

# **Securities America Advisors, Inc. Asset Based Brokerage Services (ABBS) Wrap Fee Program Brochure**

(Part 2A Appendix 1 of Form ADV)

This Brochure provides information about the investment advisory services of Securities America Advisors, Inc. If you have any questions about the contents of this brochure, contact us at: 800-747-6111. This Brochure has not been reviewed or approved by the U.S. Securities & Exchange Commission, any state regulatory agency or self-regulatory organization.

Additional information about Securities America Advisors, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as a registered investment advisor does not imply a certain level of skill or training.

October 17, 2012



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800-747-6111

## **SUMMARY OF MATERIAL CHANGES**

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### **Annual Update**

We updated this section to discuss material changes since the last annual update in March 2011. The next annual update is expected to occur in March 2012.

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### **Summary of Material Changes since the Last Annual Update**

Our current Form ADV, Part 2 will be available to our existing and prospective clients 24 hours a day through the SEC's Investment Adviser Public Disclosure website. We may, at any time, update this Brochure, and if we make any material changes, we will provide you either: (i) a copy of our Form ADV, Part 2 that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Form ADV, Part 2. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history. Since our last annual update, we have made the following changes to our Brochure.

1. In November 2011, Ladenburg Thalmann Financial Services, Inc. acquired our parent company, Securities America Financial Corporation. We sent information about our new parent company in 2011 to existing clients. We revised the section on Financial Industry Affiliations and other sections of our brochure to reflect these changes. We also are now able to offer additional products and services to your advisor based on these relationships, including initial public offerings and trust and administrative services. Additional conflicts of interest may exist concerning these new relationships.
2. We included ERISA covered service provider disclosure language to comply with ERISA Rule 408(b)(2).
3. We adopted a uniform maximum fee on mutual funds and variable annuities held in the Managed Opportunities Program, Financial Advisors Program and Lifeguide Program accounts.
4. We revised language concerning the Bank Deposit Sweep Program.
5. We added language to educate clients about an 18 month holding period that exists prior to an advisor being permitted to accept an advisory fee, if he/she sold the investment with a commission. The holding period for Class-C mutual fund shares is 12 months.
6. We added language explaining how management fees are calculated in the Managed Opportunities Program Unified Managed Account Portfolio.

7. We added language explaining that we monitor accounts based on standard deviation thresholds. For information about these thresholds, please visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

8. We added language to clarify that solicitor referral fees paid to a third-party are paid for the length of your advisory relationship with our firm, except where prohibited by law or regulation.

9. We updated information relating to a global settlement involving investments in Medical Capital and Provident Shale. This matter was disclosed previously in prior disclosure brochures.

10. In the spring of 2012, Ladenburg Thalmann Asset Management, an affiliated investment advisor will assume ownership of Brecek & Young Advisors, Inc., an affiliate of SAA. Upon completion of the ownership change, only SAA and SAI will be owned by Securities America Financial Corporation.

11. In September 2012, our parent company, Securities America Financial Corporation, launched a new registered investment advisor firm, Arbor Point Advisors, LLC. The new firm is registered with the SEC and language has been added describing our relationship with our new affiliate.

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Full Brochure Available

To receive a complete copy of our Brochure at no charge, please visit our website at [www.securitiesamerica.com](http://www.securitiesamerica.com) or contact us at: 800-747-6111.

# Table of Contents

<b>MATERIAL CHANGES.....</b>	<b>ii</b>
Annual Update .....	ii
Material Changes since the Last Annual Update .....	ii
Full Brochure Available .....	iii
<b>ADVISORY BUSINESS .....</b>	<b>1</b>
Principal Owners .....	1
Firm Description .....	1
Types of Services Offered – Investment Supervisory Services, Non-Investment Supervisory Services and Other Investment Management Services .....	1
Types of Services Offered – Investment Supervisory Services .....	2
Types of Advisory Programs Offered – Investment Supervisory and Administrative Services .....	3
Asset Management .....	3
<b>FEES AND COMPENSATION.....</b>	<b>5</b>
Termination of Agreement (in our programs) .....	5
Fees .....	5
Compensation for the Sale of Securities Or Other Investment Products .....	6
Other Fees .....	8
<b>PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGMENT .....</b>	<b>11</b>
Sharing of Capital Gains .....	11
Side-By-Side Management .....	11
<b>ACCOUNT MINIMUMS AND TYPES OF CLIENTS.....</b>	<b>11</b>
Types of Clients .....	11
Account Minimums .....	12
<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>12</b>
Methods of Analysis .....	12
Investment Strategies .....	12
Risk of Loss .....	14
<b>PORTFOLIO MANAGER SELECTION AND EVALUATION .....</b>	<b>15</b>
Portfolio manager selection and evaluation .....	15

<b>CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS .....</b>	<b>16</b>
<b>RESTRICTIONS ON ABILITY TO CONSULT WITH A PORTFOLIO MANAGER.....</b>	<b>16</b>
<b>DISCIPLINARY INFORMATION .....</b>	<b>16</b>
<b>REGULATORY AND LEGAL EVENTS.....</b>	<b>16</b>
<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....</b>	<b>17</b>
Financial Industry Activities.....	17
Affiliations .....	20
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.24</b>	
Our Approach to Conflicts of Interest.....	24
Code of Ethics.....	24
Participation or Interest in Client Transactions.....	25
Personal Trading.....	26
Our Pre-Clearance and Restricted Securities Policy .....	26
Our Insider Trading Policy .....	26
Our Policy Governing Contributions to Local and State Elected Officials and Candidates .....	27
<b>BROKERAGE PRACTICES .....</b>	<b>27</b>
Selecting Brokerage Firms.....	27
Best Execution .....	29
Soft Dollars .....	29
Brokerage for Client Referrals .....	30
Order Aggregation .....	30
Handling Trade Errors Made by SAA or a representative.....	31
<b>REVIEW OF ACCOUNTS.....</b>	<b>31</b>
Frequency of Account Reviews .....	31
Review Triggers.....	31
Reports and Account Statements .....	31
<b>CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>32</b>
Other Compensation.....	33
<b>CUSTODY .....</b>	<b>34</b>
Account Statements.....	35
Performance Reports.....	35
<b>INVESTMENT DISCRETION.....</b>	<b>35</b>
Limited Discretionary Trading Authority .....	35

Limited Power of Attorney for Trading.....	36
Voting Client Securities.....	36
Proxy Voting.....	36
<b>FINANCIAL INFORMATION .....</b>	<b>36</b>
Financial Condition .....	36

## ADVISORY BUSINESS

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### Principal Owners

Securities America Advisors, Inc. (SAA) and Securities America, Inc. (SAI), an affiliated broker/dealer is a wholly-owned subsidiary of Securities America Financial Corporation. Securities America Financial Corporation is a wholly-owned subsidiary of Ladenburg Thalmann Financial Services, Inc. (LTFS). Ladenburg Thalmann Financial Services, Inc. provides a diverse array of financial products and services through a number of subsidiaries. Ladenburg Thalmann Financial Services, Inc. is listed on the NYSE Amex Exchange under the symbol LTS. Dr. Phillip Frost and related entities, Gamma Trust, and Nevada Trust are beneficial owners of over 25% of Ladenburg Thalmann Financial Services, Inc. Ladenburg Thalmann Financial Services, Inc. has several other affiliates registered as investment advisors, an investment company, insurance companies, broker/dealers, and a trust company. Ladenburg Thalmann Financial Services, Inc. is a holding company primarily engaged in business through its subsidiaries.

Securities America Financial Corporation (SAFC) is also a majority owner of Arbor Point Advisors, LLC (APA). Arbor Point Advisors, LLC is an investment advisor firm registered with the Securities and Exchange Commission. Arbor Point Advisors, LLC also uses the marketing name of Arbor Point Advisors. Although Securities America Advisors, Inc. and Arbor Point Advisors, LLC share officers and home office employees, our investment advisor representatives are only licensed with Securities America Advisors, Inc and do not provide advisory services for Arbor Point Advisors.

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### Firm Description

SAA is an investment advisor firm registered with the SEC since January 1994. SAA provides a variety of programs that can be used by SAA, its investment advisor representatives (SAA representatives) and independent registered investment advisor firms to provide investment advice to you. SAA representatives and investment advisor representatives affiliated with the independent investment advisors (independent I/A representatives) may be registered representatives of SAI, a full service broker/dealer affiliated with SAA. References to “your representative” refer to the SAA representative providing services to you. References to “we”, “our”, “us” or “our firm” refer exclusively to SAA. Independent investment advisor firms that use our programs are generally registered as investment advisors with the SEC or with the state or jurisdictions where they maintain a place of business in accordance with the regulations for each individual state or jurisdiction. We are not affiliated as an investment advisor with the independent investment advisor firms.

