



## **FORM ADV PART 2A FIRST ALLIED ADVISOR SELECT FIRM BROCHURE**



**First Allied Advisory Services, Inc.  
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This wrap brochure provides information about the qualifications and business practices of First Allied Advisory Services, Inc. If you have any questions about the contents of this wrap brochure, please contact us at 800-223-0989. The information in this wrap brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

First Allied Advisory Services, Inc. is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

This brochure details important disclosure information about certain programs that we offer. We do offer other programs that are not discussed in this brochure.

Additional information about First Allied Advisory Services, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2- Summary of Material Changes

The following items explain material changes that you should be aware of as a current or prospective client of First Allied Advisory Services, Inc. advisory programs or services. Each year you will receive either a summary of material changes that were made to our Form ADV disclosure brochures over the previous year or an updated brochure. If you would like a full copy of any of our current Form ADV disclosure brochures at no cost to you, please contact your advisor or First Allied Advisory Services at 800-223-0989.

Summarized below are the material changes that have been made to our Form ADV disclosure brochures since our March 2018 annual amendment:

- On July 15, 2018, GC Two Holdings, Inc. (GC Holdings) entered into an agreement to acquire Aretec Group Inc. (Aretec). The transaction closed on October 1, 2018 and resulted in a change of ownership for Aretec. As a result of this change, Aretec will continue to be a privately held corporation and is now a wholly-owned subsidiary of GC Two Intermediate Holdings, Inc. and a wholly-owned indirect subsidiary of GC Two Holdings, Inc. First Allied Advisory Services is part of Cetera Financial Group, Inc., which is wholly-owned by Aretec.
- On January 2, 2019, the Banking Commissioner of the State of Connecticut entered a Consent Order alleging that First Allied Securities, Inc. and First Allied Advisory Services (collectively “First Allied”) failed to establish, enforce and maintain an adequate supervisory system. The Consent Order focused on the conduct of a former representative who, in contravention of First Allied’s policies and procedures, shared his First Allied confidential client account log-in credentials with an unregistered branch assistant, who then used the credentials to access a First Allied client’s account without the client’s knowledge or consent. As a result, the affected investor incurred trading losses. The Consent Order required that First Allied reimburse the affected investor, fined First Allied \$30,000, and directed it to cease and desist from regulatory violations.



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## Item 4- Advisory Business

The GPS platform hosts a variety of advisory programs that are sponsored by First Allied Advisory Services, Inc. (“FAAS”), a registered investment adviser. This firm brochure details the non-wrap version of the First Allied Advisor Select program that is available through the GPS platform. Envestnet Asset Management, Inc. (“Envestnet”) provides the technology platform for all GPS accounts. Envestnet is an unaffiliated registered investment adviser. FAAS offers other wrap and non-wrap programs, including wrap programs on the GPS platform that are described in separate brochures. Your advisor will provide you with the appropriate brochures describing these programs upon your request. Throughout the remainder of this text, “we,” “us,” and “our” refers to FAAS.

### *FAAS’ Background*

FAAS, a Delaware corporation, is an investment adviser registered with the SEC. Being registered does not mean that FAAS is endorsed by any regulatory authority; it simply means that FAAS is required to follow the rules for investment advisers established by the SEC. Representatives of FAAS’ investment adviser are required to be registered for advisory business in the state of their principal place of business. For advisory business in Texas, the investment adviser representative would also be required to be properly registered in that state prior to the solicitation of any advisory business in that state.

Most representatives of FAAS are also registered as independent contractor registered representatives with First Allied Securities, Inc. (“First Allied”), an affiliated registered broker-dealer, registered municipal advisor with the SEC, and member FINRA/SIPC, which allows them to offer brokerage products and services to clients. Compensation for brokerage products and services is a commission based on each transaction executed. Representatives of First Allied are registered to conduct brokerage business in each state where clients reside. Some representatives of FAAS are also registered with affiliated broker-dealers or registered investment advisers, or unaffiliated registered investment advisers. Please see the representative’s Form ADV Part 2B for specific information about the companies each individual is registered with.

FAAS was founded in 2007 and is owned by First Allied Holdings, Inc. (“Holdings”), which is wholly owned by Aretec Group, Inc. (Aretec). Aretec is a wholly-owned subsidiary of GC Two Intermediate Holdings, Inc., and an indirect wholly-owned subsidiary of GC Two Holdings, Inc. Holdings is also the parent company of First Allied and other affiliated entities that offer financial products and services (see Item 10- Other Financial Industry Activities and Affiliations).

FAAS is not a custodian of any accounts. Accounts for the programs on the GPS platform are custodied at Pershing, LLC (“Pershing”). Accounts for other wrap and non-wrap programs that FAAS offers are custodied at Pershing, Fidelity Investments (“Fidelity”) or other approved custodians. The use of other custodians is limited, and may be allowed on a case by case basis with the approval of our management team and may only be approved for certain representatives. The majority of FAAS’ advisory accounts are introduced to custodians through First Allied.

### *Our Corporate Structure*

FAAS has approximately 553 producing investment adviser representatives (“IARs”) as of December 31, 2018. Our producing IARs are independent contractors and business owners. Each IAR is responsible for maintaining his own client relationships. The IARs contract with us to utilize our advisory programs in an effort to help their clients meet financial goals and needs. We provide services to you through these advisory programs.

Our back-office operations are split between San Diego, CA, El Segundo, CA, Des Moines, IA, and St. Cloud, MN. Our IARs have branch offices across the United States. Each of our IARs is supervised by another individual registered with our firm. The supervisor is called a designated registered principal (“DRP”) or designated supervisory principal (“DSP”). DRPs are registered individuals that have contracted to work with us and are often producing IARs and representatives themselves. DSPs are our employees and are generally located in our San Diego, CA, office.

### *Devotion of Resources*

Most FAAS IARs are independent contractor registered representatives with First Allied. If your IAR is a registered representative, he may divide his time between broker-dealer activities and advisory activities and have responsibilities to both FAAS advisory clients and First Allied brokerage clients. Depending on your IAR’s individual business mix and client base, he may spend more or less time devoted to broker-dealer activities than other IARs. In addition to broker-dealer activities and responsibilities, your IAR may also be engaged in one or more outside business activities. These outside activities may or may not be related to the financial industry. Your IAR will provide you with a copy of his Form ADV Part 2B brochure supplement, which describes his business background and outside business activities.

### *Our Advisory Activities*

Through our IARs, we offer a variety of investment advisory programs and services for a fee. The following list includes some of our more common offerings:

- Assistance in selecting a portfolio manager
- Ongoing evaluation and review of portfolio managers
- Evaluation and review of portfolio composition
- Management of accounts
- Financial planning
- Consultation on client assets
- Active portfolio management



Portfolio management includes designing and implementing a portfolio through buying and selling stocks, bonds, mutual funds, options, managed futures, insurance products, private placements, and other securities. Our representatives, including your IAR, may personally buy and sell the same securities that you buy and sell. This conflict of interest is discussed fully in Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Our IARs are permitted to offer you advisory programs that are managed by the IAR, other FAAS IARs, or by unrelated third-party managers. IARs may rely on research or model portfolios provided by an affiliated third-party manager, Cetera Investment Management LLC (“CIM”). Certain of the wrap programs on the GPS platform are managed by third-party managers, but the First Allied Advisor Select program is managed by one or more FAAS IARs.

We consider your investment goals and needs when recommending any advisory program or service. Your IAR will collect information from you regarding your risk tolerance, investment objective(s), and investment time horizon and other factors that will assist us in determining your investment objective for each account. You may have multiple accounts with us, with differing investment objectives, particularly if you intend to use certain accounts for specific purposes (such as transferring assets to a young child, many years in the future) or you may elect to have multiple accounts managed under one investment objective..

Our intention is to provide you with programs and services that will help you to meet your goals and needs. We will gather personal information when helping you choose a program or service. This information may include:

- Your investing experience
- How soon you need the money
- Your retirement goals
- Your current financial situation and future needs
- Your annual income
- Your ability to withstand losing money
- Your ability to withstand market fluctuation
- Your personal instructions on how to invest

**Please contact your IAR if this information changes so that your IAR can review your existing accounts to see if any changes need to be made.** We encourage you to meet with your IAR annually to review your portfolio(s). You may impose reasonable investment restrictions in any of our advisory programs by written notification to and acceptance of both us and the third-party manager (if applicable).

We offer both wrap and non-wrap programs. A wrap program is one in which you pay a single “wrapped” fee for both investment advisory and brokerage execution services. This wrap fee is not based on the number of transactions made in your account. It is based on the size of the account(s) we manage for you. If you invest in a non-wrap program, you may be subject to charges for each transaction in addition to the advisory fee. Because wrap programs do not have fees or charges associated with each transaction, wrap fees may be greater for similar services than non-wrap fees. Clients paying wrap fees may pay a higher percentage of the account value on an ongoing basis for similar services as non-wrap clients. Non-wrap clients may pay a higher or lower overall fee for the same services, depending on the number of trades in their account during a billing period. Clients may request fee information on similar programs from their IAR.

Our IARs may also host or offer educational seminars to clients and prospective clients. In certain cases, these seminars may be “sponsored” by unaffiliated or affiliated companies who reimburse our IARs for the cost of these events. For more information about these reimbursements, please reference Item 14- Client Referrals and Other Compensation. Clients and prospective clients are not charged fees for attending educational seminars hosted by our IARs.

