. These fees are debited by the custodian directly from the client account. Please refer to your custodian's fee schedule located in Disclosure Notices at [www.americanportfolios.com](http://www.americanportfolios.com). These fees are debited by the custodian directly from the client's account. Custody provided by Pershing, LLC (Pershing), TD Ameritrade (TD) and Schwab Institutional (Schwab).

**Advisor's Choice 2 (Pershing 0BL, TD Ameritrade and Schwab Institutional):** Advisory program in which the client pays an Advisory Fee that includes an IAR Fee and an Administration Fee (defined below). All or a portion of the IAR Fee is paid to the APA IAR and APA retains all the Administration Fee. The Advisory Fee covers custodial services, asset allocation analysis for assets

under management, as well as monitoring, portfolio supervision, support services, and consolidated reporting. The client pays for transaction charges executed in this program as well as any additional custodial fees or charges. Any additional custodial fees and or charges are paid by the client. These fees are debited by the custodian directly from the client account. Please refer to your custodian's fee schedule located in Disclosure Notices at [www.americanportfolios.com](http://www.americanportfolios.com). This is not a "wrap account". Custody provided by Pershing, LLC (Pershing), TD Ameritrade (TD) and Schwab Intuitonal (Schwab).

**ADMINISTRATION FEE (ADVISOR'S CHOICE 1 AND 2):** The administration fee for Advisor's Choice 1 and 2 covers the non-investment services for your account. These services include shared support services provided by APA and APFS, such as account opening services, a live staff service center, trade support, an operations team to handle client requests, and the furnishing of space, facilities and equipment reasonably required to conduct the business, internal bookkeeping, accounting, and auditing services, and maintaining records. The administration fee **does not** include transaction charges (ticket charges). The total fee is based on each account's asset value as of the last business day of the prior quarterly or monthly period, per the billing cycle chosen by the Advisor and agreed to by the client. The administration fee schedule on an annual basis is as follows:

Account Value	Administration Fee
\$0–\$25,000	25 bps
\$25,001–\$100,000	20 bps
\$100,001–\$500,000	12 bps
\$500,001–\$1,000,000	10 bps
\$1,000,001 and above	5 bps

**TRANSACTION COSTS:** Transaction costs are the costs associated with purchasing or selling securities.

**Advisor's Choice 1 (Pershing 0A1, TD Ameritrade and Schwab Institutional)** – In the Advisor's Choice 1 program your advisor pays the transaction charges for purchasing and selling securities within your account. Since your advisor is paying the transaction charges the Advisory Fee you are charged will likely be higher than in Advisor's Choice 2. In selecting Advisor's Choice 1, a conflict of interest exists because of the financial impact to your advisor paying for each transaction and then certain securities are offered with no transaction cost which can influence the selection of each security. This pricing methodology requires careful consideration based on the total value of the account, types of securities to be held and the frequency of trading

**Advisor's Choice 2 (Pershing 0BL, TD Ameritrade and Schwab Institutional)** – In the Advisor's Choice 2 program, the client is responsible for paying transaction charges. Client should carefully consider Advisor's Choice 2 program based on the total account value, types of securities and anticipated trading frequency. Actively traded accounts will cost more than those accounts that are more strategically managed. Your advisor has a conflict of interest in recommending securities as there are many securities that do not have a transaction charge but carry higher internal expenses.

**Advisor's Choice 3 (JLP and AP2):** Advisory program in which the client pays an Advisory Fee that includes an IAR Fee and an AUM-based Sponsor Program fee with a maximum fee of 25 bps. The Sponsor Program fee is based on the IAR's total assets under management and is assessed to cover most transaction charges. All or a portion of the IAR Fee is paid to the APA IAR. APA retains all of the Sponsor Program fee. The maximum fee charged for this program is 3%. This is not a "wrap account" and from time to time there may be additional charges/fees assessed by the custodian that the client will pay from the account. Most transaction charges are included in Advisor's Choice 3 pricing, which means the asset-based fee will typically be higher than a program where the client pays all transaction charges. Advisors offering AC 3 cannot offer other AC programs.

**Advisor's Choice 4 (56A and 56Q):** Advisor's Choice 4 is a program in which the client pays an Advisory Fee that includes an IAR Fee and an Administration Fee. All or a portion of the IAR Fee is paid to the APA IAR and APA retains all the Administration Fee. The Advisory Fee covers custodial services, asset allocation analysis for assets under management, monitoring, portfolio supervision, support services, most transaction charges (including ticket charges), and consolidated reporting. The maximum fee charged to the client in this program is 3% of assets under management. This is not a "wrap account" and from time to time there may be additional charges/fees assessed by the custodian that the client will pay from the account. In this program, most transaction charges are included in the Advisory Fee. Including the IRA Maintenance fee where applicable. Any additional custodial fees and/or charges are paid by the client. These fees are debited by the custodian directly from the client's account. These fees are debited by the custodian directly from the client account. Please refer to your custodian's fee schedule located in Disclosure Notices at [www.americanportfolios.com](http://www.americanportfolios.com). Custody provided by Pershing, LLC (Pershing). Pershing Account Ranges 56A and 56Q.

**ADMINISTRATION FEE (ADVISOR'S CHOICE 4):** The administration fee for Advisor's Choice 4 covers the non-investment services for your account. These services include shared support services provided by APA and APFS, such as account opening services, a live staff service center, trade support, an operations team to handle client requests, and the furnishing of space, facilities and equipment reasonably required to conduct the business, internal bookkeeping, accounting, and auditing services, and maintaining records. The administration fee **does** include transaction charges (ticket charges). The total fee is based on each account's asset value as of the last business day of the prior quarterly or monthly period, per the billing cycle chosen by the Advisor and agreed to by the client. The administration fee schedule on an annual basis is as follows:

## Administration Fee



Account Pricing Bands	Administration Fee
\$25,000 and less	\$75 annual fee <sup>1</sup>
\$25,000.01 - \$100,000	0.23%
\$100,000.01 - \$250,000	0.15%
\$250,000.01 - \$500,000	0.14%
\$500,000.01 - \$750,000	0.12%
\$750,000.01 - \$1,000,000	0.11%
\$1,000,000.01 and greater	0.06%

**Advisors Choice – Institutional (AP2 and JLP)** For IARs that have entered into an agreement with APA to utilize the Advisor's Choice Institutional program the account will be charged an Advisory Fee that only includes the IAR Fee. APA will pay all or a portion of the IAR Fee to the IAR. The Advisor's Choice Institutional program accounts are not subject to the Administration Fee and APA will charge the IAR an AUM fee based on the agreement with APA. This fee is charged to the IAR based on the total assets the IAR maintains with APA in Advisor's Choice Institutional accounts. APA can and will make an exception to enter this program based on the IAR qualifications, growth potential and overall strategic direction. IARs will incorporate this fee when determining the total advisory fee to be charged.

**HOUSEHOLDING OF ACCOUNTS:** For Advisor's Choice accounts with an aggregate value above \$500,000, each account in the household, as defined as a group of people with the same last name living at the same address, invested in the Advisor's Choice program will be charged the administration fee associated with the total aggregated value, not on each account's value.

**GENERAL:** Under the Advisor's Choice programs, the client will establish a brokerage account through APFS or one of APA's approved custodians. In opening a Pershing client account or account with APFS, APFS will be the executing broker for all transactions. This creates a conflict of interest because APFS and APA are affiliated firms and APFS marks up paper confirm charges. This creates a conflict of interest because APA recommends the services of APFS to clients. Clients are advised, in accordance with the program chosen, that there may be transaction charges involved when purchasing or selling securities. A disparity may exist between these charges and the charges that would be borne if the client did not direct brokerage to APFS. Generally, the transaction charge payable by a client is non-negotiable between the client and APFS, except as specifically provided in the client's account agreement. Any such transactions will be executed by APFS only to the extent permitted by and in compliance with applicable laws and regulations.