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### Types of Services Offered – Investment Supervisory Services, Non-Investment Supervisory Services and Other Investment Management Services

SAA, through our SAA representatives provides personalized confidential financial planning and investment advice to:

(1) individuals;

- (2) banks or thrift institutions;
- (3) pension and profit sharing plans;
- (4) trusts, estates or charitable organizations;
- (5) corporations or business entities;
- (6) state and municipal governmental entities.

We provide advice through consultation with you, our client, which may include:

- determination of financial objectives;
- identification of financial issues;
- Cash flow management;
- Tax related investment planning
- Insurance review;
- Investment management;
- Education funding;
- Retirement planning, and
- Estate planning.

Upon retaining a representative and establishing an advisory account, you can expect to complete certain account opening documents required by the qualified custodian. The account opening documents provide information regarding the custodian's name, address and manner in which the funds or securities are maintained. The account agreement describes the services provided to you in return for the stated advisory fee.

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#### Types of Services Offered – Investment Supervisory Services

We define “Investment Supervisory Services” as giving you continuous advice or making investments for you based on your individual needs. Should you wish to use our investment advisory services, you will sign a Client Services Agreement. The Agreement describes the services provided to you in return for the stated advisory fee. You may cancel the Agreement within the timeframe specified in the Agreement; otherwise, the Agreement remains in effect until either party provides written notice of termination. Refer to the section titled “Termination of Agreement (in our programs)” for more information. We cannot assign your Client Services Agreement to anyone without your consent.



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## Types of Advisory Programs Offered – Investment Supervisory and Administrative Services

We provide a diverse range of investment supervisory and administrative services to you through our Asset Based Brokerage Services and other advisory programs.

In the Asset Based Brokerage Services, your representative may primarily recommend mutual funds. To the extent mutual funds are used, your representative may seek to purchase no-load or load-waived mutual funds, if available. The annual internal fund expenses may be higher or lower on the no-load/load-waived mutual funds, in aggregate, compared to the purchase or sale of a loaded mutual fund. Refer to the section titled “Fees and Compensation” for more information.

Where possible, when recommending mutual funds for your advisory account, our firm or one of our affiliates will recommend no-load mutual funds or load mutual funds available at net asset value. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer.

### **Asset Based Brokerage Services**

Your representative assists you with establishing your Asset Based Brokerage Services account with us. The minimum account size is \$20,000. However, we may grant exceptions. Asset Based Brokerage Service accounts are managed on a non-discretionary basis. Your representative will not trade, redeem, reallocate or transfer the account without your prior approval.

All brokerage transactions are processed by SAI, our affiliated broker/dealer and cleared by National Financial Services, LLC (National Financial Services) or Pershing, LLC (Pershing). SAI provides compensation to SAA to offset our administrative costs. SAA, SAI and your representatives do not act as custodians for any Asset Based Brokerage Service accounts. Generally, National Financial Services, Pershing or another custodian maintains custody of funds and securities. You authorize us to deduct fees directly from your account to pay for investment management services. In these cases, we are considered to have limited custody of your assets. SAA and SAI may also be deemed to have “custody” for more information. We have verified that each custodian or investment provider we use for our investment management services is a qualified custodian and provides statements to you at least quarterly.

We have also entered into agreements with insurance companies that allow for the management and valuation of your variable annuity accounts with the Asset Based Brokerage Services. The insurance companies’ custodians maintain custody of all variable annuity accounts.

For information about the investment strategies employed in an Asset Based Brokerage Services account, please refer to the section titled “Methods of Analysis, Investment Strategies and Risk of Loss.”

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## Asset Management

Generally, advice may be provided on investments in our programs such as the following:

- Equity securities (exchange-listed securities, securities traded over the counter and foreign issues)
- Warrants
- Corporate debt securities (other than commercial paper)

- Commercial paper
- Certificates of deposit
- Municipal securities
- Investment company securities (mutual funds)
- Variable products (variable annuities, variable life insurance)
- U.S. government securities
- Options contracts on securities
- Interests in partnerships investing in real estate, oil and gas interests
- Exchange traded funds (ETFs)
- Real estate investment trusts (REITS)
- Real estate investments
- Limited partnerships and private placement partnerships in tax credit programs, cable and other miscellaneous direct participation programs

The list of investments shown above may not be available in this program. Consult your representative for more information.

Assets in our programs are invested primarily in no-load or load-waived mutual funds and exchange traded funds, usually through clearing firms or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Clearing firms may charge a transaction fee when you buy funds. Stocks and bonds may be bought or sold through a brokerage account when appropriate. SAI, our broker/dealer affiliate charges, a fee for stock and bond trades.

SAA and SAI conducts or may hire third-party vendors to conduct due diligence analysis of the products listed above prior to making them available to the public. SAI, on our behalf, has policies and procedures in place to review the issuers of financial products such as real estate investment trusts, structured notes and annuity and life insurance products. This review includes publicly available information and reports issued by third-party rating agencies and may in some cases include certain nonpublic information provided by the issuer. SAI, on our behalf periodically reassesses, but does not continuously monitor, the creditworthiness or financial solvency of third-party issuers. These policies and procedures are reasonably designed to limit your exposure to credit and default risks resulting from an inability of the issuers to repay the principal on a note or fulfill an insurance obligation. However, you should be advised that credit markets can be volatile and the creditworthiness of an issuer may change rapidly. SAA and SAI are prohibited by regulation from guaranteeing or providing any assurance that an issuer of financial products will be available to fulfill the issuer's obligation to any purchase of a product through SAI.

## FEES AND COMPENSATION

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### Termination of Agreement (in our programs)

The Client Agreement between you and our firm may be canceled at any time, for any reason, by either of us. Services provided under the Agreement will continue until either you or we give written notice of termination to the other party. Termination is effective upon receipt of notice, although transactions in progress will be completed in the normal course of business. If we receive a request to terminate and liquidate your account, we have up to 72 hours to begin liquidating. Upon termination of an Asset Based Brokerage Services account, any prepaid, unearned management fees will be calculated and promptly refunded based upon the number of days remaining in the quarter after the termination date. Subsequent transactions in a closed account are subject to our broker/dealer affiliate's normal brokerage rates and commissions. For general information as to how fees are assessed, please refer to the specific program listed in the section titled "Fees."

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### Fees

Management fees charged in our programs are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds and variable annuities that may be recommended to you. A description of these fees and expenses are available in each mutual fund and annuity prospectus. The ongoing management fee for investment management services may cost you more than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged a commission for each transaction, and your representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold strategy for the account or do not wish to buy ongoing investment advice or management services, you should consider opening a brokerage account rather than an advisory account. Fees charged in our programs may be more than the cost of purchasing the same services separately. You may be able to obtain similar services for a lesser fee from other advisors. The fees charged vary among our programs.

Our firm also may invest a portion of your assets in mutual funds, exchange traded funds or variable annuities and charge an investment management fee on your assets invested in these securities. Therefore, you may pay two levels of fees for the management of their assets, one directly to our firm and one indirectly to the managers of the mutual funds, exchange traded funds or variable annuities held in their portfolios. The underlying assets may be bought directly through the mutual fund company or variable annuity company. Therefore, you could generally avoid the second layer of fees by making your own decisions regarding the mutual fund, exchange traded fund or variable annuity investment. However, in that case, you would not receive the investment management services provided by your representative.

SAA's policy prohibits the imposition of an asset-based fee for 18 months on products that were subject to a commission and sold by the SAI representative at the time of purchase, with the exception of mutual fund class-C shares. SAA's policy prohibits the imposition of an asset-based fee for 12 months for mutual fund class-C shares that were subject to a commission and sold by the SAI representative at the time of

purchase. While SAI will generally allow these products to be journaled from a commission-based account to an advisory account, SAA's policy is to exclude these products from the fee-calculation unless first held for 18 months, with the exception of mutual fund class-C shares, which have a 12 month holding period. While SAA (or an entity on its behalf) has designed reasonable controls to monitor for such activity, we encourage you to check the accuracy of your advisory fee billings in those cases where you have a commission-based product sold by your representative transferred to a fee-based account.

### **Fees in Asset Based Brokerage Services**

You pay an annual management fee based on a percentage of assets under management for all Asset Based Brokerage Service accounts. Your representative negotiates Asset Based Brokerage Service fees with you based on the complexity of the your financial situations and the services that will be provided; the experience and standard fees charged by your representative providing the services; and the nature and total dollar asset value of the assets maintained in your account. The maximum annualized management fee that may be charged to you is 2.45%. The exact fee or fee schedule will be disclosed to you prior to services being provided. Your representative can choose to "bundle" related Asset Based Brokerage Services Program accounts in order for you to receive a break on management fees. Account bundling can only be done on accounts with the same fee schedule, within the same immediate family or under the same qualified plan. When accounts are bundled, the total average daily balance for all of the bundled accounts is used to determine the fee based on the fee schedule. This percentage is then applied to each account and the fee is charged to each respectively.