#### *Information on All Advisory Programs*

You pay us fees for our programs and services. We pay a portion of these fees to your IAR. The fees we retain may be different between IARs, depending on their agreement with us. You should also be aware that the compensation to FAAS and your IAR will differ according to the specific advisory program chosen. This compensation to FAAS and your IAR may be more than the amounts we would otherwise receive if you participated in another program or paid investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules and other sources of compensation that exist among the various advisory programs and services offered by FAAS and your IAR, we have a financial incentive to recommend particular programs or services over other programs and services available through FAAS.

Regardless of which advisory program or service you choose, your IAR will work with you to collect suitability information that will aid in the creation of recommendations. This suitability information is maintained on internal systems and documents. Your IAR is required to submit the completed suitability information to his supervisor for review and approval. It is your responsibility to notify your IAR if your financial circumstances change so that your IAR may work with you to determine if a change in your investment(s) may benefit you. Regardless of the program chosen, your IAR is responsible for ongoing review of your account(s), regular communication with you, and determining that the portfolio selected is appropriate for you based on your investment objective(s). Our IARs provide investment advice only with respect to limited types of investments.

We offer additional non-wrap programs that are not detailed in this brochure and we also offer several wrap programs that are detailed in other disclosure brochures. Your IAR can provide you with these other brochures upon request. Some non-wrap programs that we offer are similar to the wrap programs that we offer. Your IAR will work with you to decide which program will best serve your needs.



Custody of all accounts for the Advisor Select program will be at Pershing. Pershing will provide you with confirmations of all transactions and monthly or quarterly account statements. You may have the option of directing Pershing to not send you trade confirmations. This suppression will not impact the delivery of account statements.

#### *Managed Assets*

Every year we calculate the amount of assets that we manage. As of December 31, 2018, we managed:

- \$5,903,218,176 in discretionary assets
- \$74,224,542 in non-discretionary assets

Discretionary assets are the assets with which we have the authority to determine whether to buy or sell securities. This authority is called a trading authorization and is described in more detail in the Item 16- Investment Discretion. Non-discretionary assets are assets in accounts that we provide recommendations on, as to the purchase or sale of specific securities. We do not place orders to buy or sell non-discretionary assets without first receiving your authorization.

#### **First Allied Advisor Select (“Advisor Select”) Program**

The Advisor Select program allows our IAR(s) to manage your assets with limited or full trading authorization. This trading authorization may be limited to investment company securities (limited trading authorization) or extend to any security traded on a national or regional exchange (full trading authorization). IARs who wish to have full trading authorization in your account must be approved by us to offer full trading authorization. (More information about limited and full trading authorization is available in Item 16- Investment Discretion.)

Since Advisor Select program accounts are managed by our IARs, we require that a Statement of Investment Selection be completed prior to the opening of any Advisor Select program account. In addition to the responsibilities listed above, when you invest in the Advisor Select program, our IAR(s) will be responsible for managing the account as necessary. The minimum account size for the non-wrap version of the Advisor Select program is \$25,000. Under certain circumstances, this minimum can be waived by us. For existing accounts that are transitioned into the Advisor Select program from legacy advisory programs, we may elect to waive the account minimum.

You should know that we offer a wrap version of the Advisor Select program as well. The wrap version of the Advisor Select program does not have transaction charges associated with the purchase and sale each security, but it has a higher program fee. Depending on the trading activity in the account and the type of securities purchased and sold, the non-wrap version may be less expensive for you. Your IAR should consider which version of the Advisor Select program would suit you better. In both wrap and non-wrap programs, we will receive a portion of the fees that you pay. Your IAR must be approved to offer the Advisor Select program. If your IAR is approved to offer this program, he may not be approved to offer other advisory programs described in different brochures.

Custody of all accounts for the Advisor Select program will be at Pershing. Pershing will provide you with confirmations of all transactions and monthly or quarterly account statements. You may have the option of directing Pershing to not send you trade confirmations. This suppression will not impact the delivery of account statements.

#### *Verification of Fees*

You are always responsible for verifying that the fee you are charged is accurate. The custodian will not determine whether the fee is properly calculated. Should you find an error, please contact your IAR immediately. If you are not satisfied with the action your IAR takes, you may contact us at the number on the cover of this document.

## Item 5- Fees and Compensation

The fees and other charges that you pay for advisory programs or services that we offer will depend on several factors. The fees for advisory programs are generally based on “Assets Under Management.” This means that the account is charged based on the account balance as of a certain date. These fees are negotiable between you and the IAR offering the service.

The First Allied Advisor Select program charges an advisory fee, paid quarterly, based on the account’s balance on the last day of each calendar quarter (March 31, June 30, September 30, and December 31). If the last day of the calendar quarter falls on a day that the New York Stock Exchange is closed, we use the account balance on the last business day of the calendar quarter to calculate the advisory fee. This fee is generally charged in advance (or pre-paid) for the management to be provided over the next calendar quarter. We will only charge you an advisory fee for the portion of a quarter that the account is under management. For new accounts, we will bill the account when it is opened for the rest of the days in the quarter. For accounts that are terminating management, we will automatically credit you back any pre-paid fees for the portion of the quarter remaining after management has terminated. Advisory fees are generally deducted from the account. The account statements you receive from Pershing will reflect the deduction of these fees. Fees are deducted from the client account in the month following quarter end. For certain non-GPS advisory programs, fees may be paid to us by check, as outlined in the advisory agreement. In this case, we will send an invoice to the client for the fees owed.

In the event a deposit or withdrawal of \$5,000 or more on a single day in one investment account occurs, we will calculate the fee owed or refund due and adjust the normal fee charged at the end of the calendar quarter.





Some assets in your managed account may not be included in the calculation of your advisory fee. For example, assets that you recently paid a commission on may be exempt from this advisory fee. In certain situations, we allow you to “hold” the asset in your advisory account, but this asset would not be charged an advisory fee. If your account is billed on assets under management, the advisory fee is generally split between a program (or platform) fee and a management fee.

#### *Program Fees*

The program fee will vary depending on which program or service you select. The program fee for Advisor Select is paid to us. A portion of the program fee is also paid to service providers that we hire to help us administer the Advisor Select program, including First Allied. This program fee is not negotiable. However, the program fee may be different based upon your IAR’s relationship with us. For example, we may allow your IAR to have a lower program fee because his clients’ combined accounts exceed a certain amount of assets under management. If your IAR has a reduced program fee, this will not change the total advisory fee you pay, but it may present a conflict of interest (we address this conflict of interest and others starting on page 9). Program fees are subject to change without notice, but these changes do not affect the fee that you pay to us.

#### *Management Fee*

The management fee is paid to the IAR servicing the account. You and your IAR will negotiate this fee for each program account and it may not be the same for each account. It may also be different than the fees your IAR has negotiated with other clients, or the fees other IARs have negotiated with other clients for similar services. We retain a portion of the management fee as compensation for various services that we provide to your IAR and to you.

Once negotiated with you, your IAR’s management fee is fixed. However, your IAR’s costs associated with managing your account may vary depending on the investment choices that he decides are appropriate for your account. This creates a conflict of interest because your IAR has an incentive to manage the account in a manner that will maximize his compensation rather than manage the account without regard to compensation payable to him. This difference in your IAR’s compensation will not affect the advisory fee that you pay to us. We help mitigate this conflict of interest by requiring that your IAR adheres to his fiduciary obligation of managing accounts solely based on the best interests of clients and by establishing a maximum advisory fee for each advisory program.

#### *Total Advisory Fee*

You and your IAR will agree on your total advisory fee for each account prior to establishing the account. The total advisory fee is the sum of the program fee and the management fee. At any time, you and your IAR may agree to amend the original fee and submit a new statement of investment selection with a different total advisory fee listed. There are maximum allowable advisory fees for each program and we will not allow you to be charged more than this amount. The maximum allowable advisory fee may differ among programs, but is consistent for all IARs and all clients in each program. This maximum advisory fee is noted on the investment advisory agreement and in the fee schedules listed in this section.

#### *Fee Schedules*

Each advisory program that requires an investment account has its own fee schedule. The fee schedule will outline the program fee and the management fee. Generally, the management fee is negotiable with your IAR. The program fee is paid to us and is non-negotiable. The amount of your advisory fee, as a percentage, may remain the same regardless of the size of your account, or the percentage may decrease as your account balance increases. Your advisory fee will not increase, as a percentage, as your account balance increases.

#### *Ticket Charges*

You may pay us ticket charges for transactions in programs described in this brochure. A portion of the ticket charge is paid to the custodian of your account.

### **First Allied Advisor Select (“Advisor Select”) Program**

Advisor Select program accounts are charged an advisory fee, which includes the program fee and the management fee. Non-wrap Advisor Select program accounts are also charged transaction fees to cover brokerage execution services. These transaction fees are listed below and outlined on the Service Schedule provided to you with your new account paperwork. The transaction fee is charged to defray the costs associated with trade execution. The transaction fees can be paid either by you or by your IAR.

Pershing may charge additional transaction fees depending on the type of security purchased or sold. Examples include a foreign securities transaction fee or a securities registration fee. Charges levied by Pershing are not included in the advisory fee and are your responsibility.

Although the transaction fees may be listed as commissions on the trade confirmation, they represent a reimbursement of transaction costs and not a commission. Your IAR will not receive any portion of these transaction fees. Your IAR will provide you with this service fee schedule before you open your account.

First Allied Advisor Select Transaction Fees	
Equities	\$9.95 per trade
Options	\$24.00 + \$1.65 per contract



Corporate Bonds – Listed	\$35.00 + \$1.00 per bond
Corporate Bonds – Other	\$35.00 per trade
No-load Funds, Load Funds at NAV	\$9.95 per trade

The following table details the advisory fee schedule for the non-wrap version of the Advisor Select program. The management fee may be discounted upon agreement with your IAR. Your IAR may have an agreement with us whereby the program fee is less than the amounts listed on the fee schedule.