In addition, APFS' ability to set the fee, or charge a markup, also presents a conflict. Setting a higher fee increases revenue for our affiliates but results in you paying more to APFS if you engage in the transactions. Certain of these fees and the markups are in addition to the fees you pay to APA and your IAR for their advisory services and you should consider the additional revenue that APA and our affiliate receive when you pay any additional custodial fees and/or charges as part of our compensation when evaluating the appropriateness of the fees you pay for our advisory services. Please see the "AP Accountholder Commission and Fee Schedule" for the current list of additional custodial fees and/or charges that you pay and contact your IAR for information about the amount of the additional custodial fees and/or charges that APFS retains.

The APA approved custodians, TD, Schwab and Pershing will determine the amount of transaction charges to be paid for each transaction or service, including custodial fees, provided. Some custodians offer lower charges, at their discretion, than others. As a result, depending on the client's custodian, the client may pay higher charges for certain transactions than clients with another custodian pay for the same transactions. This disparity in charges from one Broker Dealer to the other creates a conflict of interest because APA's IAR is recommending certain custodians over others that may have lower costs/fees/charges to their clients. The advisor is an independent advisor and he or she can and will choose the custodian for their client accounts based upon the services the custodian provides and the level of service they provide. APA does not direct or influence in any way which custodian their advisors select.

In many cases, where applicable, Portfolio Managers and Advisors are authorized to outsource and use an APA contracted technology service provider and their agents to process trade executions.

From time to time, when a new Advisor transfers accounts to APA from another RIA relationship, APA will allow the inclusion of registered and non-registered alternative investment products into an account(s); however, they will not be billed as part of the advisory fee. If these products are not approved or valued per the rules governing these non-traded products, the position will be removed from the billing of the account or transferred to an APFS brokerage account.

For alternative investments purchased and held in the account, a commission may be paid to the registered representative; however, such investments will not be included in assets under management for purposes of calculating the advisory fee and billing.

APA will allow a fee to be charged on an Alternative Investment (Regulation D product) position in an advisory account if the position is liquid – or offers to be liquid – at least quarterly and the position is valued by the offering entity at least on a quarterly basis. These Alternative Entities must be pre-approved by the Product Review Committee before being placed into the account. The position cannot be one where a commission and a fee is charged.

Mutual Fund held in an account may distribute 12b-1 fees through the Broker Dealer APFS, per the Mutual Fund prospectus. As of January 1, 2018, APFS does not pass 12b-1 fees to the advisor. All 12b-1 fees are rebated back to the advisory client's account.

- 2) **TURN-KEY ASSET MANAGEMENT PROGRAMS:** The client will be charged an advisory fee by the TAMP that includes the TAMP management fee. The TAMP will pay APA a portion of the advisory fee. APA will pay all or a portion of the fee to the IAR. The advisory fee that is received by the APA for the IAR will be either an advisory fee or solicitation fee for services provided pursuant to an agreement between APA and the TAMP. The fee received by APA will be calculated based on assets under management or receive a flat fee for consulting and/or advice.
- 3) **ADVISOR'S SOLUTIONS:** The client will be charged an Advisory Fee that includes the Program Fee and IAR Fee. The total Advisory Fee for the Advisor's Solution program will not exceed 3.00%. APA will pay all or a portion of the Advisory Fee to the IAR and pay a portion of the Program Fee to the third-party manager or model provider and program platform provider. The APA portion of this Program Fee will not exceed 0.40%. If an affiliated manager is selected as the manager or model provider 100% of the Program Fee will be retained by APA. All fees are debited from the client's account in advance or arrears either monthly or quarterly. If the fee is billed in advance the calculation is based on the value of the assets in the account on the last business day of the previous month or quarter. If the fee is billed in arrears the calculation is based on the average daily balance within the account, paid monthly or quarterly. The fee calculation of the Advisor's Solutions program has been modified as explained at the beginning of Item 5.

In Advisor's Solution the Program Fee will vary based on the manager/model and investment style selected. Model delivery is offered within the Pershing XPN office range and offers breakpoint pricing (listed below) on the Program Fee based on the total account value. The breakpoint pricing is dynamic and will adjust the Program Fee as the total value of an Advisors Solution account value increases or decreases. The Advisor's Solution program offers clients three distinct fee options which include:

- a) **Management Fee with Transaction Charges:** The client pays an Advisory Fee that includes the Manager Fee, and the IAR Fee. In addition to the Advisory Fee, the client will pay for each transaction separately. The Program Fee in this program ranges from 0.00% to 1.00% on an annual basis. This program option is offered through Pershing with an account prefix of PK7.
- b) **Management Fee with Bundled Pricing:** The client pays an Advisory Fee that includes the Manager Fee, the IAR Fee and most transaction charges. The Manager Fees will range from .35% to 1.00% on an annual basis. This program option is offered through Pershing with an account prefix of PK8.
- c) **Model Delivery/Bundled Pricing:** The client pays an Advisory Fee that includes the Model Fee, the IAR Fee and most transaction charges. The Manager Fees will range from .25% to 1.00% on an annual basis. This program option is offered through Pershing with an account prefix of XPN.

Please refer to your custodian's fee schedule located in Disclosure Notices at [www.americanportfolios.com](http://www.americanportfolios.com).

#### Advisor's Solution Breakpoint Fee Schedule

Breakpoint Pricing	Managers/Program Fees = 35 bps	Managers/Program Fees = 55 bps	Managers/Program Fees = 70 bps	Managers/Program Fees = 75 bps
Minimum — \$250,000	35 bps	55 bps	70 bps	75 bps
\$250,000.01 — \$500,000	33 bps	53 bps	68 bps	73 bps
\$500,000.01 — \$1,000,000	30 bps	52 bps	65bps	70 bps
\$1,000,000.01 — \$2,000,000	28.5 bps	50.5 bps	60 bps	65 bps
\$2,000,000.01 — \$3,000,000	26 bps	48 bps	57.5 bps	62.5 bps
\$3,000,000.01 — \$4,000,000	25 bps	45 bps	55 bps	60 bps
\$4,000,000.01 — \$5,000,000	20 bps	40 bps	50 bps	55 bps
>\$5,000,000.01	Contact APA	Contact APA	Contact APA	Contact APA

- 4) **MANAGER'S CHOICE:** APA is the sponsor for the Managed Account Command program, also known as Manager's Choice Program, through Pershing Investments and Lockwood Advisors, an affiliate of Pershing. Lockwood contracts with individual managers as a result of their proprietary research and makes them available to APA through the Manager's Choice Program sponsored by APA. The client will be charged an Advisory Fee that includes the Program Fee and IAR Fee. APA will retain a portion of the Manager Fee. APA will pay all or a portion of the IAR Fee to the IAR. The client fee is based upon the month end asset value of the account billed quarterly in advance.
- 5) **UNIFIED SOLUTIONS:** The client will be charged an Advisory Fee that includes the Program Fee and IAR Fee. The total Advisory Fee for the Unified Solution program will not exceed 3.00%. The Program Fee varies by manager starting at 0.25% up to 1.00%. APA will pay all or a portion of the IAR Fee to the IAR and pay a portion of the Program Fee to the Model Provider and program platform provider. The APA portion of this Program Fee will not exceed 0.40%. If an affiliated manager is selected as the model provider 100% of the Model Fee



will be retained by APA. If an advisor-directed sleeve is included in the program, these assets will not be subject to any Program Fee but will be charged an AP Platform fee of 0.20%. APA retains all of the AP Platform fee. The Platform fee covers the non-investment services for your account. These services include shared support services provided by APA and APFS, such as account opening services, a live staff service center, trade support, an operations team to handle client requests, and the furnishing of space, facilities and equipment reasonably required to conduct the business, internal bookkeeping, accounting, and auditing services, and maintaining records. All fees are debited from the client's account in advance or arrears either monthly or quarterly. The fee calculation is based on the average daily balance within the account, paid monthly or quarterly as described above. In this program the fee will vary because the fees for the models are different. Model delivery is offered in our AP7 office range using Pershing as custodian with breakpoint pricing based on total assets at the account level.