You may also be assessed ticket charges on account transactions and other miscellaneous charges by National Financial Services on account transactions. Miscellaneous charges may include custodial fees levied by the custodian. Account assets may also be subject to additional fees and expenses as explained in the prospectus for mutual funds or exchange traded funds.

For the Asset Based Brokerage Services, we retain an administrative fee of up to .25% of the representatives annualized management fee as compensation for providing administrative and support services. The representative is paid the balance of the annualized management fee. Account bundling does not reduce our administrative fee. Each account is priced separately for purposes of our administrative fee.

### **Management Fee Calculations and Payments in the Asset Based Brokerage Services**

Management fees for Asset Based Brokerage Service accounts are billed in advance on the 15<sup>th</sup> business day of the month. Fees are based on the previous month's average daily balance or the end balance of during the billing period. Fees accumulated during a partial month will be prorated based on the number of days the account was open during the month. We charge a \$50 annual processing fee for accounts under \$100,000. The annual processing fee is due at the end of the calendar year and can be passed on to your representative at our discretion.

Typically, management fees are automatically deducted from the Asset Based Brokerage Service account according to an authorization provided in the Asset Based Brokerage Services Client Agreement. On an exception basis, you may have your management fees paid from other accounts or have us bill you directly by invoice. In such cases, the management fee is noted as zero on your brokerage statements.

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Compensation for the Sale of Securities Or Other Investment Products

Your representative receives compensation as a result of your participation in our programs. Fees for investment supervisory services may vary and may be more than the cost of purchasing the same services separately. You may be able to obtain similar services for a lesser fee from other advisors not affiliated with our firm or SAI. The amount of compensation SAA or your representative may receive in a particular program may be more than would be received if you participated in other SAA programs or paid separately for investment advice, brokerage and other services. For example, the recommendation of one Program Portfolio over another Program Portfolio may create a financial incentive for your representative. Your representative is not under any obligation to promote or use one money manager over another. You may want to consider the following factors when determining the reasonableness of the fees charged, including the following:

1. The cost of developing investment strategies and managing the assets.
2. The cost of producing performance reports covering the managed assets.
3. The cost of administrative, marketing and website services.
4. Transaction and custody costs or other miscellaneous fees, taxes or charges, as well as commissions or mark-ups and mark-downs on the buy and sale of securities.
5. The value of the services provided in assisting you in designing, establishing and monitoring the managed assets.
6. The cost of the additional administrative, marketing, asset management and other support services that may be provided in the management of a program account.

SAA, SAI and the representative, as licensed registered representatives of SAI, are able to effect securities transactions for separate and typical compensation for any client requesting these securities transaction services. Your representative may sell insurance products in his or her separate capacity as an independent insurance agent, for sales commissions. SAI registered representatives have the discretion to determine the amount of commission charged to clients on products other than mutual funds or insurance products. As a result, your representative may receive both advisory fees and broker/dealer commissions for the sale of securities placed under SAA's management. Representatives, who provide advice to you through the Asset Based Brokerage Services accounts, generally waive their brokerage commissions from recommended securities transactions affected in Asset Based Brokerage Services Program accounts. Your representative may reduce his or her advisory fee to offset the commissions or markups charged when an advisory fee is charged in addition to the commissions or mark-ups. Load mutual funds and bonds may be bought in some managed accounts on an exception basis at your direction. Your representative may receive mutual fund sales loads, 12(b)-1 distribution fees, and variable annuity sales and trail commissions from investments placed in managed accounts and non-managed accounts, unless not permitted by law or regulation. You should be aware that these 12(b)-1 fees come from fund assets and thus, indirectly from your assets. The receipt of these fees could represent an incentive for SAA to recommend funds with 12(b)-1 fees or higher 12(b)-1 fees over funds with no fees or lower fees, therefore creating a potential conflict of interest. The receipt of compensation from a variety of sources may also be considered to be a conflict of interest. In determining the amount of commissions charged, SAI registered representatives will take into account FINRA's 5% guideline policy, the type of security involved, the availability of the security in the market, the price of the security and the amount of money involved in the transaction. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. You are not under any obligation to engage these individuals when considering implementation of advisory recommendations. You are free to

select any broker/dealer you wish to implement recommendations and execute transactions. You may buy the same investment product from a non-affiliated broker or implement securities transactions without the services offered by the representative. In that case, you would not receive the services provided by your representative.

SAA's policy prohibits the imposition of an asset-based fee for 18 months on products that were subject to a commission and sold by the SAI representative at the time of purchase, with the exception of mutual fund class-C shares. SAA's policy prohibits the imposition of an asset-based fee for 12 months for mutual fund class-C shares that were subject to a commission and sold by the SAI representative at the time of purchase. While SAI will generally allow these products to be journaled from a commission-based account to an advisory account, SAA's policy is to exclude these products from fee-calculation unless first held for 18 months, with the exception of class-C mutual funds which are subject to a 12 month holding period. Your representative may recommend that a product previously purchased in a commission-based account be transferred into an advisory account. Your representative may or may not have originally sold that product to you. The recommendation may be deemed to be a conflict of interest. We manage this conflict through written disclosure to you and by imposing reasonable controls designed to monitor for this activity.

Financial planning clients are not under any obligation to engage SAA representatives in their SAI registered representative capacity when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at your discretion. In addition, your representative, as an insurance agent or broker of various insurance companies, can buy investment products (insurance) for separate and typical compensation for any client requesting this additional service. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another insurance agent or broker/dealer. You may engage individuals from non-affiliated broker/dealers to implement the advisory recommendations. The implementation of any or all recommendations is solely at your discretion. In that case, you would not receive the services provided by your representative.

In addition to the advisory fees disclosed in your advisory agreement or commissions you pay for the purchase of securities and insurance products, your representative may receive compensation, including bonuses and non-cash compensation, for selling certain securities or other investment products. Examples of non-cash compensation may include the receipt of due diligence and/or marketing allowance payments from certain sponsors. While the arrangements with each sponsor may vary, each product sponsor may pay a due diligence or marketing allowance fee based upon the amount of assets held at the sponsor or on the gross amount of each sale, depending upon the product. In certain cases, additional payments are paid or directed to SAA/SAI for selling these products. This may create a conflict of interest based on the amount of compensation SAA/SAI receives when recommending one non-publicly traded product over another. As a result, certain incentives and conflicts of interest may exist for your representative if you buy certain products or services recommended by your representative. We encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

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## Other Fees

Representatives may sell various mutual fund and insurance products offered by subsidiaries of Ladenburg Thalmann Financial Services, Inc. (LTFS). Representatives may make referrals for investment banking services and trust services through LTFS and/or its subsidiaries. Securities America Financial Corporation, the parent of SAI, SAA, and BYA is a wholly-owned subsidiary of Ladenburg Thalmann Financial Services,

Inc. and, therefore, a potential conflict of interest may exist when SAA representatives recommend these products or services. Due to the interrelationship of these entities, conflicts of interest may arise that are not readily apparent to you. Securities America Financial Corporation, through our firm, SAI, our broker/dealer affiliate, and through Ladenburg Thalmann Financial Services, Inc., in the course of its business operations, may engage in marketing allowance or sponsorship arrangements with third parties, sub-advisors, and brokerage firms to promote the distribution of investment products, including variable annuity and insurance products, mutual funds, managed accounts and customized portfolios. These additional engagements may not necessarily result in additional assets under management with our firm. However, representatives are under no obligation to sell these products or to meet any selling quotas related specifically to these products. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

SAI, our broker/dealer affiliate may execute securities transactions for you on our behalf or on behalf of your representative. SAI receives various forms of revenue from our clearing firms National Financial Services and Pershing, based upon your activity, as well as the amount of assets we have with these firms. In general, these revenue sources include a percentage or portion of fees and transaction charges collected by the clearing firms and shared with our firm or SAI, such as: (1) ticket charges; (2) margin interest charges; (3) IRA fees; (4) inactivity fees; (5) mutual fund 12b-1 trails; and/or other fees. SAI may also participate in revenue sharing arrangements based on fees charged on No Transaction Funds available on the National Financial Services and Pershing platforms. Additional details are provided below:

1. **Ticket Charges:** You may be assessed ticket charges on account transactions and other miscellaneous charges by National Financial Services or Pershing on account transactions. Account assets may also be subject to additional fees and expenses as explained in the prospectus for mutual funds or exchange traded funds.
2. **Margin Interest Charges:** Margin is not permitted in ABBS accounts. This section does not apply to ABBS program accounts.
3. **Mutual fund 12b-1 trails:** You may incur certain fees and charges imposed by third parties other than SAA, SAI in connection with investments implemented or maintained in investment management accounts including mutual fund sales loads, trail commissions, 12(b)-1 distribution fees and surrender charges; variable annuity commissions and surrender charges; and IRA and qualified retirement plan fees. SAI and SAI registered representatives may retain a portion of the mutual fund sales loads, trail commissions, and 12(b)-1 distribution fees and variable annuity commissions on investments placed in managed accounts. A description of these fees and expenses is available in each fund and variable annuity's prospectus.
4. **Other Fees:** Fees charged in our programs are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds and variable annuities that may be recommended to you. A description of these fees and expenses are available in each mutual fund and annuity's prospectus.
5. **Miscellaneous Fees:** We also reserve the right to charge additional fees to close an account except when your state of residence prohibits an account closing fee. Refer to the schedule of fees for specific fees and additional information.