Account Size	Program Fee (annually)	Management fee (annually)	Total Advisory Fee (annually)
First \$100,000	0.18%	1.82%	2.00%
\$100,000 - \$250,000	0.16%	1.84%	2.00%
\$250,000 - \$500,000	0.13%	1.62%	1.75%
\$500,000 - \$1,000,000	0.10%	1.40%	1.50%
\$1,000,000 - \$2,000,000	0.08%	1.17%	1.25%
Over \$2,000,000	0.05%	1.00%	1.05%

Please refer to the **Other Fees** section below for additional fees that apply to Advisor Select accounts.

### **Other Fees**

In addition to the fee schedules listed above, there are additional trade related and account maintenance related fees that may apply to your account. The trade related fees are detailed below. For more information relating to account maintenance fees, please refer to the Service Fee Schedule provided to you with your new account paperwork.

Trade Related Fees	
<b>Service Charge</b>	\$7.50 per trade
<b>Paper Surcharge Fee</b> - Trade Confirmations (Not applicable for eDelivery of trade confirmations)	\$0.75 per printed confirmation
<b>Mutual Fund Systematic Purchases, Redemptions &amp; Exchanges</b>	\$1.50 per transaction
<b>Mutual Fund Exchanges</b>	\$1.50 per round trip
<b>Mutual Fund Surcharge</b> *Be advised that certain mutual fund families will charge a "mutual fund surcharge" of \$10 and/or \$18 for the operational processing of funds not in network. Please check with your advisors for a list of fund families that will incur this fee. Fund families subject to this charge may change without notice.	Up to \$28.00
<b>Mutual Fund Transaction Fee</b> <i>*Applies to liquidations, no-load purchases and intra family exchanges. Some funds may also charge sales or redemption fees - read prospectus for full details. Oftentimes, you can transact directly with the fund company or its principal distributor without paying First Allied's mutual fund transaction fee.</i> <i>*Ticket charge will be waived for the purchase of mutual fund transactions meeting the Strategic Partners Mutual Fund Ticket Rebate Program's eligibility requirements. Please contact your advisor for information regarding the Strategic Partners Program.</i>	\$30.00

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

We and/or our custodians have agreements in place with certain mutual fund companies to allow for transactions in certain funds to be executed without transaction fees. In some cases, the transaction must meet certain dollar thresholds to qualify for a waiver of the transaction fee. Some mutual fund companies have not entered into these agreements, and as a result, clients may pay a fee for transactions in these fund families. Unless otherwise stated, transactions are effected net of, meaning without, commission. Either you or your IAR may designate certain holdings as **not** eligible to be included in the calculation of the advisory fee. Typically, this occurs when your IAR has recently received a commission on the holding.

In addition, your account will be subject to other fees charged by the custodian of your account. Electronic funds and wire transfer fees,





transfer taxes, account maintenance fees, margin fees, transaction charges, exchange fees, and odd lot differentials are examples of fees that may be charged by the custodian. These fees are charged by the custodian and are not included in the advisory fee that you pay to us for management of your account. In some cases, certain of these custodian fees may be paid by your IAR, on an account by account basis. Your IAR is not required to pay these fees on your behalf and your IAR may elect to not pay for any or all fees for each of his clients' accounts. First Allied may receive a portion of these fees in its capacity as introducing broker-dealer. An account service schedule detailing all these fees will be provided to you upon account opening.

#### *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. You may pay us ticket charges for transactions in programs described in this brochure. A portion of the ticket charge is paid to the custodian of your account. Other brokerage account charges, such as stop payment fees, Fed Fund Wire Fees and margin interest will be charged to your account when applicable. A list of fees that may be charged is available at <https://www.firstallied.com/uploads/grp/first-allied/FA-advisory-fees.pdf> and can also be obtained by your IAR. These other brokerage account fees and expenses defray our costs associated with maintaining and servicing client accounts and include compensation to FAAS and/or First Allied. The additional compensation FAAS and/or First Allied receives represents a conflict of interest because FAAS and/or First Allied receives a financial benefit when it provides services in connection with maintaining and servicing your account. However, this compensation is retained by FAAS and/or First Allied and is not shared with your IAR, so your IAR does not have a financial incentive to recommend certain transactions or for FAAS and/or First Allied to provide such additional services.

We mark up the transaction costs that our clearing firm charges us, which is a source of additional revenue compensation. The more transactions a client enters into, the more compensation FAAS and/or First Allied receives. Transaction charges represent a conflict of interest due to the fact that we have a financial incentive to establish an Advisor Select account because of the additional revenue compensation we receive. This compensation, however, is retained by the FAAS and/or First Allied and is not shared with your IAR, so your IAR does not have a financial incentive to recommend that you open a Advisor Select account.

Based on the activity in your account, you may pay more or less for a managed account than if you had a brokerage account or an account directly with a mutual fund company. Your IAR should be able to discuss with you the benefits of opening a managed account versus a brokerage or mutual fund account.

#### *FundVest Mutual Funds*

The FundVest Mutual Fund Program offers a wide range of mutual funds. This program is maintained by our clearing/custodial firm, Pershing. Pershing, at its sole discretion, may add or remove mutual funds from the FundVest Program without prior notice. In the FundVest Program, transaction costs are waived on certain purchases that would normally carry a transaction charge. If your advisor pays all or a portion of your transaction cost, this presents a conflict of interest to your IAR in an Advisor Select account because your IAR has a financial incentive to recommend a FundVest mutual fund that does not assess transaction costs over a mutual fund that does assess transaction costs.

Additionally, FAAS and/or First Allied receives the short-term redemption fees that you pay for certain FundVest mutual fund shares that are redeemed within six calendar months. This compensation is a source of revenue to FAAS and/or First Allied and presents a potential conflict of interest whenever your IAR recommends that you redeem a FundVest mutual fund within six calendar months because FAAS and/or First Allied receives a financial benefit from such transaction. This compensation, however, is retained by FAAS and/or First Allied and is not shared with your IAR, so your IAR does not have a financial incentive to recommend certain FundVest mutual funds be redeemed within six calendar months over other investments.

#### *Money (Margin Accounts)*

A margin account is an account where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider that: (i) if you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account or withdraw funds; and (ii) you are using securities that you own as collateral.

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. First Allied retains a portion of the margin interest charged, which is a source of revenue. This compensation represents a conflict of interest as First Allied has a financial benefit when you maintain a margin debt balance. However, this compensation is retained by First Allied and not your IAR, so your IAR does not have a financial incentive to recommend that you maintain a margin balance. If you have a margin debit balance (in other words, you have borrowed and owe money to First Allied), your advisory fee will be based on the total value of your account, and your account will be credited for any advisory fees applicable to the margin debit balance. This credit may appear as a separate entry on your account statement from the advisory fee you are charged.

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



## *Cash Sweep Program*

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

**FlexInsured Account Program.** The FlexInsured Account is the default sweep vehicle for non-retirement advisory accounts. For its role in offering the FlexInsured Account program, First Allied earns additional compensation in the form of a fee from Participating Banks based on the amount of money on deposit from all FlexInsured Account participants. The fees received by First Allied vary but will never exceed 4% on an annualized basis, as applied across all FlexInsured Accounts. In our discretion, we may reduce our fee and vary the amount of the reductions among clients. Additionally, the fees First Allied receives may vary from Program Bank to Program Bank and will affect the interest rate paid to you. The interest you earn may be lower than interest rates available to depositors making deposits directly with a Program Bank or other depository institutions.

**Insured Deposit Sweep Account.** The Insured Deposit Sweep Account (IDSA) is the default sweep vehicle for advisory IRAs. For its role in offering the IDSA program, First Allied receives a per account fee each month. The compensation paid to First Allied under the IDSA program does not vary among IDSA participants and is not affected by amounts actually deposited through the IDSA program. First Allied's compensation under the IDSA program is determined by a fee schedule indexed to the current Federal Funds Target (FFT) Rate. The monthly fee paid to First Allied increases and decreases by \$0.07 with every 1 basis point (a basis point is equal to 0.01%) change in the FFT Rate. In cases where the FFT Rate is a range of rates, the FFT Rate will be deemed to be the midpoint of the range rounded to the nearest thousandth of a decimal. Using this calculation, First Allied may be paid a maximum monthly per account fee of \$22.00. Although it is generally anticipated that First Allied's fee under the IDSA program will be offset by amounts paid by the Program Banks, First Allied reserves the right to withdraw the monthly account fee, or portion thereof, in the event or to the extent that the amount received from the Program Banks and paid over to First Allied is less than Firm's fee for the same period.

Some non-retirement accounts established before May 21, 2018, utilize a money market fund previously designated as an alternative sweep option for non-retirement accounts (Prior MMFs). These Prior MMFs are no longer available as a new sweep selection; however, clients that previously chose the Prior MMFs may continue to use them until a new selection is made. First Allied receives from Pershing distribution assistance in the form of annual compensation up to .78% for assets held in a Prior MMF. For a list of the money market fund options available in the cash sweep program, please consult your Advisor.

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

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

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

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

For detailed information regarding the terms and conditions of the products, including balance limitations, see First Allied's cash sweep



disclosure document entitled Sweep Program General Terms and Conditions or your applicable money market fund prospectus. We may change the products available for your selection.