## 6) **FINANCIAL PLANNING, CONSULTATIONS AND ADVISORY SEMINARS**

**Financial Planning:** Fixed and/or hourly charges or a flat fee are charged for this service and are negotiable. These fees may be waived in full or in part by the IAR after client chooses to implement all or part of the financial plan. The fee will be collected by your Advisor either at the time that the financial planning contract is signed or when he or she delivers the final plan to you. In either case, all checks should be made payable to the Firm and not your Advisor. You pay your financial planning fee when you sign the financial planning agreement either 100 percent of the total fee up-front, or half of the fee at the time the financial planning agreement is signed, and then pay the remaining half of the total fee when your financial plan is provided to you by your Advisor. APA will pay all or a portion of the Financial Planning fee to the IAR, retaining the difference.

**Consultations:** Fees can vary per hour depending upon the needs of the client and the complexity of the consultation and are negotiable. A flat fee can be charged for this service and is negotiable. Fees may be waived in full or in part at the discretion of APA. The client may be required to pay a deposit on this contract before services are rendered. The amount of that deposit will be determined by the client and the APA Advisor and paid at the time of signing the agreement.

**Advisory Seminars:** A fee for the seminar can be charged at the discretion of the IAR.

- 7) **PLAN SERVICES:** We do not have a standard fee schedule for the Plan Advice and Consulting Program. In meetings with your Advisor, an appropriate fee for the advisory and/or consulting services to be provided to the Plan will be discussed. Some of the factors used to determine the appropriate fee are the nature of the services being provided, the time related to providing such services, and the complexity of the Plan. Your fee may be either a one-time project fee; an hourly rate fee; an annual flat fee paid monthly or quarterly; or an annual asset-based fee paid monthly or quarterly.

**ADVISORY ANNUITIES:** No-load variable annuities can be purchased by Advisors for clients. These No-load variable annuities are purchased directly with the annuity sponsor (Insurance Company) and such sponsor calculates the fee that was agreed upon at the account opening process and deducts the fee from the annuity account. Additionally, an Advisor may employ, with the client's agreement, the use of a Third-Party Manager to provide investment management services for variable annuities. The client will sign a Variable Annuity Management Contract. A fee can be charged by the Advisor and/or the Third-Party Manager to manage the sub-accounts. If a Commissionable Variable Annuity Contract is sold by a registered representative, and the registered representative is paid a commission, the advisor can (after a 36-month waiting period) employ a Third-Party Manager to manage the sub accounts or the advisor could self-direct the sub accounts. The Advisor can then charge a fee to manage the sub-accounts. If an advisor chooses a Third-Party Manager to manage the sub accounts that manager can charge a management fee in addition to the fee charged by the advisor of APA. The advisor will execute with the client a Variable Annuity sub account management agreement. After the 36-month period has passed, APA will consider and, on an approval basis only, allow advisory fees to be charged to manage these products. Generally, APA will permit a maximum 3% fee including M&E charges with a cap of 1% to the advisor, however with the addition of riders and benefits to the client, the total fees may exceed 3%. The maximum fee charged to the client is a total fee that includes all fee components that are associated with the product and the Advisor/APA management fee.

**FEES AND EXPENSES RELATED TO TRADING AWAY:** In cases where a client's account or a portion thereof are managed by third-party investment managers or Sub-Managers, the third-party investment manager or Sub-Manager, in its sole discretion, may place a client's trade orders with a broker-dealer firm other than the custodian's designated broker-dealer (also known as "trading away" from that broker-dealer) if the manager determines that it must do so to comply with its best execution obligations. This means that clients who invest with third-party investment managers or Sub-Managers may incur execution costs (whether in the form of commissions or markup/markdowns that are built into the net price of the security) in addition to, and which will not reduce the advisory account fees. Clients should therefore take these costs into consideration when selecting and/or determining whether to remain invested in accounts managed by third-party investment managers or Sub-Managers. Managers that specialize in fixed income, international, small-cap, or ETP disciplines may be more likely to trade away from APA due to market conditions, liquidity, exchange availability, or other factors they consider relevant in satisfying their best-execution obligations to clients. Clients should understand that the Manager is responsible for meeting its best-execution obligations to clients when trading away, as APA is not a party to such transactions. APA does not discourage or restrict a manager's ability to trade away. Clients participating in a program using a manager, should review the Manager's Form ADV Disclosure Brochure carefully prior to deciding to do business with any particular Manager. Among other things, the Manager's Brochure must disclose the Manager's conflicts and various sources of compensation, as well as those costs incurred by clients that may result from engaging in step-out trades, among other things. Clients should also discuss the use or intended use of any particular Manager with their APA advisor, including the Manager's trading practices and the costs that may be borne by the client.

**TRANSACTION FEE AND NO TRANSACTION FEE (NTF) MUTUAL FUNDS AVAILABLE ON PERSHING PLATFORM:** Pershing, TD or Schwab act as custodian for the APA advisory programs. Each of these custodians offer certain mutual funds that charge a transaction fee

Form ADV Part 2A

or mutual fund surcharge, and also offer certain mutual funds with no transaction fees (NTF). A complete list of mutual funds with a surcharge offered by Pershing can be found in the disclosure section at the bottom of <http://www.americanportfolios.com>. As the broker dealer of record, TD and Schwab do not maintain a similar list. APA does not share in any of the surcharge revenue. APA IARs strive to obtain the lowest net expense share class available for that same fund, or a reasonable differential from the lowest expense share class netting the refunded 12b-1 fee out of the expense ratio of any share class that offers a 12b-1 fee, regardless of whether it is a Transaction Fee fund or NTF fund.

**TERMINATING AN ACCOUNT:** The agreement for advisory management services shall continue in effect until terminated by either party by giving to the other party written notice. Any prepaid, unearned fees will be refunded upon written request, determined on a pro-rata basis. Accounts may be subject to a modest cost of reimbursement of fees related to unused portion of fees for the remainder of the quarter. In addition, there may be fees charged by the custodian for transferring the account away from APA -- these fees and or charges are the responsibility of the client.

**TERMINATION OF ADVISORY AND ADMINISTRATIVE FEE:** Upon written request of termination the client will be eligible to a pro-rated refund of any prepaid fee based upon the number of days remaining in the billing period after the termination date. Eligible fees, if applicable, include prepaid IAR fee, Program Fee and Administrative Fees. Comparable services may be available from other sources for fees lower or higher than those charged by APA. Fees may be discounted or negotiated at APA's discretion.

**APFS:** APFS, our Broker Dealer affiliate, has entered a fully disclosed clearing agreement with Pershing. Through this agreement APFS marks up and retains custodial fees charged to clients. This presents a conflict of interest because of the additional compensation paid to APFS for services provided to the client as the Broker-Dealer, however our advisor puts the client's interest before their own. The advisors of APA are Registered Representatives of APFS and therefore are providing these services to their clients in an effort to create an efficient trading process and provide necessary services of the custodian to service the client accounts.

**PERSHING:** Pershing provides APFS with fully disclosure clearing and custody contract for services. Pershing offers APFS the ability to share in fees paid by mutual funds and in transaction, custodial and other fees charged by Pershing. However, APA does not share in any mutual fund revenue from Pershing. In the Clearing Contract that APFS maintains with Pershing, APFS does profit from transaction charges, custodial and other fees charged by Pershing. APFS remits a portion of such fees to APA. Mutual funds have varying share classes, sales charges and expenses, and thus the performance of a client's account will be affected by the selected mutual fund and share class. APA does not recommend any mutual fund family or shares share class, including funds in the NTF program described below.

Pershing offers APFS the ability to participate in a program that offers mutual funds that are often referred to as no transaction fee ("NTF") funds. For mutual funds in Pershing's NTF program, Pershing waives transaction fees that it would otherwise charge advisory clients. NTF mutual funds pay Pershing a portion of the fund's internal expenses. NTF mutual funds will likely have higher internal expenses than non-NTF mutual funds or other share classes of the same mutual funds. Mutual fund shares offered through the NTF program may have at least one lower-cost share class available for which APFS does not share revenue.

Clients are urged to inquire into whether lower-cost share classes are available and/or appropriate for their account, considering their expected investment holding periods, amount invested and anticipated trading frequency. Further information regarding mutual fund charges and expenses is available in the applicable mutual fund prospectus.