Additionally, your representative may be charged additional fees for executing certain transactions. Examples include transaction charges, ticket charges or service fee/charges. When allowed by our firm or by SAI, your representative may pass these charges onto you at his or her discretion. If such charges are

passed on to clients participating in Asset Based Brokerage Services Programs, it will be reflected on your trade confirmation as a Post/Serv Fee for National Financial Services accounts or as a Trans. or Service Charge for Pershing accounts. All fees and charges are noted on your statements and/or confirmations. Stocks, bonds and other securities may be traded in managed accounts and are subject to normal spreads, mark-ups and mark-downs paid to market makers of those securities. These charges may be considered by your representative when determining the amount of fees to be charged to you. For additional information about brokerage practices, please refer to the section titled "Brokerage Practices".

We recognize your unrestricted right to select and choose any broker or dealer you wish, except in situations where we or a recommended manager is given discretionary authority over your account. However, no manager is under any obligation to use our broker/dealer affiliate for any securities transactions.

Representatives may receive fees for referring you to Premier Trust for trust services. Representatives may also receive fees for referring you to Ladenburg Thalmann for investment banking services. These fees may be paid on an ongoing basis and may continue even if your relationship with the SAA representative and/or Securities America is terminated.

Clients may purchase securities through broker-dealers in initial public offerings, secondary offerings and special purpose acquisition company transactions. An affiliate of our firm may act as an underwriter or manager for such offerings, and as such, will receive compensation equal to either all or a portion of "gross spread" (the difference between the price the client pays for the security and the price at which it purchased the securities). Our firm may also receive a portion of the gross spread as a member of the selling syndicate. The advisory fee is not reduced to offset this compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement.

Our firm may share a portion of payments received from a mutual fund or in connection with an initial public offering, a secondary offering, and/or a private placement with your Representative. Your Representative may also receive compensation, such as 12(b)-1 or services fees, in connection with the sale of funds. Therefore, your Representative has an incentive to recommend implementing the recommendations made through the consulting services through our firm. This conflict of interest is heightened when your Representative recommends securities where our firm is a member of the selling syndicate because your Representative typically receives more compensation in connection with these securities than in connection with other types of securities. Your Representative may also have a heightened conflict of interest when recommending funds that pay compensation, because your Representative may receive a portion of that compensation. Your Representative may favor certain clients when offering initial public offerings, secondary offerings and other follow-on offerings. Trade allocation will be determined on a basis that is fair, reasonable and equitable to those selected clients and that meets the clients' investment objectives. Factors such as the size of the account and the account's investment objectives may be taken into account when allocating investments. When an order is only partially filled, the security will be allocated to accounts pro-rata to the allocation of the original order quantities. Commission and transaction costs will be allocated to each account pro-rata.

With respect to initial public offerings, secondary offerings and other follow-on offerings, an allocation pro-rata to the original order quantity will be applied where demand exceeds supply. Where it is not possible to apply this policy in any particular trade, efforts will be made to allocate the next investment opportunities so that clients participating in the offerings over time, irrespective of account size, receive equitable treatment in the filling of orders.



## **Interest Charges in Cash Accounts**

SAI, our affiliate broker-dealer does not extend credit to customers in connection with the purchase of securities, unless pursuant to a margin agreement with the Clearing Firm. In the event you create a debit balance in a cash account from failure to make payment in full for securities purchased by settlement date, from failure to timely deliver securities sold, from proceeds of sales paid prior to settlement date or for other charges which may be incurred in your account, SAI, our affiliate broker-dealer reserves the right to charge you interest on such debits until satisfied by you.

Cash accounts with debit balances may be subject to interest charges above the National Financial Base Lending Rate (NFBLR) or Pershing Base Lending Rate (PBLR), depending on whether your account is custodied through National Financial or Pershing. For cash accounts carried by NFS and Pershing, the interest on debit balances is computed using the average daily debit balance of the account and the applicable interest rate in effect to determine the amount of interest charged per day. This amount is then multiplied by the number of days a daily debit balance was maintained during the interest period. Interest charged during the interest period is the total of such daily computations.

The rate of interest charged to your account can be changed without notice in accordance with changes in the NFBLR or PBLR and your average debit balance. Your monthly or quarterly statement shows this dollar amount of interest and the interest rate charged to your account.

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

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### Sharing of Capital Gains

SAA and your representative do not accept performance-based fees for investment management services.

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### Side-By-Side Management

We do not provide side-by-side management of mutual funds and other assets.

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## **ACCOUNT MINIMUMS AND TYPES OF CLIENTS**

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### Types of Clients

We generally provide investment advice to:

- (1) Individuals;
- (2) Banks or thrift institutions;

- (3) Pension and profit sharing plans;
- (4) Trusts, estates, or charitable organizations;
- (5) Corporations or business entities; and
- (6) State and municipal governmental entities.

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#### Account Minimums

The account minimum to establish and maintain an account is \$20,000. Exceptions may be granted at the discretion of our firm or your representative.

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

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#### Methods of Analysis

Security analysis methods may include (1) charting; (2) fundamental analysis; (3) technical analysis; and (4) cyclical analysis.

The main sources of information include (1) financial newspapers and magazines; (2) inspections of corporate activities; (3) research materials prepared by others; (4) timing services; (5) annual reports, prospectuses, filings with the Securities and Exchange Commission; and (6) company press releases.

Your representative has access to third party vendors that provide programs or software to analyze individual securities. We also offer your advisor access to third party vendors that provide support services in portfolio design and strategy implementation. One of our affiliates, Ladenburg Thalmann & Co. provides research designed to help clients capitalize on inefficiencies in the market. Their institutional quality research provides their partners with value-added insights that enables their decision-making processes, informs their strategies and allows them to address critical market issues. Your representative may use the services of Ladenburg Thalmann & Co. in addition to other third-party services made available. Refer to the section titled "Other Financial Industry Activities and Affiliations" for more information about our affiliates.

Strategies include (1) long-term purchases (securities held at least one year); (2) short-term purchases (securities sold within a year); (3) trading (securities sold within 30 days); (4) short sales; (5) margin transactions; and (6) option writing (including covered options, uncovered options or spreading strategies). Strategic and Tactical Asset Allocation Model Portfolios are also employed in SAA Programs. Model mutual fund and variable annuity asset allocation portfolio programs, provided by a number of institutional investment managers and strategists, may be used when managing client assets.

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#### Investment Strategies

Various investment strategies may be employed in our programs. However, a specific investment strategy or investment policy is determined for you to focus on your specific goals and objectives. Investment strategies and philosophies used within our managed programs vary based on the advice provided by your representative. Models and strategies used by one representative may be different than strategies used by other representatives. Some representatives limit their advice to mutual funds and others will provide

advice on a full range of securities that include equities, mutual funds, options, fixed income and other types of investments listed elsewhere in this Brochure. Your representative may develop models or strategies that are generally applied to their clients while other representatives will develop individualized portfolios for each client.

Our programs employ strategic and tactical asset allocation model portfolios. Model mutual fund and variable annuity asset allocation portfolio programs, provided by a number of institutional investment managers and strategists, may be used when managing assets.

In the Asset Based Brokerage Services accounts and other SAA investment advisory programs, the account investment management is determined by the stated investment objectives of the client (i.e. current income, balanced, growth and income, growth and maximum growth). Your representative is responsible for developing and determining the investment strategies that will be used when managing your accounts. This strategy is based on your individual financial situation, goals and objectives. Your representative is responsible for monitoring your portfolios and, when appropriate, reallocating the portfolios based on changing market conditions, changes in your individual circumstances or other factors. If the account is managed on a non-discretionary basis, your representative will consult you prior to reallocating securities in the account. Reallocations are implemented in discretionary accounts without prior notice to clients

Your representative typically:

- Gathers information from you about your financial situation, investment objectives, risk tolerance and investment time horizon and any reasonable restrictions you wish to impose on the management of the account;
- Periodically reviews reports provided to you and consults with you;
- Contacts you at least annually to review your financial situation; and objectives;
- Communicates information to the third-party investment advisor as warranted; and
- Assists you in understanding and evaluating the services provided by the third-party investment advisor.