#### *Loan Advance Accounts*

A Tri State Capital Bank (Tri State) pledged account is collateral for a loan held through Tri State. A customer may borrow money from Tri State by pledging securities held and custodied in their Pershing brokerage account. Unlike a margin account, these borrowed funds cannot be used to purchase additional securities. If you decide to enter into loan arrangement with this banking entity, you should carefully consider the following:

- You are borrowing money that will have to be repaid to the bank.
- Pledge arrangement arrangements are only available for non-qualified accounts.
- You, as the borrower, are using the cash and securities that you own in the account as collateral.
- You will be charged an interest rate that is subject to change.
- Tri State can force the sale of securities or other assets in the pledged account at any time and without notice to cover any deficiency in the value of the securities pledged for the loan. Tri State can decide which securities to sell without consulting you.
- First Allied and our representatives have a conflict of interest when you obtain a loan from Tri State. This conflict occurs because First Allied and the representative will receive a portion of the interest charged on the loan. First Allied reduces this conflict by reviewing the borrower's accounts to determine whether or not the use of Tri State is appropriate and in line with the borrower's goals and objectives.
- Tri State is responsible for reviewing the loan application and any other documents that Tri State may require to obtain the loan. Tri State, in its sole discretion, will determine the credit worthiness of the applicant, including the amount of the loan.
- Prior to establishing a loan with Tri State, you should carefully review the loan agreement, loan application and any other forms required by the bank in order to process your loan.

Prior to establishing a loan with Tri State, you should carefully review the disclosure form provided by First Allied.

#### *Compensation from Strategic Partners*

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

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

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

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

We also receive revenue sharing payments from companies that are not Strategic Partners, as described below.

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

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



### *Mutual Fund Ticket Charges*

When you purchase a mutual fund of a Strategic Partner in a Pershing brokerage account, we may absorb the nominal “ticket charge” for each transaction of approximately \$30, which would normally be paid by you or your IAR. Generally, the mutual fund families that participate in the Strategic Partner Program subsidize some of these ticket charges through the compensation mentioned above or by paying us a per trade fee of up to \$10. The type of transaction in a Strategic Partner mutual fund purchase that qualifies for a ticket charge waiver varies depending on the particular Strategic Partner. In general, the ticket charge will be waived for the purchase of certain mutual funds in an amount of \$2,500 or more. Every mutual fund offered by us may be purchased without a ticket charge by processing the transaction with a check and application sent directly to the mutual fund company. We believe that these ticket charge waivers do not result in a conflict of interest between you and your IAR.

### *Pershing Relationship*

Pershing is the clearing firm for our brokerage business. Due to this business relationship, Pershing shares with us a portion of the transaction costs and fees you pay to Pershing for certain transactions and services as described in Item 4. As described in Item 4, this compensation we receive in connection with certain transactions and services is an additional source of revenue to FAAS and/or First Allied and defrays our costs associated with maintaining and servicing client accounts and includes compensation to FAAS and/or First Allied, and presents a conflict of interest because FAAS and your IAR have a greater incentive to make available, recommend, or make investment decisions regarding investments and services that provide additional compensation to FAAS and/or First Allied and your IAR over those investments and services that do not.

Pershing also provides consulting and other assistance to us. We also participate in other revenue Pershing is paid on the assets held in your account. Your advisory fee is not reduced or offset as a result of any revenue that Pershing shares with us. The following is a brief description of some of the revenue items received from Pershing.

Pershing pays us, on a quarterly basis, a fixed amount in the form of a Business and Marketing Enhancement Incentive Credit in support of our ongoing investment in various business, marketing and technology initiatives relating to the brokerage services we or our affiliates offer.

Pershing receives revenue from money market funds that First Allied makes available as a cash sweep option, and for nonretirement accounts that choose to invest cash in such a money market fund Pershing shares some of that revenue with us as described in Item 5 at Cash Sweep Program.

Pershing allows clients to enroll in the Fully Paid Securities Lending program, which allows clients to lend certain securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with the clients and their financial advisors. If you elect to participate in this program, your IAR will receive compensation from Pershing. The receipt of this extra compensation creates a conflict in certain advisory programs in which your IAR acts as the portfolio manager. The conflict surrounds whether this extra compensation to your IAR would cause him to hold a security in your account that he otherwise would have liquidated if he was not receiving this extra compensation. This conflict is mitigated by our requirement that investment decisions made by your IAR are always in your best interests, as well as the fact that if your account holds these positions, your IAR’s compensation will increase nominally, but the security will also generate income for your account. Not all accounts or client will qualify for this program.

To help defray costs associated in transferring certain client accounts onto the First Allied platform custodied at Pershing, Pershing reimburses First Allied a portion of the termination and transfer fees incurred by a client account that qualifies for such assistance. First Allied credits such reimbursements to the applicable Client’s account. In addition, Pershing may, from time to time, waive or discount certain customary fees and expenses in an effort to help attract client accounts and assets.

Additionally, FAAS and/or First Allied receives the short-term redemption fees that Pershing charges you for certain FundVest mutual fund shares that are redeemed within six calendar months. This compensation is a source of revenue to FAAS and/or First Allied and presents a conflict of interest whenever your IAR recommends that you redeem a FundVest mutual fund within six calendar months because FAAS and/or First Allied receives a financial benefit from such transaction. This compensation, however, is retained by FAAS and/or First Allied and is not shared with your IAR, so your IAR does not have a financial incentive to recommend certain FundVest mutual funds be redeemed within six calendar months over other investments.

Pershing also pays FAAS and/or First Allied a fixed amount of the service fees it receives from certain fund companies that do not participate in Pershing’s FundVest program. These payments are in exchange for certain services FAAS and/or First Allied provides to Pershing and to clients that hold positions in such mutual fund companies. This additional compensation presents a conflict of interest because FAAS and/or First Allied receives a financial benefit from mutual fund companies that pay this fee as opposed to those that do not. This compensation, however, is retained by FAAS and/or First Allied and is not shared with your IAR, so your IAR does not have a financial incentive to recommend certain mutual funds over other investments.

### *Training and Education Compensation*





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

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

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

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

In addition to reimbursement of training and educational meeting costs, we and our IARs receive promotional items, meals or entertainment or other non-cash compensation from representatives of mutual fund companies, insurance companies, and direct participation sponsors, as permitted by regulatory rules. The sale of mutual funds, variable insurance products and other products, whether of our Strategic Partners or not, may qualify our IARs for additional business support and for attendance at seminars, conferences and entertainment events. Further, some of our home-office management and certain other employees receive a portion of their employment compensation based on sales of products of Strategic Partners.

#### *Exchange Traded Products Partner Program*

Effective July 24, 2018, First Allied launched an exchange traded products partner program (ETP Partner Program), which as described below, has similar features to the First Allied's Strategic Partner Program. First Allied currently has one ETP Partner, WisdomTree Asset Management, but intends to add additional ETP Partners on an ongoing basis. For the most current list of our ETP Partners, please refer to our website at <http://www.firstallied.com> or call your Advisor.

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

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

These payments help compensate us and our affiliates for maintaining our platform and providing ongoing marketing, administration and education to our employees and representatives. The payments are paid by the ETP Partner and/or their affiliates out of the assets or earnings of the ETP Partner or their affiliates. You do not pay more to purchase an ETP Partner's product through us than you would pay outside of the ETP Partner Program, and your representative does not receive additional compensation for selling an ETP Partner product. For the most current description of the compensation we receive from ETP Partners, please refer to the First Allied's website at <http://www.firstallied.com>.

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

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

When you purchase a Wisdom Tree ETP product, we absorb the nominal "ticket charge" (sometimes referred to as a transaction charge) for each transaction, which would normally be paid by you or your representative. In general, the ticket charge will be waived for the purchase of certain ETPs in an amount of \$5,000 or more. These ticket charge waivers result in a conflict of interest between you and your Advisor in an Advisor Select program account because your Advisor has a financial incentive to recommend an ETP Partner



product that does not assess transaction charges over an ETP that does. We believe that these ticket charge waivers do not result in a conflict of interest between you and your Advisor in other advisory programs.

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

#### *Retirement Strategic Partners Program*

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

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

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

#### *529 Plans*

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

#### *Direct Participation and Other Alternative Investments*

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

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

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

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

In addition to commissions First Allied receives from the sale of these products, First Allied receives due diligence and/or marketing allowance payments from certain sponsors. While the additional compensation First Allied receives as well as the arrangements we have varies with each sponsor, some product sponsors pay a due diligence or marketing allowance fee of (i) up to 0.20% annually on assets held at the sponsor, (ii) up to 1.50% on the gross amount of each sale, depending on the product, or (iii) a flat fee from certain sponsors regardless of the amount of new sales or assets held in client accounts. These payments are designed to compensate us for





ongoing marketing and administration as well as education of our employees and Advisors regarding these types of products. You do not make these payments. They are paid by the product sponsor out of the assets or earnings of the product sponsor.

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

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

#### *List of Strategic Partners*

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

- Allianz Global Investors
- American Funds Distributors
- Blackrock Investments, LLC
- BMO Funds
- Columbia Management
- Deutsche Asset and Wealth Management
- Eaton Vance Distributors, Inc.
- Federated
- Fidelity Investments
- Franklin Templeton Distributors, Inc.
- Global Asset Management
- Goldman Sachs Asset Management
- Invesco
- John Hancock Funds
- JP Morgan Investment Management
- Lord, Abbett & Co. LLC
- Mainstay Investments
- Natixis
- Neuberger Berman
- Oppenheimer Funds Distributors, Inc.
- Pacific Life
- PGIM
- PIMCO
- Pioneer Funds Distributor, Inc.
- Principal Funds
- Putnam Investments
- Transamerica
- Virtus Investment Partners, Inc.
- Voya Investment Management (ING Funds)
- Wisdom Tree Asset Management, Inc.