**LOANADVANCE PROGRAM FEES** Through an agreement with Pershing, LLC, APA's clearing broker ("Pershing"), APA makes the LoanAdvance Program available to certain of its investment advisory clients. A LoanAdvance account is an account held through Pershing through which you may borrow money from Pershing by pledging the securities in the account. Unlike a margin account, these borrowed funds cannot be utilized to purchase additional securities. Some of the investment advisory accounts serviced by APA and its IARs may be eligible for the LoanAdvance Program. Additional disclosure information is located in Item 12 below.

**SWEEP PROGRAM:** When your Program Account is maintained at one of our clearing firms, Pershing or NFS, your free credit balance will be automatically deposited or "swept" to a deposit account at one or more banks whose deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC") (the "Sweep Program"). Under the Sweep Program, APA maintains two FDIC-insured deposit programs, the Bank Deposit Sweep Program ("BDSP") and the Insured Cash Account Program ("ICAP"), that create financial benefits for APA as described below. For certain Program Account types, free credit balances are swept to a money market mutual fund product (the "Money Market Mutual Fund Program"), which does not create financial benefits for APA. Please see the Sweep Program Terms and Conditions document, available from your Advisory Representative or from the website listed below, for full details about the Sweep Program.

As set forth in the terms of your Customer Agreement with APA, you may remove your Program Account from participating in the Sweep Program by notifying your Advisory Representative. If you remove your Program Account from the Sweep Program, cash balances will be held by the clearing firm as a free credit balance. In addition, there are always alternatives for the short-term investment of cash balances, including non-sweep money market mutual funds, treasury bills, and brokered certificates of deposit, that offer higher returns than the sweep options made available to you.

#### **FDIC INSURED DEPOSIT PROGRAM (BDSP & ICAP):**

Eligible account types: all accounts except ERISA Title 1 accounts, 403(b)(7), & Keogh plans

Free credit balances swept to a deposit account will earn interest that is compounded daily and credited to your Program Account monthly. Interest begins to accrue on the date of deposit with the banks participating in the program ("Program Banks"), through the business day preceding the date of withdrawal from the deposit account. The daily rate is 1/365 (or 1/366 in a leap year) of the posted interest rate.

#### Bank Deposit Sweep Program - BDSP

APA has established deposit levels or tiers, which ordinarily pay different rates of interest depending on deposit balances. Generally, Program Accounts with higher deposit balances receive higher rates of interest than accounts with lower balances. The interest rate payable to you is determined by us and is based on the amounts paid by the Program Banks to obtain the deposits. The amount we retain, less a fee paid to our clearing agent and the third-party administrator, will not exceed 600 basis points (6.00%) per year (the "Maximum Program Fee") on the average daily balances held in the BDSP. Interest paid on the deposit accounts will generally be lower than the rate of return on (i) other investment products that are not FDIC insured, such as money market mutual funds and (ii) on bank deposits offered outside of the BDSP.

Your Advisory Representative does not receive any portion of the fees paid by the Program Banks.

The income we earn from Program Banks based on your balances in BDSP will in almost all circumstances be substantially greater than the amount of interest you earn from the same balances. As such, we receive a substantially higher percentage of the interest generated by deposit balances in the BDSP than the interest credited to your accounts. When evaluating whether to utilize the Sweep Program and the extent to which our fee exceeds the interest rate you receive, you should assume that we are receiving the Maximum Program Fee described above.

#### Insured Cash Account Program - ICAP

APA will receive a monthly per-account fee for services it provides in connection with maintaining and administering the Sweep Program for IRAs held in an advisory/ fee-based account (the "Sweep Account Fee"). The Sweep Account Fee that each Osaic affiliated broker-dealer can earn from Program Accounts participating in ICAP is subject to a maximum monthly per account fee that is between \$34.25 and \$36.75. Please refer to the applicable Sweep Program Terms and Conditions document, which you can obtain from your Advisory Representative or from the website listed below; refer to "Disclosures," then to the FDIC Insured Deposit Program used in your account (ICAP), for further details about the maximum monthly per account fee.

The Sweep Account Fee does not depend on or vary with (and is not affected by) the actual amounts held in any particular account or your Program Account. Thus, our compensation for Program Accounts that participate in ICAP is composed solely of the Sweep Account Fee. The fee received may differ among each Program Bank. You will have no rights to the amounts paid by the Program Banks, except for interest actually credited to your account. The Sweep Account Fee will reduce the interest you are paid on the amount of assets in your Program Account.

The Sweep Account Fee will generally be paid by the Program Banks on your Program Account's behalf; however, the Fee or any portion thereof can be deducted directly from your Program Account if, for example, the amounts paid by the Program Banks are insufficient to cover the Sweep Account Fee. In the event that we debit all or a portion of the monthly account fee from your account, each such amount will be reflected on your account statement. The amount of fees received by APA, our clearing agent, and any other service provider reduces the interest you receive on your deposit account(s).

Your Advisory Representative does not receive any portion of the fees paid by the Program Banks.

#### Money Market Mutual Funds - Pershing

Free credit balances in the following Program Account types custodied at Pershing will be automatically swept into the Federated Hermes Government Reserves Fund (GRFXX), which is managed by Federated Hermes Investors ("Federated Hermes"):

- All ERISA Title 1 account types, including Profit Sharing Plans, 401(k), Roth 401(k), Simple 401(k), Individual 401(k), qualified deferred compensation plans, defined benefit plans, target benefit plans, and money purchase pension plans
- 403(b)(7) accounts
- Keogh plans

The Federated Hermes Government Reserves Fund is a money market mutual fund and seeks to maintain a stable share price of \$1.00. The Fund invests primarily in a portfolio of short-term U.S. Treasury and government securities. These investments include repurchase agreements collateralized fully by U.S. Treasury and government securities. The Fund uses repurchase agreements to provide a liquidity base for the portfolio and a potential yield advantage relative to other short-term securities. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

APA does not receive any compensation from the Federated Hermes Government Reserves Fund.

#### Money Market Mutual Funds - NFS

Free credit balances in the following Program Account types custodied at NFS will be automatically swept into either the Fidelity Government Cash Reserves Fund (FDRXX), or the Fidelity Government Money Market Fund – Capital Reserves Class (FZAXX) ("Fidelity Funds"), which are both managed by Fidelity Investments:

- All ERISA Title 1 account types, including Profit Sharing Plans, 401(k), Roth 401(k), Simple 401(k), Individual 401(k), qualified deferred compensation plans, defined benefit plans, target benefit plans, and money purchase pension plans
- 403(b)(7) accounts
- Keogh plans

The Fidelity Government Cash Reserves Fund and the Fidelity Government Money Market Fund are money market mutual funds and seek to maintain a stable share price of \$1.00 per share. Both Fidelity Funds invest at least 99.5% of their total assets in cash, U.S. Government securities and/or repurchase agreements that are collateralized fully (i.e., collateralized by cash or government securities). Both Fidelity Funds invests in U.S. Government securities issued by entities that are chartered or sponsored by Congress but whose securities are neither issued nor guaranteed by the U.S. Treasury. Although the Fidelity Funds seek to preserve the value of your investment at \$1.00 per share, neither can guarantee they will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

APA does not receive any compensation from Fidelity Funds.

For additional information about the Sweep Program for accounts custodied at Pershing, please visit our website located at [www.advisorgroup.com/disclosures/cash-sweep-pershing](http://www.advisorgroup.com/disclosures/cash-sweep-pershing).

For additional information about the Sweep Program for accounts custodied at NFS, please visit our website located at [www.advisorgroup.com/disclosures/cash-sweep-nfs](http://www.advisorgroup.com/disclosures/cash-sweep-nfs).

#### Material Conflicts of Interest

Because the Sweep Program generates significant payments from third-parties (i.e., the Program Banks that participate in BDSP and/or ICAP) to APA, a conflict of interest exists. A conflict of interest also arises because we earn more compensation from cash balances being swept to or maintained in the Sweep Program than if you purchase other investment funds or securities. The more client deposits held in BDSP, and the longer such deposits are held, the greater the compensation we, our clearing firms, and the third-party administrator receive. By investing through an advisory account, the compensation we receive from the BDSP or ICAP, as applicable, is in addition to the advisory fees that you pay. This means that we earn two layers of fees on the same cash balances in client advisory accounts with us. If we did not receive such compensation, which is in addition to advisory, transaction, servicing and other fees and compensation related to Program Accounts, such client fees (including advisory fees) would generally be higher.