If your individual situation changes, you should notify your representative, who will assist you in revising the current portfolio and/or prepare an updated client profile so that he/she can determine if a different model portfolio would be appropriate to your new situation. You may also directly contact the third-party advisor managing the account.

It is important that you understand the concept and risks inherent in exchanging an investment from one position to another. Some investment decisions result in profit and others in losses. SAA and your representative cannot guarantee that the objectives of any investment program will be achieved. Furthermore, it is important that you understand that the exchange of shares of one mutual fund for shares of another mutual fund is treated as a sale for federal income tax purposes, and that capital gains or losses may be realized unless you are eligible for tax deferral under a qualified retirement plan.

In limited circumstances, your representative may engage in a strategy involving frequent trading. You should consider the following points before entering into an advisory relationship where such trading occurs. Active trading can be extremely risky and is not appropriate for someone of limited resources and limited investment trading or trading experience and low risk tolerance. You should be prepared to lose all

of the funds that you invest in securities. In particular, you should not fund this type of trading with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet your living expenses. Active trading may result in few or no profits, and worse, may lead to large financial losses very quickly. Active trading requires in-depth active knowledge of the securities market and of sophisticated and disciplined trading techniques and strategies. Also, you must compete with professional, licensed traders employed by securities firms and other knowledgeable, experienced and well-trained traders. You should have appropriate knowledge and experience before engaging in active trading. You should be familiar with a securities firm's business practices, including the operation of the firm's order execution systems and procedures. Under certain conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. Your success will be affected by strengths and weaknesses and the methods and practices of the brokerage firm in executing trades. You should develop an intimate knowledge of these matters before you engage in an active trading strategy. Active trading may involve aggressive trading, and you can, generally, expect to pay commissions on each trade. The total daily commissions, ticket charges and other transaction costs that you pay on your trades will add to your losses or significantly reduce your earnings. For instance, assuming that each trade costs \$16 and an average of 29 transactions are conducted per day, you would need to generate an annual profit of \$111,360 just to cover commission expenses, ticket charges and other transaction costs. Tax consequences can be affected due to shorter-term purchases and sells. You may want to consult your tax professional for advice. Your portfolio may tend to be more volatile with shorter term or more active trading.

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## Risk of Loss

Investment portfolios, programs, models, asset allocations or strategies entail the risk of loss; and values and returns will fluctuate over time. While we seek to limit any losses, there have been periods of loss in the past, and there will likely be others in the future. SAA and our representatives emphasize that investment returns, particularly over shorter time periods, are highly dependent on trends in the various investments markets. Thus, our investment management services are generally suitable only for long-term investment objectives or strategies, rather than for short-term trading purposes. Diversification does not guarantee a profit or guarantee to protect you against loss, and there is no guarantee that your investment objectives will be achieved. These programs, portfolios, models, asset allocations and strategies are not FDIC insured and the investments in them may lose value. All investment programs have certain risks that are borne by you. Our investment approach constantly keeps the risk of loss in mind. You face the following investment risks:

1. Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
2. Market Risk: The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
3. Inflation Risk: The risk is that the rate of inflation will exceed the rate of return on an investment

4. Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
5. Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
6. Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They generally carry a higher risk of profitability than an electric company, which may generate much of its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
7. Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
8. Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

You should understand that there are risks inherent in all financial decisions and transactions, and that there is no guarantee that your investment objectives will be achieved. Our firm and our affiliated entities make no promises, representations, warranties or guarantees that any of its services to be rendered will result in a profit to you. Our firm and our affiliated entities do not guarantee the future performance or any specific level of performance, the success of any investment decision or strategy that our firm and any of our affiliated entities may use or the success of our overall management. You should understand that investment decisions made for you by our firm or any of our affiliated entities are subject to various market, currency, economic, political and business risks and that those investment decisions will not always be profitable. You should understand that SAA, SAA representatives and our affiliated entities will not be liable for any loss incurred with respect to your account, except where such loss directly results from such party's negligence or malfeasance. Nothing in this section is intended to be a waiver of any right of action you may have under applicable securities laws or your rights in the event SAA, the SAA representative or its affiliated subsidiaries breach any fiduciary duty owed to you.

SAA monitors accounts based on standard deviation thresholds. For information about these thresholds, please visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

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### **Portfolio manager selection and evaluation**

In your Asset Based Brokerage Services account, your representative serves as the Portfolio Manager and is selected by you at the time you enter into an agreement with our firm to manage your account. Your representative manages your portfolio and determines which investments are bought, sold, reallocated or redeemed. Please refer to the section titled "Investment Analysis" for more information.

## **CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

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The principal source of information used by your representative is the data provided by you, such as your personal data, assets and liabilities, income expectations, short-term and long-term financial goals, risk tolerance associated with goals, and other relevant information. This information is collected as part of the new account form or subsequent account updates. Your representative uses this information to make decisions to buy, sell, redeem, or reallocate the portfolios based on changing market conditions, client specific changes to their suitability and financial information. Should you wish to update your suitability and financial information, please contact your representative. Based on your response, your representative will then evaluate whether or not to change your investment portfolio based on your responses to the questionnaire.

## **RESTRICTIONS ON ABILITY TO CONSULT WITH A PORTFOLIO MANAGER**

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There are no restrictions on your ability to consult with your representative.

## **DISCIPLINARY INFORMATION**

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## **REGULATORY AND LEGAL EVENTS**

The Company and its subsidiaries are involved in the normal course of business in legal, regulatory and arbitration proceedings, including class actions, concerning matters arising in connection with the conduct of its activities.

In July 2009, two issuers of private placement interests (Medical Capital Holdings, Inc./Medical Capital Corporation and affiliated corporations and Provident Shale Royalties, LLC and affiliated corporations) sold by the Company's subsidiary Securities America, Inc. ("SAI") were the subject of SEC actions (brought against those entities and individuals associated with them), which has resulted in the filing of several putative class action lawsuits naming both SAI and Ameriprise, as well as related regulatory inquiries. Approximately \$400 million of Medical Capital and Provident Shale investments made by SAI clients are outstanding and currently in default. On January 26, 2010, the Commonwealth of Massachusetts filed an Administrative Complaint against SAI. On May 23, 2011, SAI reached a settlement with Massachusetts which required SAI to pay \$2.8 million to Massachusetts investors plus potential additional amounts in the future. The settlement does not include any fines against Securities America, and contained no acknowledgement of wrongdoing. A significant volume of FINRA arbitrations have been brought against SAI. All but 16 have been settled, and there has been one adverse ruling, with the remaining cases scheduled throughout 2012. The putative class actions and arbitrations generally allege violations of state and/or federal securities laws in connection with SAI's sales of these private placement interests. These actions were commenced in September 2009 and thereafter. The Medical Capital-related class actions

were centralized and moved to the Central District of California by order of the United States Judicial Panel on Multidistrict Litigation under the caption "In re: Medical Capital Securities Litigation." The Provident Shale-related class actions were consolidated in Texas federal court. On June 22, 2010, the Liquidating Trustee of the Provident Liquidating Trust filed an adversary action ("Liquidating Trustee Action") in the Provident bankruptcy proceeding naming SAI on behalf of both the Provident Liquidating Trust and a number of individual Provident investors who are alleged to have assigned their claims. The Liquidating Trustee Action generally alleged the same types of claims as are alleged in the Provident class actions as well as a claim under the Bankruptcy Code. The Liquidating Trustee Action has been moved from bankruptcy court to the Texas federal court with the other Provident class actions. On January 24, 2011 the Medical Capital Class Action was temporarily transferred to the Northern District of Texas, where the Provident class action is pending, so that coordinated settlement negotiations could be conducted under that single Court's supervision. On February 17, 2011, the named plaintiffs to the class actions filed with the Court a Settlement Agreement and Motion for Preliminary Approval of Class Action Settlement, seeking the court's approval of agreed-upon settlement terms. On March 18, 2011, the judge denied the Motion for Preliminary Approval. Following a mediation held in Chicago on March 25, 2011, SAI reached a global settlement covering the majority of the pending FINRA arbitrations and a separate settlement of all class action claims related to the Medical Capital and Provident Royalties matters. The combined settlements provide a total of \$150 million to investors - \$70 million for arbitration claims and \$80 million for the class action claims. The court granted preliminary approval of the class action settlement on May 5, 2011. On July 27th, 2011 the court in the Medical Capital/Provident Royalties class action settlement announced that final approval has been given to the class action settlement agreement. That decision was not appealed and is now the final judgment of the court. Securities America paid the settlement amounts; the arbitration claimants have received their payments, and the class action claimants are expected to receive their payments from their class counsel and the claims administrator by year end.