For American Funds, the ticket charges are waived for purchases over \$10,000.

For Fidelity Investments, ticket charges are waived on Fidelity Advisor Funds. Fidelity Direct Funds are not included in this program. Natixis Global Asset Management ticket charges are not waived on Oakmark and Loomis Sayles funds.

Please note that fee waivers do not apply on ERISA Title I Advisory accounts where the advisor is paying the ticket charges.

#### *Annuity Carriers:*

- AIG Annuities
- Allianz Life Financial Services
- AXA Distributors
- Brighthouse (formerly known as Metlife)
- CUNA
- Global Atlantic (formerly known as Forethought)
- Great American
- Great West
- Hartford Life
- Jackson National
- Nationwide Financial
- Ohio National
- Pacific Life Insurance Company
- Principal Life Insurance Company
- Protective Life
- Prudential Annuities Distributors
- Sammons Financial Group
- National Life Insurance Company
- Securian Financial Group
- Transamerica Capital



- Jefferson National
- Lincoln Distributors
- Voya

### *Verification of Fees*

You are always responsible for verifying that the fee you are charged is accurate. The custodian will not determine whether the fee is properly calculated. Should you find an error, please contact your IAR immediately. If you are not satisfied with the action your IAR takes, you may contact us at the number on the cover of this document.

### *Conflicts of Interest*

Your IAR will receive compensation as a result of your participation in the programs described in this brochure. The amount of this compensation may be more or less than the amount of compensation your IAR would receive if you were to pay separately for investment advice, brokerage, and other services. However, we attempt to design all of our advisory programs with pricing competitive with what a client might pay for investment advice, brokerage, and other services separately.

Your IAR may receive a higher percentage of management fees for certain programs. This presents a conflict of interest in that your IAR may benefit from recommending certain programs based on the difference in compensation he receives rather than selecting investments without regard to compensation payable to him. If your IAR qualifies for reductions in the program fee paid to us, this results in additional compensation to your IAR. To mitigate this conflict of interest, we require that any program you invest in must be suitable for your investment goals and financial needs. If your IAR qualifies for reductions in the program fee paid to us, which results in additional compensation to your IAR, your total advisory fee will not exceed the stated maximum for the programs.

In addition to advisory fees, your IAR may earn sales incentives or awards based on the value of assets under management, investment products sold, number of sales, client referrals, amount of new deposits or amount of new accounts. Your IAR may also receive forgivable loans from First Allied or its affiliates, which are conditioned on your advisor retaining First Allied's broker-dealer and/or FAAS' registered investment adviser services. This additional economic benefit creates a conflict of interest for your IAR to retain affiliation with FAAS in order to avoid re-payment on a loan.

In certain cases, we may be compensated by unaffiliated third-parties based on the amount of assets our IARs may place with them. This represents a conflict of interest in that your IAR may be incentivized to recommend the services of the third-party from which additional compensation may be received. In other cases, your IAR may incur fewer expenses from the third-party as a result of the amount of assets the IAR has placed with the third-party. Generally, the fees that the third-party charges will be lower as the amount of assets that is placed with them increase. Therefore, your IAR may be incentivized to recommend the services of the third-party.

Your IAR may also be registered as an independent contractor registered representative with First Allied. This may create a conflict in that your IAR may be able to choose between offering you advisory programs or services and brokerage products or services. The amount and manner of compensation that your IAR receives in either of these capacities presents a conflict of interest. To mitigate this conflict of interest, we require that any advisory program or advisory service that you are offered is suitable for your investment goals and financial needs. First Allied conducts suitability reviews for brokerage product solicitations.

Furthermore, your IAR may also be registered with other affiliated investment advisers and/or broker-dealers that are part of Cetera Financial Group's network of investment advisers and broker-dealers. This may represent a conflict of interest since your IAR may be incentivized to offer certain services through one entity over another. However, as a fiduciary, your IAR is required to act in your best interest. For more information on Cetera Financial Group, please see Item 10- Other Financial Industry Activities and Affiliations.

Your IAR may have a financial interest in certain securities. We do not permit our IARs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest. Your IAR may purchase or sell the same security he solicits for or uses discretionary trading authority for his client accounts as long as he does not have a material financial interest in the security. This presents a conflict of interest. Our Codes of Ethics mitigates this conflict by detailing policies designed to ensure that clients are not disadvantaged by an IAR's trading activity.

You may be eligible to receive breakpoints, or discounts, on the fees that you pay to purchase or hold mutual funds in your account if your total investment in one or more particular mutual fund sponsors reaches certain levels. In certain cases, you can aggregate your investments in different accounts to reach these levels. We have established surveillance systems designed to help us monitor your total investments in each mutual fund sponsor. However, the person granted trading authorization over your account may select mutual funds that prevent you from reaching a breakpoint level and taking advantage of a price break. In addition, if your account is managed by a third-party, we do not have the ability to ensure that your breakpoint levels will be a consideration in their investment decisions. For more information about breakpoints for the specific mutual funds you may hold in your account, please reference the mutual fund prospectus.

Though our advisory programs are generally only available through our IARs, similar programs or investment advice may be available from other investment advisers. In addition, you have the option to obtain similar investment products through investment advisers that are not affiliated with us. These services may cost you more or less if obtained elsewhere.



Certain of our IARs and employees have an ownership interest in Holdings, which presents a conflict of interest with respect to their selection of advisory programs and services in that certain programs and services are more profitable to Holdings and its subsidiaries than other programs and services. As owners of Holdings, these individuals have an interest in its highest profitability. We help mitigate this conflict by requiring that all IARs and employees abide by our Code of Ethics, which is described more fully in Item 11-Code of Ethics.

## Item 6- Performance-Based Fees

Performance-based fees are fees that are based on a share of capital gains on or capital appreciation of the assets in an account. Your IAR is not permitted to charge performance-based fees.

## Item 7- Types of Clients

Our IARs open accounts for individuals, high net worth individuals, banking institutions, pension plans, profit sharing plans, charitable organizations, and other corporations and businesses. The majority of these accounts are opened for individuals not considered high net worth individuals.

Certain account registration types prohibit investments in securities other than mutual funds. Should your account registration type restrict the kinds of securities that are purchased in your account, the performance of the account may not match the performance of the investment model selected. Should your account have one of these account registration types, your IAR will consider which investment models are best for you. Our clients may have both advisory accounts and brokerage accounts. Our representatives may offer you advisory services, brokerage services, or both, depending on your needs.

### *Account Minimums*

Most programs we offer have account minimums (if the program requires an account). The non-wrap version of Advisor Select has an account minimum of \$25,000. The wrap version of Advisor Select has an account minimum of \$50,000. If you have questions about the wrap or non-wrap programs not described in this brochure, please ask your IAR to provide you with our other wrap fee brochures. At our discretion, we may allow you to open an account without meeting the stated minimum. Some of our IARs impose minimum levels above those that we set. You and your IAR should discuss your level of investable assets to determine which programs are best suited for you.

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

### *Types of Risk*

Various types of risk are involved when investing in securities. Economic risk, market risk, currency risk, inflation risk, liquidity risk, and credit risk are examples of the types of risks to which your account may be subject.

### *Assessing Risk*

While some types of risk can be mitigated by investment strategies, these risks cannot be eliminated completely. Your IAR will work with you to make sure that you are comfortable with the risks associated with the type of investments that are in your account.

### *Risk of Loss*

You should know that all types of securities investing involve risk, sometimes substantial risk. Your account value can both increase and decrease over time. You should not invest in any program if you are not prepared to bear a potential loss. Past performance does not guarantee future results.

### *Liquidity Risk*

Liquidity is a financial institution's capacity to meet its cash and collateral obligations without incurring unacceptable losses. Liquidity risk is the risk to an institution's financial condition or safety and soundness arising from its inability to meet its contractual obligations. Some investments used in FAAS programs have limited liquidity, including REITs and interval funds. Some illiquid investments periodically offer to repurchase shares from shareholders. These repurchase offers may have limitations on the total number of shares being repurchased, so an individual investor may not be able to sell shares. If an investment is liquidated pursuant to a repurchase offer, penalties may also be assessed or you may not receive the full value of your investment. You should read the prospectus for any investments.

### *Management Philosophy*

Your Advisor Select program account is managed by our IAR(s). You can find information on the methods of analysis and investment strategy of the IAR(s) managing your account by reviewing the managing IAR's Form ADV Part 2B disclosure document, which your IAR will provide to you when offering the Advisor Select program.

Generally, our IARs use various securities to allocate your portfolio according to your investment objective. These securities may include stocks, bonds, mutual funds, exchange-traded funds, unit investment trusts, certificates of deposit, Treasury securities, insurance products, alternative investments, and other securities. Each of our IARs is permitted to use his own method(s) of analysis.



Many of them use asset allocation software to help them determine objectives and risk tolerance. This software seeks to optimize your portfolio and diversify risk across asset classes appropriately. Some asset allocation software can even aid in selecting specific securities. IARs are not obligated to use the same asset allocation software as other IARs use. Some IARs analyze securities individually to determine if those securities should be included in your account.

Our IARs may create investment models based on investment advice provided by Cetera Investment Management LLC (“CIM”), an affiliated registered investment adviser. This advice could include basic asset allocation advice, or advice regarding specific securities.