In addition, a conflict of interest arises as a result of the financial incentive for the Firm to recommend and offer a Sweep Program over which they have control of certain functions. APA has the ability to establish and change interest rates paid on Sweep Program balances, to select or change Program Banks that participate in the BDSP and ICAP, and to determine the tier levels (if applicable) at which interest rates are paid, all of which generates additional compensation for APA.

The Advisory Representative who makes investment recommendations for your Program Account does not receive any compensation from these payments or based on the selection of the sweep vehicle. The Firm maintains policies and procedures to ensure recommendations made to you are in your best interest. For more information about this service and benefits that we receive in connection with such deposits, please refer to the Sweep Program terms and conditions document, which you can request from your Advisory Representative.

Given the conflicts discussed above, each client should consider the importance of BDSP and ICAP to us when evaluating our total fees and compensation and deciding whether to utilize the BDSP and/or ICAP.

## Item 6: Performance-Based Fees and Side-by-Side Management

APA does not permit performance-based pricing without an exception. An exception would require the client to be a qualified client. Certain clients may pay Advisors of APA a performance-based management fee through Third-Party Money Manager only. This fee is charged to the client per the agreement with the third-party manager based upon the annual performance of the portfolio. APA may only accept a performance-based fee if the client meets the standards of a "Qualified Client" under the Investment Advisers Act of 1940. Fees charged under this program can exceed the maximum rate as detailed in the "Fees and Compensation" (Item 5) section above. These types of fees are generally charged in arrears. The fee is calculated based upon the performance of the previous year's actual returns, as provided in the client agreement and disclosure document signed by the client and paid to APA in the first or second quarter of the following year. The fee may vary because of the different services provided by a particular Advisor.

Investment advisers face conflicts of interest in recommending accounts that are charged a performance-based fee and accounts that are charged asset-based fees at the same time, because there may be an incentive to favor accounts which pay a performance-based fee, which is typically higher than an asset-based fee. For instance, an investment adviser who has access to both types of accounts may have an incentive to allocate more profitable investments to the performance-based fee accounts to increase the investment adviser's own profits. However, APA believes such conflicts are mitigated since it does not have trading discretion with respect to accounts that are charged performance-based fees. Moreover, clients charged performance-based fees will receive separate disclosure from the Third-Party Money Manager regarding side-by-side management and performance-based and asset-based fee accounts.

## Item 7: Types of Clients

APA primarily provides investment advice and financial planning services to the following types of clients:

- Individuals
- Joint accounts
- Retirement
- Custodial
- Pension and profit-sharing plans
- Trusts, estates and charitable organizations
- Corporations and other business entities

#### Minimum Account Size

The minimum account size for an Advisor's Choice 3 account is \$10,000. APA reserves the right to grant exceptions after a review of a request by an advisor. These participants will pay all charged custodial fees and or charges assessed and debited from the account. Accounts that are registered as IRA accounts will pay the required annual IRA Maintenance fee and no activity fees (if no transactions occur in an account within the calendar year) as charged by custodians – debited from the account.

APA or the third-party manager may require the client to deposit additional money or securities to bring the account value up to the required minimum or close the account or charge the client a minimum billing fee as provided in each client agreement and managers brochure. All above values and conditions apply to all custodians approved by APA and the advisors of APA's corporate RIA.

**FIDUCIARY ACKNOWLEDGMENT:** When we provide investment advice, as defined by the Department of Labor, to you regarding your retirement plan account or individual retirement account (IRA) under ERISA, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money can create some conflicts of interest, so we operate under a special rule that requires us to act in your best interest and not put our interests ahead of yours.

## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

**METHODS OF ANALYSIS:** APA advisors are all independent advisors and as such the advisors utilize various methods of analysis in providing advisory services to clients. The main sources of information used by APA are research materials prepared by others, financial newspapers and magazines, annual reports, prospectuses, filings with the SEC, and company press releases.

**INVESTMENT STRATEGIES:** The investment strategies used to implement any investment advice given to clients may include long-term purchases (securities held at least a year); short-term purchases (securities sold within a year); trading (securities sold within 30 days); and covered call option writing. Frequent trading strategies are not encouraged however they are permitted by APA.

Although APA and your IAR believe that your advisory program account(s) are consistent with your specific investment objectives and risk tolerance, there can be no guarantee that your account performance will be successful. General economic conditions, current interest rates, the performance of a particular industry or company, and any number of other factors can affect investment performance. Clients should be prepared to bear the risk of loss. All investments are subject to loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends, and other distributions) and the loss of future earnings.

### RISK OF LOSS

**EQUITIES:** Investing in equity instruments such as stocks, mutual funds and ETFs involve risks which may include:

- Financial Risk—Risk that the companies APA recommends may perform poorly, which will affect the price of your investment.
- Market Risk—Risk that the stock market will decline, decreasing the value of the securities that APA has recommended to you.
- Inflation Risk—Risk that the rate of price increases in the economy deteriorates the returns associated with stock.
- Political and Governmental Risk—Risk that the value of your investments may change with the introduction of new laws or regulations.
- Leveraged Risk- products that utilize leverage can amplify returns and result in larger losses in short periods of time.
- Pandemic Risk

**Bonds and Debt Instruments:** Investing in bonds and debt instruments also involves the assumption of risks, including:

- Interest Rate Risk—Risk that the value of your bond investments will fall if interest rates increase.
- Call Risk—Risk that your bond investments will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.
- Default Risk—Risk that the bond issuer may not be able to pay you the contractual interest or principal on the bond in a timely manner or at all.
- Inflation Risk—Risk that the rate of price increases in the economy deteriorates the returns associated with the bond.
- Liquidity Risk—Risk that a given financial asset, security or commodity cannot be traded quickly enough in the market without impacting the market price.



**Alternative Investments:** Investing in alternative investments, such as private placements or real estate, involve specific risks that may be greater than those associated with traditional investments, including:

- Alternatives may have limited liquidity due to lock-up periods and lack of markets.
- Many alternatives have high cost of entry, requiring hefty minimum purchases.
- Such products employ potentially speculative investment strategies.
- Changes in tax laws may impact the performance.
- Many alternatives have different regulatory and reporting requirements.

APA allows these positions to be held in an advisory account but not billed an advisory fee with the submission of an executed APA Client Alternative Investment Disclosure Form. These holdings will affect performance and client reports may be inaccurate because the values of the positions are generally not priced on a regular basis.

**Margin:** The use of margin involves the assumption of certain risks, including but not limited to:

- You may lose more than the principal you invest, as your risk includes the amount you invest plus the amount that has been loaned to you.
- The custodian may force the sale of securities in your account if the equity in your account falls below the margin requirements.
- You may not be entitled to select which securities will be sold to meet margin requirements. Margin requirements may be changed by the custodian without notice.
- Money borrowed in a margin account is charged an interest rate that is subject to change over time. This interest rate is in addition to other fees associated with your account. The Firm retains a portion of the margin interest charged, which is a source of revenue. This compensation represents a conflict of interest as the Firm has a financial benefit when you maintain a margin debt balance. However, this compensation is retained by the Firm and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend that you maintain a margin balance.
- APA permits the use of margin in advisory accounts on an exception basis only.
- APFS can set the margin interest at the highest rate possible, which would directly increase the costs to clients on the margin balance;
- An IAR/APA could recommend strategy with margin (over other strategies) that will maximize use of margin within a strategy, with the associated risks of greater volatility, costs; and,
- APFS could allow an advisory account to secure margin for use outside of an advisory account.

**Selling Short:** Short selling is not permitted in advisory accounts.

**Options:** Options are considered speculative. Utilizing options in an account involves the assumption of certain risks, included but not limited to:

- Options can be highly volatile in price.
- Writing options on uncovered positions may expose you to unlimited loss.
- Options have an expiration date. It may not be possible to determine the opportune time to exercise an option, which impacts the amount of potential profit or loss.