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

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### Financial Industry Activities

SAA conducts activities with some affiliates who are "related persons" as defined on the Securities and Exchange Commission's Form ADV. These activities may be material to our investment advisory business or our advisory clients. These affiliates include companies under common control of Securities America Financial Corporation by virtue of their status as subsidiaries of Securities America Financial Corporation. SAA, BYA, and SAI, are wholly-owned subsidiaries of Securities America Financial Corporation. Arbor Point Advisors, LLC, another investment advisor firm, is a majority-owned subsidiary of Securities America Financial Corporation. Arbor Point Advisors is registered with the SEC, relying on Rule 203A-2(c) under the Investment Advisers Act of 1940, because Arbor Point Advisors is under common control with SAA, an investment advisor that is registered with the SEC, and Arbor Point Advisors' principal office and place of business is the same as SAA. We share officers and home office employees with Arbor Point Advisors. However, our investment advisor representatives are only licensed with Securities America Advisors, Inc. and not also with Arbor Point Advisors. Although our services are similar to those provided by Arbor Point Advisors, our investment advisor representatives do not provide advisory services for Arbor Point Advisors or utilize the programs sponsored by Arbor Point Advisors.

Securities America Financial Corporation is a wholly-owned subsidiary of Ladenburg Thalmann Financial Services, Inc. (LTFS). Ladenburg Thalmann Financial Services, Inc. provides financial products and services through subsidiaries. Ladenburg Thalmann Financial Services, Inc. has several other subsidiaries registered as investment advisors, broker/dealers, an investment company, a trust company, and insurance companies or agencies.

Ladenburg Thalmann Asset Management (LTAM), Investacorp Advisory Services, Inc. and Triad Advisors, Inc. are SEC registered investment advisers and are wholly owned subsidiaries of Ladenburg Thalmann Financial Services, Inc. Ladenburg Thalmann Asset Management, Inc. (LTAM) owns 50% of Ladenburg Thalmann Fund Management, LLC (LTFM), which is a registered investment advisor. Ladenburg Thalmann Fund Management, LLC (LTFM) is an adviser to an open-end registered investment company, the Boyar Value Fund, Inc. This fund is an open-end diversified management investment company. SAI, our broker-dealer affiliate may distribute this fund along with the funds of other investment companies. Your representative may recommend that clients invest in the Boyar Value Fund or in the Ladenburg Thalmann Alternative Strategies Fund, for which LTAM acts as investment adviser and SAI acts as distributor. Ladenburg Thalmann Alternative Inc. is the manager of Ladenburg Opportunity Fund I, LLC, a hedge fund.

Recommendations made to purchase these investments create a conflict of interest because LTAM and SAI generally receive more compensation in connection with the purchase of these funds than they do in connection with the purchase of other funds. In addition, these funds pay fees in connection with services or distribution, such as 12b-1 fees. These fees are paid to SAI as broker-dealer. Your representative may receive part of the compensation paid to SAI in his or her capacity as a registered representative of SAI to the extent permitted by applicable law. SAI and SAA have policies and procedures to address such conflicts of interest. These additional engagements have the potential to, but, may not necessarily result in additional revenue to our firm or an affiliate.

We are also affiliated with Ladenburg Thalmann & Co. Inc (LTCO), Investacorp, Inc., and Triad Advisors, Inc., which are registered full service broker-dealers.

Due to the interrelationship of these entities, conflicts of interest may arise that are not readily apparent to the client. Securities America Financial Corporation, through SAI, SAA, Arbor Point Advisors, LLC, and Ladenburg Thalmann Financial Services, Inc., in the course of its business operations, may engage in marketing allowance or sponsorship arrangements with third parties, sub-advisors and brokerage firms to promote the distribution of investment products, including variable annuity and insurance products, mutual funds, managed accounts and customized portfolios. These additional engagements have the potential to, but, may not necessarily, result in additional assets under management with our firm.

Therefore, a potential conflict of interest may exist when representatives recommend these products, as Ladenburg Thalmann Financial Services, Inc. stands to receive earnings from the internal fees of the recommended securities as well as earnings from a portion of the investment advisory fee received by our firm. Please refer to the section titled "Compensation for the Sale of Securities Or Other Investment Products" for more information.

Your representative may recommend Premier Trust to provide trust and administrative services. Premier Trust provides full disclosure with respect to its trust and administrative services and related costs.

The principal executive officers, other employees and representatives may be separately licensed as registered representatives and registered principals of SAI and/or agents or brokers of various insurance companies. As such, these individuals are able to effect securities transactions and may receive separate



yet customary compensation for effecting any securities transactions. These individuals may spend the majority of their time involved in all or a portion of these activities.

The majority of SAA's representatives are independent contractors and not employees of SAA or SAI. Some representatives may be employees of SAA or our affiliated broker/dealer. Representatives may own, operate, be employed by or otherwise maintain affiliations with other business entities such as insurance agencies, law firms, real estate or mortgage companies, financial planning firms, investment advisors and/or accounting firms. Many of these representatives market their services under a different marketing name and/or as an outside business activity.

Your representative may use marketing names or other names that are held out to the public. Such names are known as "doing business as" names. The purpose for using a name other than Securities America is for your representative to create a brand or marketing name that is specific to your representative and/or branch, but separate from Securities America. While we allow your representative to use a name other than Securities America, your representative must disclose on advertising and correspondence that securities are offered through Securities America, Inc., and advisory services are offered through Securities America Advisors, Inc.

Independent I/A representatives are independent contractors and not employees of SAA or SAI. Certain representatives of our broker/dealer affiliate have their own registered investment advisory businesses. These independent investment advisor firms are separate business entities and are not under common control or ownership with SAA or any of our affiliated subsidiaries. Any advice or action taken by a client according to an agreement with an independent investment advisor firm is strictly the responsibility or obligation of the independent investment advisor firms and not the responsibility or obligation of SAA as the investment advisor. The independent investment advisor firms market these services under a different marketing name or/and under an outside business activity.

SAA investment advisor representatives and independent I/A representatives may be separately registered as representatives of SAI, our affiliated broker/dealer, and may use SAA programs when managing their clients' assets. Your representative may engage our firm to assist them in providing advisory services. The independent investment advisor firms may be engaged by our firm to provide advisory services on our behalf. In certain circumstances, the separate independent investment advisor firms may perform services similar to those offered by us for fees that may be greater or less than the fees charged by our firm. We will only engage these firms and their associated persons to provide advice on our behalf when the engagement is in compliance with applicable SEC and state regulations. We recommend the use of other investment advisor firms as part of various programs. Please refer to the "Advisory Business" section for information about these programs.

Your representative may also be an independent contractor with Fox College Funding, LLC, under which he or she may provide additional non-advisory college consulting services for non-advisory compensation.

OSJ Managers ("supervisors") who are responsible for the direct supervision of your representative may receive a percentage of commissions or fees as an override to compensate them for their supervisory services. This may be perceived as a conflict of interest. However, your representative and his/her supervisor maintain their independence because they are committed to meeting their client duties and regulatory obligations. The payments of an override, fee or commission is not the determining factor when making a recommendation or providing investment advice. You are under no obligation to purchase products or services recommended by your representative.

Your representative may also recommend that clients invest in securities issued in an initial public and secondary offering ("new issue") transactions for which Ladenburg Thalmann & Company, an affiliated broker-dealer, acts as a manager, an underwriter and/or a member of the selling group or SAA or SAI acts as a member of the selling group. Our firm has a conflict of interest in recommending these securities for several reasons. First, our affiliated broker-dealer, Ladenburg Thalmann & Company, receives all or a portion of the gross spread – the difference between the price that the client pays for the security and the price that Ladenburg Thalmann & Company purchases the security for -- in connection with such sales. This gross spread is generally 7%, but may be higher or lower in connection with certain offerings. If our firm is a member of the selling group, we also receive a portion of the gross spread. Your Representative generally receives a portion of this compensation in his or her capacity as a registered representative for Securities America, Inc. In addition, LTCO has a substantial interest—both financial and with respect to its reputation—in assuring that the offering is successful by having a large number of the securities purchased. Finally, in connection with certain offerings, LTCO has an obligation to purchase and resell a certain number of securities. Thus, because of our affiliation with LTCO, we have incentives to recommend these investments in these offerings for these reasons, rather than based on a client's needs. To address these conflicts, we have policies and procedures in place to make sure that securities in initial public offerings are recommended only to clients for whom they are suitable given the client's investment objectives and assets. In addition, clients are generally given transaction specific disclosure prior to the client's decision to invest in such securities.