*Strategic Asset Allocation*

Strategic asset allocation is a portfolio strategy that involves the periodic rebalancing of your portfolio in order to maintain a long-term goal of a chosen asset allocation mix. The initial investments are chosen based on expected returns and your risk tolerance. Because the value of the assets can change based on market conditions, the portfolio constantly needs to be re-adjusted to meet the policy. This is often called rebalancing. The emphasis is on preserving this initial chosen asset allocation mix because the mix ultimately relates to a larger performance objective based on historical data.

#### *Tactical Asset Allocation*

Tactical asset allocation is a portfolio strategy that involves the rebalancing of assets held in various categories in order to take advantage of market pricing anomalies or strong market vectors, as chosen by the portfolio managers. This strategy allows the strategist the opportunity to try and create extra value by taking advantage of these potential situations in the markets. It is a moderately active strategy and may use short-term trading methods.

The investment philosophy is usually based on the belief that investor psychology and market forces can lead to periods when certain securities or classes of securities are not efficiently valued by the market. A tactical allocation process attempts to capture these pricing inefficiencies. It is not a fixed asset weight mix and the allocation and risk level of the portfolio may change quite dramatically.

## Item 9- Disciplinary Information

FAAS and its IARs have been the subject of various regulatory and disciplinary findings by various states and regulatory bodies. The information in this section may impact your decision to do business with us.

On January 2, 2019, the Banking Commissioner of the State of Connecticut entered a Consent Order alleging that First Allied Securities, Inc. and First Allied Advisory Services (collectively “First Allied”) failed to establish, enforce and maintain an adequate supervisory system. The Consent Order focused on the conduct of a former representative who, in contravention of First Allied’s policies and procedures, shared his First Allied confidential client account log-in credentials with an unregistered branch assistant, who then used the credentials to access a First Allied client’s account without the client’s knowledge or consent. As a result, the affected investor incurred trading losses. The Consent Order required that First Allied reimburse the affected investor, fined First Allied \$30,000, and directed it to cease and desist from regulatory violations.

In 2011, FAAS entered into a Consent Agreement with the Securities Division of the State of Indiana, whereby FAAS resolved allegations regarding violations of the Indiana Uniform Securities Act, Ind. Code 23-19-1, concerning the registration of certain investment adviser representatives in the State of Indiana. Without admission or finding of a violation, FAAS paid a fine in the amount \$9,000, and a reimbursement payment of the cost of the investigation in the amount of \$1,000.

In addition to the incidents above, certain FAAS IARs have been censured or censured and suspended by non-SEC regulators for violations related to suitability deficiencies, supervision deficiencies, marketing approval deficiencies, improper disclosure of outside business activities, continuing education deficiencies, delinquency of payment of state taxes, insurance deficiencies, sales of unregistered securities. In one case, a FAAS IAR’s insurance application was denied by a state.

#### *Affiliated Broker-Dealer*

In August 2017, First Allied Securities, without admitting or denying the findings, consented to the sanctions and to the entry of findings that it disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings stated that these eligible customers were sold share classes that carried higher fees than they were actually required to pay. The findings also stated that the firm failed to reasonably supervise and maintain adequate written policies and controls regarding the application and detection of sales-charge waivers to eligible mutual fund sales and failed to notify and train its financial advisors regarding their availability. As a result of the firm’s failure to apply available sales-charge waivers, the firm estimates that eligible customers were overcharged by approximately \$769,054 for mutual fund purchases made since July 1, 2009.

In November 2016, First Allied Securities, without admitting or denying the findings, consented to the sanctions and to the entry of findings that it failed to maintain a process reasonably designed to supervise its registered representatives’ recommendation of multi-share class variable annuities (VA’s) to its customers and provide sufficient training to its registered representatives and principals on their sale. The findings stated that the firm failed to identify red flags related to long-term income riders with multi-share class VA’s





and establish, maintain, and enforce a reasonable supervisory system and written supervisory procedures related to their sale, including L-share contracts. FINRA also found that the firm offered and sold various structured products to retail customers without having in place a sufficient supervisory system, including written supervisory procedures, reasonably designed to detect and prevent unsuitable sales of structured products. The firm failed to adequately enforce the firm's procedure requiring supervisory post-trade reviews of structured product transactions, and to fully implement a system and enforce its procedures requiring all registered representatives to complete training prior to soliciting structured products.

Also in November 2016, FINRA found that the firm engaged in sales of inverse, leveraged and inverse-leveraged exchange traded funds (Non-Traditional ETFs). While it provided some training to its registered representatives on these products and imposed certain minimum requirements with respect to customer risk tolerances and objectives, it did not create and implement supervisory procedures that were adequate to monitor their holding periods. The firm failed to implement supervisory procedures to adequately ensure suitability in sales of non-traditional ETFs, and failed to identify or investigate patterns of non-traditional ETFs held for longer than one day. In addition, FINRA determined that the firm failed to supervise the use of consolidated account reports and failed to enforce its books and records requirements for consolidated account reports.

In October 2015, First Allied Securities, without admitting or denying the allegations, entered into an Acceptance, Waiver and Consent that was accepted by FINRA, whereby First Allied Securities accepted FINRA's findings that First Allied Securities failed to identify and apply sales charge discounts to certain customers' eligible purchases of unit investment trusts (UITs). First Allied Securities had no written supervisory procedures regarding sales charges on UITs and the firm relied primarily on its registered representatives to ensure that customers received the appropriate UIT sales charge discounts, despite the fact that the firm did not effectively train representatives and their supervisors to identify and apply such sales charges. First Allied Securities agreed to accept a censure, a fine of \$325,000, and was ordered to \$689,647.34 in restitution to customers.

In March 2015, First Allied Securities consented to a civil penalty in the amount of \$6,690.80 by the State of Nevada, Securities Division for operating unregistered branch office locations.

In January 2013, First Allied Securities, without admitting or denying the allegations, entered into an Acceptance, Waiver and Consent that was accepted by FINRA, whereby First Allied Securities accepted FINRA's findings that First Allied Securities had inadequate supervisory systems and procedures designed to ensure that it delivered the appropriate disclosure documents to clients purchasing unit investment trusts and/or exchange-traded funds. First Allied Securities had engaged a vendor to deliver the written prospectuses to clients, however, First Allied Securities retained ultimate responsibility to ensure the clients received the appropriate documents. First Allied Securities agreed to accept a censure and fine of \$40,000.

In late 2009, the SEC filed an enforcement action against a former First Allied Securities representative. The SEC alleged that the representative engaged in unauthorized and fraudulent trading in two customer accounts. The SEC also issued a "Wells Notice" to First Allied Securities which alleged that First Allied Securities violated certain SEC rules and that it failed to reasonably supervise this registered representative. After considering the surrounding circumstances, First Allied Securities determined that it was in its best interests to settle the matter. The alleged rule violations were in connection with First Allied Securities' supervision of the representative and deficiencies in its e-mail retention system. As part of the settlement, First Allied Securities agreed to accept a censure and pay disgorgement and interest (approximately \$1.46 million) and a fine (\$500,000). In addition, the SEC's order required First Allied Securities to cease and desist from committing or causing any future violations of certain books and records provisions. First Allied Securities also agreed to hire an independent consultant to review its policies and procedures and its system for implementing policies and procedures. First Allied Securities consented to the issuance of the order without admitting or denying the SEC's findings. A copy of the SEC order is available online at <http://www.sec.gov/litigation/admin/2010/34-61655.pdf>.

First Allied Securities has been censured by multiple state insurance authorities for failure to renew state insurance licenses. First Allied Securities, as a firm, has also been found to have failed to supervise adequately in certain instances, by non SEC regulators. Some of the firms that First Allied Securities has purchased have also been censured by regulatory bodies.

#### *Additional Information*

More information on all of these items, and other items not summarized above, can be found on FINRA's BrokerCheck® (<http://brokercheck.finra.org>). The Form ADV Part 2B brochure supplement that your IAR will provide to you along with this document contains information regarding any disciplinary items that we deem material to your decision to select your IAR to provide you with advisory services. Additional information about your IAR's disciplinary history can also be viewed on BrokerCheck®.

## Item 10- Other Financial Industry Activities and Affiliations

### *Broker-Dealer Affiliation*

First Allied is an affiliated a broker-dealer that we use to introduce accounts to custodians. First Allied, a New York corporation, is a broker-dealer registered with the Financial Industry Reporting Authority ("FINRA") and a registered municipal advisor registered with the Securities and Exchange Commission ("SEC"). Being registered does not mean that First Allied is endorsed by any



regulatory authority; it simply means that First Allied is required to follow the rules established by FINRA for brokerage business and the Municipal Securities Rulemaking Board (“MSRB”) for advisory business on municipal bond proceeds and debt reserve accounts. For municipal advisors, the rules are created through the MSRB and registration is required through the SEC, though FINRA enforces these rules. First Allied, headquartered in San Diego, CA, was founded in 1994. Because First Allied is also owned by Holdings, many of its officers and principals are engaged in business both with First Allied and us. Some of our officers spend up to 90% of their time on First Allied activities, and the remaining 10% on FAAS activities. Other officers devote 100% of their time to FAAS activities.