You should be aware that transactions in the account, including account reallocations and rebalancing, may trigger a taxable event, unless your account is a qualified retirement or other tax deferred account.

**Pledging Assets:** Clients should be aware that pledging assets in an account to secure a loan or purchase securities on margin involves additional risks. The broker/dealer or bank holding the loan has the authority to liquidate all or part of the securities at any time without your prior notice in order to maintain required maintenance levels, or to call the loan at any time. As a practical matter, this may cause you to sell assets and realize losses in a declining market. These actions may interrupt your long-term investment goals and result in adverse tax consequences and additional fees to the bank. The returns on accounts or pledged assets may not cover the cost of loan interest and account fees and may dictate a more aggressive investment strategy to support the costs of borrowing. Before pledging assets in an account, clients should carefully review the loan agreement, loan application and any forms required by the bank and any other forms and disclosures provided by the Firm.

## Item 9: Disciplinary Information

APA submitted an offer of settlement, which the Securities and Exchange Commission accepted on December 20, 2018, to fully resolve administrative proceedings. APA consented to the settlement without admitting or denying the findings in the settlement order. In addition, the findings are not binding on any other person or entity in this or any other proceeding. The settlement order relates to APA's selection of mutual fund share classes and receipt of 12b-1 fees during the period July 2012 to March 2016. The order finds that APA did not adequately disclose a conflict of interest presented by its share class selection practices, that the practices were inconsistent with APA's duty to seek best execution, and that APA did not implement its written policies and procedures. As a result, the order finds that APA willfully violated Sections 206(2), 206(4) and 207 of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. As part of the settlement, APA agreed to compensate affected advisory clients with payments of \$850,000 in disgorgement, plus interest, and a civil monetary penalty of \$250,000. The settlement brings resolution and finality to this matter.



APA and APFS submitted an offer of settlement, which the Securities and Exchange Commission accepted on November 13, 2020, to fully resolve administrative proceedings. APA and APFS consented to the settlement without admitting or denying the findings in the settlement order. In addition, the findings are not binding on any other person or entity in this or any other proceeding. The settlement order relates to APA's failure to adopt and implement policies and procedures reasonable designed to prevent unsuitable recommendations of complex exchange traded products (ETP) for the iPath S&P 500 VIX Short-Term Futures ETN ("VIXX") during the period of January 2016 to February 2020. As a result, the order finds that APA willfully violated Sections 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. As part of the settlement, APA and APFS jointly and severally, shall pay a civil monetary penalty of \$650,000. Approximately, \$365,000.00 of this penalty was attributable to APA advisory clients. The settlement brings resolution and finality to this matter.

## Item 10: Other Financial Industry Activities and Affiliations

Certain Investment Professions of APFS who are separately registered as investment advisers (or who are advisory representatives of separately registered investment advisers) may provide investment advice to clients through programs described within their individual disclosure documents. APFS may execute trades on behalf of clients' accounts in these programs in its capacity as a broker/dealer. Client account agreements will set forth whether APA or a third-party manager is providing investment advice to clients.

Some IARs may also be licensed as registered representatives of APFS, a broker/dealer. APA and APFS are affiliated companies held by common ownership. Certain IARs may also represent one or more general life insurance agencies. Such IARs may recommend the purchase of insurance products to their clients and may receive commissions in connection with such purchases. Certain APFS/APA representatives may also be employed as independent insurance brokers and sell fixed insurance products through their own agencies. APFS may share a portion of the commission generated by the sale of insurance products.

You are under no obligation to utilize the services of any IAR of APA in the purchase or sale of securities or insurance products and services through his/her association with APFS, an insurance company or APA. However, any transactions you may effect through him/her in conjunction with those relationships may result in the receipt of commissions and other compensation in addition to any advisory fee that APA charges, and the additional compensation may present a conflict of interest to recommend products and services based on the amount of compensation that may be received, rather than on your needs. Advisors of APA seek to address this conflict by explaining the costs associated with any recommendations they make and always putting the client's interests first.

APA selects third-party managers based on due diligence review for its various programs, and APA receives compensation as a percentage of the overall manager/program fee that is set by APA. APA is compensated to monitor the investments and performance of the third-party managers and the third-party managers are compensated to execute and trade the assets within the account.

**Please note:** Affiliated Model Managers: APA has an affiliation with a model manager(s) that are available to clients, such as Ladenburg Thalmann. This represents a conflict of interest due to the ownership affiliation and the ability earn additional fees should a Client elect that specific model manager. However, this conflict is mitigated by APA's fiduciary obligation. Moreover, APA does not charge a management fee in the event a Client elects an affiliated manager. Meaning, the election would not cause an increase of fees to the Client. Lastly, Clients are not required to elect the model(s) managed by the affiliate if they do not wish. APA also limits the total advisory fee to a maximum of 3.00%.

APA's Advisors may act as solicitors for third-party managers, pursuant to which they receive compensation from such managers for recommending advisory clients to them.

In certain instances, APFS extends forgivable loans to registered representatives who are also investment adviser representatives of APA. Because the loans require investment adviser representatives to remain registered with APFS and in active production as registered representatives, they create a conflict of interest with advisory clients and a financial incentive for investment adviser representatives to use APFS for execution and other services.

### Corporate Structure:

APA is a wholly owned subsidiary of APH. In addition to APA, APH also owns APFS a registered broker-dealer. On November 1, 2022, APH was acquired by Osaic Holdings, Inc. ("AGHI"). APH is a wholly owned subsidiary of AGHI, which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P. and The Berlinski Family 2006 Trust.

### OTHER INDUSTRY AFFILIATES

The Firm has the following affiliates, which are either wholly-owned subsidiaries of Advisor Group, Inc. ("AGI"), or wholly-owned subsidiaries of one of AGI's affiliates.

Osaic, Inc. (OI) Holding Company	100% owned by AGHI
Financial Service Corporate (FS Corp) Holding Company	100% owned by AGI

FSC Securities, Corporation (FSC) Registered Investment Advisor, Broker/Dealer	100% owned by FS Corp
SagePoint Financial Inc (SPF). Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Woodbury Financial Services, Inc (WFS). Registered Investment Advisor, Broker/Dealer	100% owned by AGI
VISION2020 Wealth Management Corp. Registered Investment Advisor	100% owned by AGI
Infinex Financial Holdings, Inc. (IFHI) Holding Company	100% owned by AGHI
Royal Alliance Associates, Inc. Registered Investment Advisor	100% owned by AGI

The Firm also has Related Persons, as they are under common control of AGI's parent company, OsaicHoldings, Inc. ("AGHI"). The following chart details the Related Persons, which are wholly owned subsidiaries of AGHI.

Securities America Financial Corporation (SAFC) Holding Company	100% owned by AGHI
Securities America Advisors, Inc. (SAA) Registered Investment Advisor	100% owned by SAFC
Securities America, Inc. (SAI) Broker/Dealer	100% owned by SAFC
Arbor Point Advisors, LLC (APA) Registered Investment Advisor	100% owned by SAFC
Ladenburg Thalmann Asset Management, Inc. (LTAM) Registered Investment Advisor	100% owned by AGHI
Ladenburg Thalmann & Co., Inc. (LTCO) Broker/Dealer	100% owned by AGHI
Triad Advisors, LLC Registered Investment Advisor, Broker/Dealer & Insurance	100% owned by AGHI
Triad Hybrid Solutions, LLC Registered Investment Advisor	100% owned by AGHI
Highland Capital Brokerage Insurance Company	100% owned by AGHI
Premier Trust, Inc. Trust Company	100% owned by AGHI
Infinex Investments, Inc. Registered Investment Advisor, Broker/Dealer	100% owned by IFHI
American Portfolios Financial Services, Inc. Broker/Dealer	100% owned by APhi

CAIS ALTERNATIVE INVESTMENTS PLATFORM As described above, the Firm is a subsidiary of Osaic Holdings, Inc., which is ultimately owned by a number of private investment funds organized and sponsored by Reverence Capital Partners. In addition to its ownership of Osaic Holdings, Inc., private investment funds organized and sponsored by Reverence Capital Partners, directly or indirectly, own (whether through

majority or minority interest) other investment advisers and securities and financial services firms. One of such firms is Capital Integration Systems LLC ("CAIS"), which, as disclosed in Item 4, together with its affiliates provides the alternative investments platform to the Firm's clients. This ownership entitles Reverence Capital Partners to appoint a member to the board of directors of CAIS and certain committees thereof and otherwise grants the Reverence Capital Partners certain consent and veto rights over actions taken by CAIS and its affiliates.

## Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

APA has a code of ethics and procedures dealing with insider trading, employee-related accounts, front running and other issues that may present potential conflicts when employees engage in personal trading. In general, these policies and procedures are intended to eliminate, to the extent possible, the adverse effect of any such potential conflicts of interest.

APA has established the following policies in order to ensure its fiduciary responsibilities:

- 1) APA emphasizes the unrestricted right of the client to specify investment objectives, guidelines and/or conditions on the overall management of their account.
- 2) Associated persons or their immediate family members shall not buy or sell securities for their personal portfolio(s) where their decision is derived in whole or in part, by reason of the associated person's employment, unless the information is also available to the investing public on reasonable inquiry.
- 3) APA or individuals associated with APA may buy or sell for their personal account(s) investment products identical to those recommended to clients. They may also recommend to clients that they buy or sell securities or investment products in which they, or a related person, have some fundamental interest. None of APA, its associated persons and their immediate family shall prefer their own interest to that of the advisory client. Investment opportunities must be offered first to clients before APA or associated persons may participate in such transactions.
- 4) APA requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- 5) Records are maintained of all securities bought or sold by APA, associated persons of APA and related entities. A qualified representative of APA's affiliate, the broker/dealer APFS, reviews these records on a regular basis.
- 6) Any individual not in observance of the above may be subject to termination.

This investment policy has been established recognizing that some securities being considered for purchase and/or sale on behalf of APA's clients trade in sufficiently broad markets to permit transactions by Advisors to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above.

The restrictions above do not apply to certain types of securities, such as obligations of the U.S. Government and shares in open-end mutual funds.

Clients may obtain a copy of APA's code of ethics upon request.

## Item 12: Brokerage Practices

Clients establish brokerage accounts through APFS or one of APA's chosen custodians, which include Pershing LLC, Schwab Institutional or TD Ameritrade Investor Services, Inc. APA has approved custodians based on execution capabilities, availability of securities to be purchased, financial strength, responsibility, and responsiveness to the client. Not all investment advisers require clients to direct brokerage to a particular firm.

The independent and unaffiliated custodians APA recommends offer programs to independent investment advisers pursuant to which they provide custody of securities, trade execution, clearance and settlement of transactions to the clients of such advisers, such as APA. Concessions provided to APA are not shared by APA with its Advisors.

APFS and APA prohibit agency cross transactions on equities, and bond cross transactions (i.e., transactions in which APFS or an affiliate act as broker for the parties on both sides of the transaction) are generally prohibited without an exception.

All APA advisory accounts that hold mutual funds that pay a 12b1 fees through Pershing will be rebated back such 12b1 fee. All 12b1 fees paid at TD Ameritrade and Schwab are retained by TD Ameritrade and Schwab as they are the broker/dealer.

Frequently, Advisors are in a position of buying or selling the same security for a number of clients. In an effort to reduce market impact and to obtain best execution, securities may be purchased or sold in bulk (or aggregated) on the same day for the Advisor's clients to the extent permitted by applicable law and regulations. In such cases, the transactions, as well as the expenses incurred in the transactions, will be allocated according to a policy designed to ensure that such allocation is equitable and consistent with the Advisor's fiduciary duty to its clients. Pursuant to this policy, aggregated orders are averaged as to price and, except in the case of small orders, are allocated pro rata as to amount according to each account's daily purchase or sale orders.

As a result of an Advisor selecting certain mutual funds, including money market funds, in which clients are invested, APFS may also receive a portion of other custodial concessions including custodial fees and or commissions. These fees paid to APFS and commissions are all used to

continue to service the client as their Broker Dealer. In choosing any mutual fund share class one may cost more than the other thus the performance of the account will be influenced by the share class chosen.

When an error occurs while trading a client account, APA will process the correction using an error account.

Alternative Regulation D products in advisory accounts - APA will allow a fee to be charged on an Alternative Investment (Regulation D product) position in an advisory account if the position is liquid – or offers to be liquid – at least quarterly and the position is valued by the offering entity at least on a quarterly basis. These Alternative Entities must be pre-approved by the Product Review Committee before being placed into the advisory account. The position cannot be one that pays a commission and a fee to the same client in an account. Only approved no-load share classes can be purchased and billed in advisory accounts.

APFS also has a contract with Pershing which pays APFS and APA an incentive to place assets with Pershing, as well as disincentives in the form of charges to APFS and APA if it were to terminate its contract before the end of the contract term. Accordingly, we have a financial incentive and conflict of interest to recommend and use Pershing for brokerage and custodial services.

**LOANADVANCE PROGRAM:** Through an agreement with Pershing, LLC, APA's clearing broker ("Pershing"), APA makes the LoanAdvance Program available to certain of its non-qualified investment advisory clients. A LoanAdvance account is a securities-backed line of credit in which clients may borrow money from Pershing by pledging the securities in their non-qualified account. LoanAdvance monies can be used for most personal and business needs. Unlike a margin account, these borrowed funds cannot be utilized to purchase additional securities. Some of the investment advisory accounts serviced by APA and its IARs may be eligible for the LoanAdvance Program. LoanAdvance may not be appropriate for all investors and the risks should be carefully evaluated. If you decide to open a LoanAdvance account, please carefully consider the following:

1. You are borrowing money that you will be required to pay back.
2. LoanAdvance is only available for accounts that are not retirement accounts. For purposes of this Brochure, a "Retirement Account" is an account held by an ERISA plan or an account otherwise subject to Section 4975 of the Internal Revenue Code (e.g., IRA).
3. You are using the securities that you own in the account as collateral.
4. You are charged an interest rate that is subject to change and the rate can go up or down. Interest begins to be charged from the moment funds are withdrawn from the loan account.
5. APA or Pershing can force the sale of securities or other assets in any of your accounts held at APA or Pershing at any time and without notice, to cover any deficiency in the value of the securities pledged for the loan. This forced selling could occur at any time, including during times of increased market volatility, potentially negatively affecting your investment returns and potentially resulting in negative tax consequences for you.
6. APA or Pershing can decide which securities to sell without consulting with you.
7. Due to the fact that securities are pledged to support the outstanding loan amount, APA or Pershing can limit client withdrawals from the pledged account until loan requirements are met or the loan is paid off.
8. When the collateralized securities are held in an advisory account, the assets used to calculate your advisory fee will not be reduced by the loan amount.

APFS receives compensation for participating in the program based on the amount of the outstanding loans. This compensation is a conflict of interest because we have a financial incentive for the client to maintain outstanding loans through the program. As of March 1, 2023, the Firm does not share this compensation with its Advisory Representatives. APA and its Advisory Representatives have a conflict of interest in that they have an incentive to recommend that clients borrow money rather than liquidating their advisory assets, when it could be in a client's best interest to sell such assets instead of using them as collateral for a loan.

Please also carefully review the LoanAdvance Lending Agreement and the Interest Rate Acknowledgment for additional risks involved in opening a LoanAdvance account. Compensation received by APA and its IARs in connection with the LoanAdvance Program is described in Item 5.

## Item 13: Review of Accounts

Generally, the Advisor is responsible for reviewing client accounts at least annually and is encouraged to submit an annual client review form to APA. APA supervising principals review for suitability for all new accounts to determine if a client's portfolio is suitable and contains the correct investment options for the client's needs, risk tolerance and requirements. AP supervisory principals review all new account forms where it provides brokerage services through all custodians for adequate disclosure of the client's financial goals and financial means. In these cases, trade surveillance is monitored on at least a weekly basis by an AP supervising principal and other AP departments that have access to commissions/fees paid, as well as by the operations area of AP.