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#### Affiliations

We have established an agreement with Hanson McClain Retirement Network, LLC (HMRN), a registered broker/dealer and investment advisor in which the associated persons of HMRN provide consultation and marketing support services to representatives to assist them in obtaining more clients. As a result of this relationship, we pay HMRN a portion of the fees from any clients obtained as a result of the services provided by HMRN.

Some representatives have established a relationship with Heartland Financial Network, LLC (HFN). To participate in this program, representatives must first obtain the Certified Financial Educator (CFEd®) designation through the Heartland Institute for Financial Education (HIFE). Once the CFEd® designation has been obtained, the CFEd® designee is certified to provide college-sponsored financial education courses. The CFEd® designees may receive additional training through HFN on how to leverage the CFEd® designation to convert course attendees into advisory clients. In addition, HFN provides marketing assistance and may assist in establishing relationships with institutions and businesses through which the CFEd® designee will provide financial training to individuals. However, HFN will not solicit or refer individual clients to our firm or representatives. After receiving the additional training, the CFEd® designee may provide financial education courses to individuals. No specific products will be discussed or sold during these courses. Individuals attending these courses receive an initial one-on-one consultation with the CFEd® designee at no charge to the individual attendee. If the attendee then wishes to become a client and work with the CFEd® designee in his or her separate capacity as an SAA representative, the client must sign an agreement with the representative for those services.

To receive this additional training and assistance, your representative must sign an agreement with HFN. HFN is owned by Securities America Financial Corporation and Alan Gappinger. If your representative participates in this program, he or she pays an annual fee of up to \$7,500 and a renewal fee for each subsequent year of up to \$4,000. In addition, your representative pays a fee of \$150 for every HFN

generated lead. This fee is paid regardless of whether a lead becomes a brokerage or advisory client and regardless of whether an account is established. The fees are then used to pay expenses of HFN. While direct fees are not paid to Alan Gappinger as a result of this relationship, Gappinger and SAA/Securities America Financial Corporation share any profits produced through HFN.

### **Banking or Thrift Institution**

SAI, our brokerage affiliate markets its services through banks and thrifts. In some circumstances, investment management services are also marketed through these banks and thrifts, provided that such marketing is done in compliance with applicable Securities and Exchange Commission and state regulations. SAI has established an agreement with EverBank, a Federal Deposit Insurance Corporation (FDIC) insured Savings Association, to allow SAI registered representatives, who may also be SAA representatives, to affiliate with EverBank. In this capacity, your representative may refer clients to EverBank, so that EverBank may provide you with banking services. Your representative is compensated for any referrals made through EverBank. However, you are not obligated to use banking services from these individuals or entities.

### **Bank Deposit Sweep Program (BDSP); Advised Retirement Account-Bank Deposit Sweep Program (ARA-BDSP)**

Managed accounts custodied with National Financial Services, LLC have a core account used for settling securities transactions and holding credit balances. We may provide you with access to multiple core account investment vehicles, including money market funds and bank deposit accounts to hold a cash balance awaiting reinvestment. The BDSP and the ARA-BDSP are such core account investment vehicles.

If you are eligible for an FDIC Insured-Bank Deposit Sweep Program, and your managed account is not a retirement account, you authorize SAI to establish the BDSP as your core account investment vehicle.

Available cash is deposited through the BDSP into interest-bearing FDIC-Insured deposit accounts at one or more FDIC-insured depository institutions (Program Banks).

If you are eligible for an FDIC Insured-Bank Deposit Sweep Program, and your managed account is a retirement account, by opening the account you are acknowledging that you: (i) are solely responsible for making investment decisions as they relate to your available cash awaiting investment both on an initial and ongoing basis, (ii) have reviewed and understand the terms, including the related fees and compensation of the ARA-BDSP as described in the Disclosure Document, (iii) have determined the fees and compensation paid to SAI to be reasonable and no more than adequate, and (iv) directed SAI to invest your account in the ARA-BDSP. Available cash in your account is deposited through the ARA-BDSP into interest-bearing FDIC-Insured deposit accounts at one or more FDIC-insured depository institutions (also, Program Banks).

The BDSP and the ARA-BDSP may create financial benefits for our firm and our affiliates and for National Financial Services. Our firm will receive a fee from each Program Bank in connection with the respective Programs. We will also pay a fee to National Financial Services. The revenue generated by us may be greater than revenues generated by sweep options at other brokerage firms, and may be greater than other core account investment vehicles currently available to you or possible core account investment vehicles that we have used in the past or may consider using in the future.

Should you establish a managed account custodied with National Financial Services, LLC, your core account investment vehicle will be established in one of the core account investment vehicles described

above. By opening your managed account through our firm, depending upon the type of account (retirement or non-retirement) you have either consented to placing your assets in one of the core account investment vehicles described above or you have directed us to do so. If you do not wish to keep your assets in one of the core account investment vehicles described above, we will not be able to maintain your account. You are not obligated to use any of our managed accounts and may select a managed account at another broker-dealer where similar compensation arrangements may not exist. However, you would lose the benefit of having your account managed by your representative and SAA.

Any deposits that you maintain in the same insurable capacity, outside of the BDSP but with a BDSP Bank, are aggregated with your BDSP deposits for purposes of determining the maximum applicable FDIC deposit insurance. You are responsible for monitoring the total amount of your deposits with each BDSP Bank to determine the extent of FDIC deposit insurance coverage available. If you are eligible to participate in the BDSP, you can expect to receive the BDSP Disclosure Document, which you should review carefully.

Any deposits that you maintain in the same insurable capacity, outside of the ARA-BDSP but with an ARA-BDSP Bank, are aggregated with your ARA-BDSP deposits for purposes of determining the maximum applicable FDIC deposit insurance. You are responsible for monitoring the total amount of your deposits with each ARA-BDSP Bank to determine the extent of FDIC deposit insurance coverage available. If you are eligible to participate in the ARA-BDSP, you can expect to receive the ARA-BDSP Disclosure Document, which you should review carefully prior to directing us to establish the ARA-BDSP as your core account investment vehicle.

### **Deutsche Bank Insured Deposit Program (DBIDP)**

Managed accounts custodied at Pershing may participate in the DBIDP, which sweeps excess cash balances in your brokerage account carried at Pershing to bank deposit accounts at various depository institutions (DBIDP Banks) and sweeps cash from the various DBIDP Banks to cover purchases of securities and other debits in your brokerage account carried at Pershing.

Pershing uses the services of Deutsche Bank Trust Company Americas (DBTCA) to perform allocations among the DBIDP Banks to maximize FDIC insurance coverage. You are solely responsible for monitoring any money held at a DBIDP Bank outside the DBIDP, as this may impact the insurance coverage available.

Each DBIDP Bank pays DBTCA a fee for its services related to your deposit account at each particular DBIDP Bank. DBTCA in turn shares a portion of that fee with Pershing which in turn shares a portion of its fee with us. We may earn a higher fee if you participate in the DBIDP than if you purchase shares in a money market fund. DBIDP Banks are listed on your account statement. If you are eligible to participate in the DBIDP, you can expect to receive the Deutsche Bank Insured Deposit Terms and Conditions, which you should review carefully.

### **Accounting Firm**

Representatives may be separately licensed as accountants and may offer accounting services to advisory clients for separate and typical compensation. You are not obligated to use any of these individuals to provide accounting services.

## **Law Firm**

Representatives may be separately licensed as attorneys and, as such, may offer to provide legal advice for separate and typical compensation. You are not obligated to use any of these individuals to provide legal services.

## **Insurance Company or Agency**

Some principal executive officers, representatives and other employees of our firm are agents and/or brokers of various insurance companies. Some individuals are able to effect insurance recommendations if you elect to have insurance recommendations implemented. These individuals receive separate and typical compensation for insurance and/or annuity implementation. You are not obligated to use any of these individuals for insurance product purchases. You are free to use any insurance agent or insurance broker you choose.

We have arrangements that are material to our advisory business with a related person who is an insurance agency. SAI, our broker/dealer affiliate is also a licensed insurance agency and may receive commissions in connection with the sale of fixed insurance products by registered representatives who are licensed to sell these products. SAI, in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for marketing, training and distribution support. None of these additional payments are paid or directed to any registered representative/insurance agent who sells these products. The registered representative/insurance agent does not receive a greater or lesser commission for sales of these insurance products from which our broker/dealer affiliate receives revenue sharing payments. However, the marketing, educational and distribution activities paid with revenue sharing could potentially lead a registered representative/insurance agent to focus more on products offered by insurance sponsors that make revenue sharing payments to our broker/dealer affiliate, than those of sponsors that do not make such payments when recommending insurance products to their clients.