FAAS and First Allied are a part of Cetera Financial Group, a network of independent broker-dealers, investment advisers registered with the SEC, and general insurance agencies, and are owned by First Allied Holdings, Inc (“Holdings”). Holdings is wholly-owned by Aretec Group Inc. (Aretec). Aretec is a wholly-owned subsidiary of GC Two Intermediate Holdings, Inc., and an indirect wholly-owned subsidiary of GC Two Holdings, Inc. As a broker-dealer, First Allied places trades for clients for the purchase and sale of stocks, bonds, options, mutual funds, variable insurance products, and private placements. Since the majority of our IARs are registered with First Allied, these services may be available to you if your IAR is a registered representative. Because most of our IARs are registered to offer you both advisory programs and services and brokerage products or services, a conflict of interest exists. The conflict involves the determination of whether advisory business (fee-based) or brokerage business (commission) is more suitable for the client. Because most of our IARs can offer both, your IAR could be conflicted about which business to recommend to you. We attempt to mitigate this risk by reviewing the suitability of the advisory program selected by each client. Ultimately, our IARs will discuss with you which type of business will best help you meet your goals.

You may have brokerage accounts with First Allied. The main differences between an advisory account and a brokerage account are the form of payment, the use of discretionary authority, and our level of responsibility to ensure that each transaction is appropriate for you. In an advisory account, you will pay an advisory fee based on the amount of assets in the account; in a brokerage account, you will pay a commission for each transaction. In an advisory account, you may grant us, your IAR, or a third-party discretionary trading authorization that allows us to place securities transactions on your behalf without notifying you prior to placing the transaction; in a brokerage account, we will discuss each transaction with you prior to placing the transaction. Having discretionary trading authorization allows us, your IAR, or the third-party to act quickly on your behalf should there be an opportunity that would benefit you. With a brokerage account, you have the opportunity to approve each trade before it is placed on your behalf.

As a broker-dealer, First Allied buys and sells securities in its own accounts in order to facilitate the trading activities of its clients. First Allied also buys and sells securities on behalf of other clients. First Allied’s main activities include retail and institutional client services. First Allied generally uses its own execution services for advisory clients and brokerage clients, for accounts custodied at Pershing, though for advisory programs on the GPS platform, Envestnet’s execution services are used.

#### *Other Related Financial Industry Entities*

One of the affiliates to Holdings, Cetera Financial Holdings Inc., also owns multiple other investment advisers, including Cetera Investment Management LLC (“CIM”). We use research and model portfolios provide by CIM in many of our programs. A conflict of interest exists due to these affiliations. We attempt to mitigate this risk by ensuring that policies and procedures are in place requiring our IARs to exercise their fiduciary responsibilities when recommending investments to clients. Client fees are not increased if IARs use CIM research or model portfolios, and CIM receives no compensation when their services are used by FAAS IARs. Our IARs’ recommendations must only take into account what programs or services are best for each client.

Holdings also owns First Allied Retirement Services, Inc. (“Cetera Retirement Plan Specialists”) and FASI Insurance Services, Inc. (“FAIS”). Cetera Retirement Plan Specialists is a pension administration firm that provides pension services to pension plan sponsors. Our IARs do not receive any compensation for referring clients to Cetera Retirement Plan Specialists. Cetera Retirement Plan Specialists owns Associates in Excellence, which is another pension administration firm that provides pension services to pension plan sponsors.

FAIS is an insurance general agency that offers insurance products through licensed agents. Many agents offering insurance through FAIS are also First Allied registered representatives.

Holdings and all of its subsidiaries are part of Cetera Financial Group. Cetera Financial Group is the retail advice platform of Aretec Group, Inc. that delivers the benefits of scale to its family of independent broker-dealer firms and registered investment advisers. Cetera Financial Group includes the following companies: Cetera Advisors LLC., Cetera Advisor Networks LLC., Cetera Financial Specialists LLC., Cetera Investment Advisers LLC., Cetera Investment Management LLC., Cetera Investment Services LLC., Summit Brokerage Services, Inc., Summit Financial Group Inc., First Allied Securities, Inc., First Allied Advisory Services, Inc., and Cetera Advisory Services LLC.

Our principals, employees and representatives may have responsibilities to any of these listed affiliates. Certain administrative and payroll expenses for employees of any affiliate may be allocated among some or all of the affiliates. Allocation of these expenses is not determined by assets referred to any affiliate.

#### *Other Financial Industry Activities*





In addition to the related entities noted above, we also conduct business with other investment advisers that are owned or operated by registered representatives of First Allied and investment advisers that are owned by other persons. These investment advisers may enter into an agreement with us to offer our programs or use our services. We are not responsible for supervising or managing these investment advisers beyond their representatives' activities with First Allied.

Some of our IARs may work in bank or credit union locations. We do not supervise any IAR's bank or credit union responsibilities. If the bank or credit union will receive any fees that you pay, our IARs are required to disclose this to you. Some of our IARs may be real estate agents. Activities related to real estate are not undertaken as part of the IAR's representation of us. In addition to being investment adviser representatives, some of our IARs are also accountants. We do not supervise their accounting activities. Any tax advice you receive from your IAR is part of an outside business activity and is totally separate from the IAR's affiliation with us.

Some of our IARs may be involved in other outside businesses. Activities related to these outside businesses are not undertaken as part of the IAR's representation of our investment advisers. The amount of time that IARs devote to outside business activities varies. Your IAR's material outside business activities are reported on the Form ADV Part 2B Brochure Supplement that your IAR will deliver to you when he starts discussing advisory programs and services with you. Your IAR's outside business activities, including without limitation, bank or credit union responsibilities, real estate, accounting, tax and legal activities, are not endorsed or supervised by, or the responsibility of, us or First Allied or any of our affiliates.

We are involved in several industry advocacy groups. These groups generally provide a forum for industry professionals to gather and discuss current and proposed regulations. Our membership in these groups helps us to better educate and supervise our IARs.

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

### *Overview*

Pursuant to SEC rule 204A-1, we have adopted a Code of Ethics ("COE") to establish rules of conduct for all supervised persons. Supervised persons are individuals that are associated with our firm who are involved with offering or providing advisory services. Supervised persons may also include our home office employees. Your IAR is a supervised person. The COE recognizes our IARs' fiduciary responsibility to clients. The COE instructs our IARs to conduct their affairs in such a manner as to avoid:

- Serving their own interests ahead of clients' interests
- Taking inappropriate advantage of their position
- Engaging in unacceptable actual or potential conflicts of interest

A copy of our COE is available upon request by calling our Compliance department at 800-223-0989.

We do not permit our IARs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest. Our supervised persons may, however, invest in the same securities that the IAR or another supervised person recommends to clients. This presents a conflict of interest. This conflict is mitigated by the policies and procedures set forth in our COE and Compliance Manual. Our IARs are not permitted to disadvantage clients while trading their own accounts. We also have surveillances in place designed to enforce our policies and procedures.

Our supervised persons are not permitted to recommend or use discretionary trading authority on behalf of clients at or about the same time that the IAR or another supervised person in the IAR's branch office or responsible for supervising the IAR buys or sells the same securities for their own account(s). We have established surveillance systems that check trading patterns between supervised persons and clients. These surveillances are designed to ensure that even if a supervised person unintentionally trades in the same security as a client, the client will not be disadvantaged.

## Item 12- Brokerage Practices

### *Soft Dollar Benefits*

Some firms in the industry receive benefits in exchange for delivering business to a broker-dealer, mutual fund sponsor, insurance company, or other third-party. These benefits are known as "soft dollars." Soft dollar benefits are generally defined as benefits (besides normal fees) received from a firm in exchange for doing business with the firm. These benefits may include access to software, hardware, research, and/or office space. We do not receive any soft dollar benefits from choosing the broker-dealer through which we effect trades, nor from the mutual funds or insurance in which we invest.

### *Directed Brokerage*

We do not permit clients to direct us to execute transactions through a specified broker-dealer other than First Allied. We believe that First Allied allows us to achieve "best execution" because of their business relationships with Pershing, our access to First Allied's trading department, our ability to rely on First Allied's financial stability, and First Allied's overall service to us and our IARs. "Best execution" factors include timeliness of execution, trader expertise, pricing, and responsiveness. In addition, certain advisory programs are only available through us and our affiliates and these programs allow your IAR to offer you a product or service that you



cannot obtain elsewhere, although other investment advisers may offer similar programs.

Although First Allied is able to negotiate competitive pricing from Pershing that it believes is beneficial to its clients, First Allied's clearing relationship with Pershing provides FAAS with certain economic benefits for its advisory program accounts that it would not have through an unaffiliated broker-dealer. For example, as described in Item 5, First Allied adds a markup to the transaction costs in the Advisor Select program and marks-up certain other brokerage-related account charges and fees that are assessed to all client advisory accounts at Pershing. First Allied also maintains two bank deposit sweep programs. These programs create financial benefits for First Allied as described in Item 5. First Allied also receives additional compensation from Pershing for non-retirement account assets that are swept into a money market fund sweep option as described in Item 5. The additional compensation received by First Allied creates a conflict of interest with FAAS clients.

#### *Agency Cross or Principal Trades*

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

FAAS permits agency cross or principal trades in exceptional circumstances with approval from the FAAS compliance department. If an exception is approved, FAAS will receive consent from the client prior to executing the transaction and the agency cross and/or principal transactions will be consistent with SEC guidelines. FAAS monitors trading for potential agency and principal trades.

#### *Aggregation of Client Trades*

We are under no obligation to aggregate trade orders or to average price transactions. For the Advisor Select program, all responsibility for execution of trades is taken by Envestnet, who aggregates trades according to its policies and procedures. Envestnet's aggregation trading policies and procedures are discussed in Envestnet's Form ADV Part 2A disclosure brochure.

## Item 13- Review of Accounts

As mentioned previously, each of our IARs is supervised by another of our representatives or an employee. Advisory accounts are also reviewed by an IAR's supervisor. We have created several different surveillances to aid in this supervision. We review your account in several ways. Our account reviews include:

#### *Annual Client Contact*

On at least an annual basis, your IAR will contact you to arrange a review of your advisory accounts with you. In general, this review includes any FAAS-Sponsored programs and certain third-party money manager programs.