For each month in which there is activity in an account, clients receive a summary of transactions from the custodian. If there is no activity in an account, clients will receive a brokerage statement on a quarterly basis which provides the current market value of the combined holdings as of quarter-end. Clients also receive a confirmation after each transaction executed in their account by the custodian. These confirmations may be distributed in hard copy form or by electronic notification or be available on the custodian's on-line system for client review.

## Item 14: Client Referrals and Other Compensation

**CUSTODIAL RELATIONSHIPS:** As discussed above under Item 12, APA provides independent and unaffiliated custodians to its clients who provide custody of securities, trade execution, clearance and settlement of transactions, and reporting to APA's clients. These custodians currently include Pershing LLC, TD Ameritrade Investors Services, Inc. (TD) and Schwab Institutional. APA also utilizes National Financial Services, SEI and AssetMark for custodial services for Turn Key Asset Management Programs.

Clients should be aware, however, that the receipt of economic benefits by APFS from its recommended custodians in and of itself creates a potential conflict of interest and may indirectly influence APA's recommendation of a particular custodian for custody and brokerage services, particularly if the custodian requires a minimum amount of client assets to be included with it in order to provide services to APA or if the custodian considers the amount and profitability to it of the assets in, and trades placed for, APA's client accounts maintained with it in determining whether to provide certain additional services to APA. APFS's receipt of economic benefit does not diminish APA's duty to act in the best interests of its clients, including to seek best execution of trades for client accounts and determining the best possible solution for their risk tolerance.

**RESEARCH AND BROKERAGE PRODUCTS AND SERVICES:** Research products and services APA may receive from custodians may include economic surveys, data and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services, software and databases) that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e) of the Securities Exchange Act of 1934, brokerage products and services (beyond traditional execution services) consist primarily of computer services and research software that permit APA to effect securities transactions and perform functions incidental to transaction execution. APA and its Advisors generally use such products and services in the conduct of its overall investment decision making, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

**PERSHING:** Advisors may recommend loan programs (fully paid securities lending or loan advances) to clients through Pershing. Advisors that recommend these programs and APFS are compensated for their referral to Pershing, which is disclosed in the client agreement. Fully paid securities lending enables the client to lend their fully paid securities in their APA-managed accounts to Pershing in exchange for additional income. Pershing uses the securities to satisfy both internal and external borrowing needs. Clients receive monthly income while maintaining complete control of the securities. Clients will not receive actual dividend payments; however, Pershing will process cash payments as if they are actual dividends to the client account. Clients may be advanced a line of credit at a competitive interest rate which can be used for personal, consumer or business needs. The client will pledge the securities of their APA-managed account as collateral.

Uninvested cash balances in Pershing advisory accounts will automatically sweep to the Sweep Program (see Item 5.17). The sweep deposits will be custodied at Pershing, LLC ("Pershing"), which provides clearing and custody services to APFS. The Sweep Program creates financial benefits for APA and APFS, and APA and APFS will earn higher fees on the sweep deposits custodied at Pershing than on sweep deposits not custodied at Pershing. Revenues generated through the Sweep Program are greater than revenues generated by sweep programs custodied at other brokerage firms and may be greater than other cash deposit investment vehicles available to clients. The program is also more profitable to APA and APFS than other available sweep options. Please refer to <http://www.americanportfolios.com> for the most current information on the Cash Sweep Program Disclosure linked at the bottom of the page.

**NORTHERN CAPITAL SECURITIES CORPORATION:** For certain managed fixed income portfolios, APA will direct APFS to process fixed income securities trades with Northern Capital Securities Corporation ("Northern Capital"), member FINRA/SIPC. Northern Capital is not affiliated with APA, APFS or its representatives.

APA receives research and other services and products from Northern Capital to assist in managing fixed income portfolios. These services and products would include financial publications, pricing information and other products or services. Such research and execution-related services are offered to all investment advisors who utilize these portfolios. The fees charged by Northern Capital may be higher than those charged by a firm who does not provide research and services.

Because APA is receiving such services for no additional cost, we have an incentive to continue to use or expand the use of Northern Capital's services. We examined this potential conflict of interest when we chose to enter into the relationship with Northern Capital and have determined that the relationship is in the best interests of our clients and satisfies our client obligations. A client may pay a fee that is higher than another service-provider might charge to locate the same security where we determine in good faith that the fee is reasonable in relation to the value of the services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of services, including the value of research provided, expertise, fees, responsiveness, and access to liquidity. Accordingly, although we will seek competitive rates to the benefit of all clients, we may not necessarily obtain the lowest possible fee for specific client account transactions.

**CLIENT REFERRALS:** APA has arrangements with individuals ("Solicitors") under which the Solicitors introduce potential advisory clients to the Firm in exchange for a referral fee. Solicitor arrangements are conducted in accordance with the SEC's "Solicitor Rule" (Rule 206(4)-3). If you are introduced to us through a Solicitor, a separate disclosure statement is provided to you advising that a referral fee is being paid to an individual that is unaffiliated with the Firm.

**NETWORKING ARRANGEMENTS:** There is an option for APA and its Advisory Representatives to offer advisory services on the premises of unaffiliated financial institutions, like banks or credit unions. In such a case, the Firm will enter into networking agreements with financial institutions pursuant to which we share compensation, including a portion of the advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals.

**GENERAL:** On occasion, APA may receive benefits from companies that are currently doing business with APA, or that APA is considering doing business with. Benefits from these companies may include, but are not limited to, expenses paid for due diligence trips, conferences, and seminars for Advisors and clients.

APFS/APA is compensated in various ways by the managers or sponsors of certain recommended investment platforms and investments, such as mutual funds, annuities, and alternative investments. Further details can be found on the "Revenue Sharing" disclosure notice located on the American Portfolios web site. APA does not receive any such compensation based on ERISA holdings. This creates an incentive for us to recommend these products over other products. Additional Revenue Sharing disclosure are available at <http://www.americanportfolios.com>.

## Item 15: Custody

Currently, APA utilizes Pershing LLC, Schwab Institutional and TD Ameritrade Investor Services, Inc. as custodians for client accounts for Advisor's Choice. Accounts in Advisors Solutions, Managers Choice and Unified Solutions utilize Pershing LLC as custodian. Turn-Key Asset Management Programs can utilize National Financial Services, SEI and AssetMark in addition to the aforementioned custodians. APA is deemed to have custody of your assets when you authorize APA to debit fees from your account, because some client accounts have standing letters of instruction or other similar asset transfer authorization agreement ("SLOAs") which give us the authority to transfer funds to a third-party, because we have the ability to distribute cash or assets from your account without your authorization or the qualified custodian's approval, and because we may accept stock certificates for deposit to client accounts. However, APA does not maintain physical custody of your assets. On at least a quarterly basis, you will receive statements from the qualified custodian. The Firm urges you to carefully review the quarterly performance reports we send you and compare them with the statements provided by the qualified custodian. You should promptly notify us or your Advisory Representative upon discovery of any errors, discrepancies or irregularities.

## Item 16: The Use of Investment Discretion

Advisors may utilize discretion in the Advisor's Choice program and Unified Solutions (UMA) program. The Advisor may utilize limited discretion for trading purposes only. Pursuant to this discretionary authority, the Advisor may determine which securities to buy or sell for the account and the total amount of the purchases and sales. Clients may place limits on this authority, including restricting or prohibiting purchases of certain types of securities. Discretionary authority is granted through the client agreement.

Clients in TAMPs will grant third-party managers authority to only purchase and sell assets on their behalf as set forth in their account agreement with that program.

## Item 17: Voting Client Securities

Neither APA nor its Advisors have authority to vote proxies on behalf of their clients and do not advise clients regarding how they should vote. The custodian forwards proxies to clients. Third-party managers may vote proxies as disclosed in their brochures.

## Item 18: Financial Information

APA does not require nor solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance.

At this time, neither APA nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

APA has not been the subject of a bankruptcy petition in the last ten years.