#### *Home Office Oversight and Supervision*

Your IAR's designated supervisor periodically reviews client accounts of any IAR who he or she supervises. If this review raises any issues associated with your account, they will investigate the issue to determine if any further action is needed or warranted. FAAS utilizes a series of surveillance, exception, trade, and other transaction reports that are designed to help facilitate the ongoing review of FAAS managed accounts. Many of these surveillances are run daily and others are run monthly or quarterly. The frequency of the surveillance is determined by the nature of the underlying event. Not all of the surveillances are used on all advisory accounts. We take into account who is managing your advisory account. For example, if a third-party manager is managing your account, some surveillances will not be used.

#### *Quarterly Performance Reports*

After the end of each calendar quarter, we create performance reports and make them available to each client that is invested in our Advisor Select program. These performance reports will contain statistical information about your account. In some cases, if you have more than one GPS platform account, we may be able to combine multiple accounts on the same performance report. The reports we create will differ slightly based on which program you have purchased. Generally, the reports we create for you will list the beginning balance for the period, the ending balance for the period, the percentage change in asset level between the beginning and end of the period, and any deposits or withdrawals during the period. There is also information about your account's holdings as of the end of the period, a list of one or more comparable benchmarks, and important disclosure information.

The following indexes and benchmarks will be listed on the performance reports we make available to GPS platform clients:

- S&P 500 Index- an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors), designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.



- MSCI EAFE Index- a free float-adjusted market capitalization index that is designed to measure equity market performance of developed markets, excluding the U.S. and Canada).
- Barclays Capital U.S. Aggregate Bond Index- an unmanaged index composed of the Barclays Government/Credit Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index and is generally representative of the U.S. bond market.
- Consumer Price Index- an index of prices used to measure the change in the cost of basic goods and services in comparison with a fixed-base period.

In the Advisor Select program, your IAR also has the ability to select an additional index or a blended benchmark to which your account will be compared. This index or benchmark must be approved by us before your IAR is permitted to use it on your performance reports.

Both you and your IAR have the ability to create additional reports regarding your GPS platform accounts upon demand. Certain of these reports also contain performance information. Your IAR may also provide you with reports created by Albridge Wealth Reporting Solutions (“Albridge”). Albridge is a reporting vendor we have contracted with to enable your IAR to create reports for your accounts. These reports may encompass different information than the quarterly performance reports we deliver to you and may include information about brokerage accounts, variable annuities and alternative investments. There may be discrepancies in the pricing of securities between Albridge reports, the performance reports we prepare for you, and the statements you receive from your custodian. These discrepancies may be the result of different calculation and reporting methods between Albridge, our reporting vendors, and your custodian. If you have a question about a discrepancy or any other aspect of any of these reports, you should direct it to your IAR. If you are not satisfied with your IAR’s explanation, please contact us at 800-223-0989.

The custodian of your account will also send account statements to you on a monthly or quarterly basis. Although the information we provide in the performance reports we deliver to you has been retrieved from sources believed to be reliable, we urge you to compare the holdings listed on the custodian’s statement to those listed on any GPS performance reports or Albridge reports we may deliver to you. Should you note any discrepancies, please contact us at 800-223-0989. In addition, the reports that we deliver to you should not be relied upon for tax calculations or any other legal representation.

## Item 14- Client Referrals and Other Compensation

Solicitors are individuals who introduce clients to an investment adviser with which the solicitor is not affiliated. Solicitor’s arrangements allow individuals to receive compensation for referring a client to us. The compensation paid to a solicitor is a portion of the advisory fee that you pay. All solicitation arrangements that our IARs are involved in must be approved by us.

### *Solicitors to FAAS*

We have solicitor’s arrangements with persons who are not our IARs. If a solicitor is going to receive any portion of the advisory fee that you pay, the solicitor will provide you with disclosure when he refers you to an IAR. You will sign this disclosure, acknowledging that you know a payment is being made for the introduction. We conduct a background check on solicitors to ensure they have not been disqualified from the securities industry. We mitigate any conflicts of interest in relation to these arrangements by ensuring that you will not pay higher fees because of the solicitor’s agreement.

### *FAAS Acting as a Solicitor*

Our IARs have the ability to refer, or “solicit,” clients to other investment advisers. Our IARs can solicit advisory business for both affiliated investment advisers and unaffiliated investment advisers. Both affiliated and unaffiliated investment advisers must be approved by us before any of our IARs are permitted to refer clients to them. If our IARs are soliciting advisory business for any investment adviser, this will be disclosed to you by issuance of a disclosure statement and a written acknowledgement. The investment advisers that we solicit for provide a variety of management services, as outlined in each investment adviser’s disclosure brochure. In general, they provide management strategies and investment models to advisory clients. The investment adviser will pay a portion of the advisory fee, as disclosed to you in the written acknowledgement, to us for soliciting clients. We will share a portion of this fee with your IAR. In exchange for this fee, the IAR is providing services including investor profiling, selection of managers, and ongoing account monitoring.

Certain investment advisers to whom we solicit may make donations to charitable organizations as an award to us or our IARs. The award criteria may vary between investment advisers, but this award may incent our IARs to solicit to investment advisers offering a donation rather than those that do not. This conflict is mitigated by our requirement that any advisory program or advisory service that you are offered is suitable for your investment goals and financial needs and by our restriction on any of our IARs financially benefiting directly from any donations made by investment advisers either on their behalf or as a result of any solicitations.

### *Other Compensation Payable to Us*

We and our affiliates offer a wide variety of approved products to our IARs to serve your needs. We have designated a subset of approved products as “Product Sponsors.” Product Sponsors offer an assortment of approved products. They also train and educate



our representatives on products and industry-related topics. Product Sponsors pay extra compensation to us and our affiliates; however, clients do not pay more to purchase these products through us than clients would pay to purchase them elsewhere. This extra compensation is based in part on the total amount of assets that our IARs refer to their products and services. There may be a financial incentive to promote certain products because of this extra compensation. Because IARs do not receive a direct financial benefit from recommending Product Sponsors to you, we believe that these relationships do not compromise the advice provided by our representatives.

Sometimes we and our affiliates receive payments from firms that are not Product Sponsors to recognize our sales efforts. All companies may pay us and our affiliates in connection with the sale of certain products. This compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. They may also pay for training, educational meetings or training events, conferences, and entertainment for our representatives and/or clients, as permitted by industry rules. In the cases where our IARs host seminars for clients or prospective clients, no fees are charged to attendees. Additional disclosure and a listing of companies who pay additional compensation to us may be obtained at [www.firstallied.com](http://www.firstallied.com) or by contacting us at 800-223-0989. Some investments pay higher commissions than others. Commissions on equities are usually greater than those on bonds. Investments in limited partnerships generally pay higher commissions than investments in equities.

## Item 15- Custody

As mentioned previously, we do not custody your account assets. Your account assets are custodied by Pershing, Fidelity, or another approved custodian. In addition to the reports that you will receive from us, the custodian will also send you account statements. These statements will be sent to you either quarterly or more frequently. You should review the account statements carefully and compare these account statements with the reports we or our IARs send to you. Should you note any discrepancies, please contact us at 800-223-0989. In the event of any discrepancy between our report and any statement you receive from Pershing regarding the same investment, you should rely on the statement from Pershing.

Pershing's mailing address is: Pershing LLC One Pershing Plaza, Jersey City, NJ, 07399.

Occasionally, IARs may accept stock certificates from clients and forward them to First Allied for delivery to the client's account with the custodian. In the course of business development, we may obtain custody in other forms that are not disclosed here but will be disclosed to our independent auditor. Because of these activities, we meet the regulatory definition of having custody of client securities and are required to hire an independent accounting firm to review our procedures. This audit is conducted each year. More information about the results of the audit can be found through the SEC's Investment Adviser Public Disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), by selecting "Investment Adviser Firm" and typing our name into the "Firm Name."

We ask that any checks you write for deposit into your GPS platform accounts be made payable to either Pershing and **not** made payable to FAAS, First Allied, or your IAR.

## Item 16- Investment Discretion

### *Overview*

We do not have discretion over your assets. However, when you invest in the Advisor Select program, you are granting us full trading authorization. Full trading authorization allows our IAR(s) to make decisions on your behalf regarding purchases and sales of equities, investment company securities (mutual funds, exchange-traded funds, closed-end funds, unit investment trusts), fixed income products including bonds and certificates of deposit, options, and any other security traded on a national exchange. In certain cases, our IARs are only licensed to buy or sell investment company securities. For all GPS platform accounts, Envestnet is granted trading authority through the GPS Investment Advisory Agreement.

In certain cases, client assets have migrated into the Advisor Select program from another First Allied advisory program. For some of these accounts, the IAR may only have limited trading authorization until the client signs a new GPS Investment Advisory Agreement granting FAAS (and IAR) full trading authorization.

## Item 17- Voting Client Securities

We do not accept authority to vote client proxies in any of our advisory program accounts, including Advisor Select. However, your IAR is permitted to aid you in the completion of the client proxies you receive.

## Item 18- Financial Information

### *Prepayment of Fees*

We do not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Advisory fees for Advisor Select are paid quarterly in advance.



*First Allied's Financial Condition*

We are required to inform you of any financial conditions that are reasonably likely to impair our ability to meet contractual commitments to you. Currently, there are no financial conditions that would impair our ability to meet our contractual commitments to you. Should any arise, we will notify you according to SEC guidelines.