## **Pension Consultant**

Representatives may be separately engaged in providing pension-consulting services. If you are in need of these services, you may engage these individuals for separate and typical compensation. You are not obligated to use any of these individuals to provide this service. In addition, representatives may establish relationships with outside parties that provide pension-consulting services. In such instances, representatives may refer you to pension consultants and may receive a solicitor referral fee. Such arrangements are fully disclosed to you at the time of referral.

## **Real Estate Broker or Dealer**

Representatives may be separately licensed as real estate agents. As such, these individuals will, for a separate commission or fee, provide real estate brokerage and/or appraisal services for clients who require these services. You are not obligated to use these individuals for real estate services.

## **Recommendation or Selection of Other Investment Advisers for Our Clients and Compensation Received**

For a discussion of our compensation arrangements involving the recommendation or selection of other investment advisers for our clients, please refer to the section titled "Client Referrals and Other Compensation."

## Board of Directors

The Board of Directors for Securities America serves as board members for several of our affiliated companies. There may be a perceived conflict of interest. You should be aware that the Board of Directors does not make decisions for our firm without following the process set forth in our firm's by-laws.

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

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### Our Approach to Conflicts of Interest

Conflicts of interest that may arise in the course of providing investment management services are described throughout this brochure, as are some of our policies and procedures designed to address specific conflicts of interest, such as our Code of Ethics and personal trading practices.

We have a compliance program in place that is intended to identify, mitigate and, in some instances, prevent actual and potential conflicts of interest, ensure compliance with legal and regulatory requirements and ensure compliance with client investment guidelines and restrictions. Our compliance program includes written policies and procedures that we believe are reasonably designed to prevent violations of applicable law and regulations.

We maintain various committees, which provide oversight and review of compliance across functional boundaries including several operating committees, whose membership is comprised of personnel from the impacted business area(s). These committees receive input from compliance and legal as appropriate to help ensure compliance with some of these policies and procedures. Some of the key committees (or subcommittees) supporting our compliance program efforts include those committees (or subcommittees) responsible for proxy voting, trading, including best execution and new products.

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### Code of Ethics

We have established a Code of Ethics to comply with the requirements of Section 204A-1 of the *Investment Advisers Act of 1940* reflecting our fiduciary obligations and those of our supervised persons and requiring compliance with federal securities laws. Our Code of Ethics covers all individuals who are classified as "supervised persons." All Securities America (including Securities America Financial Corporation, our firm, and our affiliated broker/dealer) employees, SAA officers, SAA directors, SAA representatives and their associated persons are classified as supervised persons. We require our advisory affiliates and their supervised persons to consistently act in their clients' best interests in all advisory activities. We impose certain requirements on our advisory affiliates and supervised persons to ensure they meet the firm's fiduciary responsibilities to their clients. The standard of conduct required is higher than that ordinarily required and encountered in commercial business and includes compliance with applicable federal securities laws and regulations and with the Code of Ethics. Under the Code of Ethics, supervised persons are required to report their personal securities holdings and transactions, may be required to pre-clear certain investments or may be restricted with respect to the timing of certain investments or prohibited from making certain investment. All supervised persons are required to conduct all personal trades through

designated broker/dealers unless an exception has been granted. This response is only intended to provide you with a summary description of our Code of Ethics.

If you wish to review our Code of Ethics in its entirety, a copy may be obtained by calling us at (800)747-6111, ext. 6141 or writing to the RIA Compliance Department at Securities America, Inc., 12325 Port Grace Blvd, La Vista, NE, 68128.

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#### Participation or Interest in Client Transactions

SAI, our affiliated broker/dealer may execute securities transactions on our behalf or on behalf of your representative. SAA, SAI and/or your representative may receive advisory fees and broker/dealer commissions for the sale of securities placed under our management. The receipt of compensation from a variety of sources may be considered to be a conflict of interest. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

We will process brokerage security transactions through SAI so long as we determine that executing the transactions through our affiliated broker/dealer fulfills our duty of best execution. We consider certain factors when selecting a broker/dealer and determining the reasonableness of commissions. Please refer to the section titled "Brokerage Practices" for more information.

Representatives may sell mutual fund and insurance products offered by subsidiaries of Ladenburg Thalmann Financial Services, Inc. (LTFS). Therefore, a potential conflict of interest may exist when SAA representatives recommend these products inasmuch as Ladenburg Thalmann Financial Services, Inc. stands to receive earnings from the internal fees of the recommended securities as well as earnings from a portion of the investment advisory fee received by our firm. Representatives are not under any obligation to sell these products or to meet any selling quotas related specifically to these products. We would refer you to the section titled "Other Financial Industry Activities and Affiliations" and encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

#### **Policy Regarding Engaging in Agency Cross Transactions in Advisory Accounts**

It is SAA's policy to prohibit representatives from engaging in agency cross transactions where representatives act as brokers for both the buy and sell of a single security between two different clients for which the representatives receive compensation in the form of an agency commission or principal mark-up for the trades. Should we adopt a different policy in this area, we will observe all rules and regulations in accordance with the disclosure and consent requirements of Section 206(3) of the Advisers Act. Additionally, we are aware that such transactions can only occur if we can ensure that we meet our duty of best execution for the client.

#### **Policy Regarding Engaging in Principal Trading Involving Advisory Accounts**

SAA does not permit principal transactions to be effected in advisory accounts. SAI, our affiliated broker/dealer does not make a market in securities. SAI may engage in riskless principal transactions for certain fixed income securities. A risk principal transaction is a trade in which a broker or dealer, receives an order to buy or sell a security and purchases the security in a simultaneous offsetting transaction. Potential conflicts of interest exist between your interests and SAI. Current federal securities regulations do not require that firms when trading as a principal disclose their mark-ups on riskless principal transactions. Mark-ups may vary by security.

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## Personal Trading

SAA, SAA representatives and our supervised persons may recommend securities to buy, sell or hold a position in securities identical to the securities recommended to you, at or about the same time that they or a related person buys or sells the same securities for their own or a related person's account. It is SAA's policy that no supervised person will put his/her interest before your interests. SAA and our representatives may not trade ahead of any client or trade in a way that would cause the supervised person to obtain a better price than the price a client would obtain.

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## Our Pre-Clearance and Restricted Securities Policy

Due to our affiliation with another investment company, investment advisors, and broker dealers, we maintain a Restricted and Pre-Clearance Equity List, which may limit our firm and the representative's ability to transact in certain equities on your behalf in a discretionary advisory program. Your representative may not be able to place certain transactions or may experience delays in submitting certain transactions on your behalf based on any pre-clearance or pre-approval requirements implemented by the firm. You may receive a worse price than what you might receive if you placed the transaction through another investment advisor representative not affiliated with SAI and not subject to any trading restrictions. These trading restrictions are subject to change without notice.

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## Our Insider Trading Policy

SAA and our supervised persons may come into possession of material nonpublic information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, our firm and our supervised persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client. Accordingly, should SAA or our supervised persons come into possession of material nonpublic information with respect to any company, we and they are prohibited from communicating such information to, or using such information for the benefit of, our respective clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of, our clients when following policies and procedures designed to comply with law.

SAA and our affiliated entities have adopted an "Insider Trading Policy" in accordance with Section 204A of the Advisers Act, which establishes procedures to prevent the misuse of material nonpublic information by our firm and our supervised persons. If your representative maintains a personal investment account with another advisory firm or broker/dealer, your representative must make arrangements with that outside firm or broker/dealer to send at least quarterly statements to SAI. The representative must complete an annual certification concerning their personal securities activities, and provide such additional information about personal trading activities as may be required under the Insider Trading Policy and the Code of Ethics. Supervised persons who violate this policy may be subject to sanctions imposed by our firm.



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## Our Policy Governing Contributions to Local and State Elected Officials and Candidates

SAA requires that its covered associates seeking to make a political contribution to a state or local candidate pre-clear their political contributions through the firm. We do not require our covered associates to pre-clear contributions to candidates running for federal office, unless the candidate is currently a state or local government official running for federal office. Depending on the state or local pay-to-play rules, SAA and your representative may be subject to local and state pay-to-play rules in addition to federal securities rules and regulations.

## **BROKERAGE PRACTICES**

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We do not receive research or other products or services other than execution from a broker/dealer or third-party for client securities transactions.

Brokerage services are made available through National Financial Services and Pershing. SAA, SAI or another affiliated company have an agreement with the clearing firms to introduce customer accounts to the clearing firm, on a fully disclosed basis. In exchange, these clearing firms provide clearing, execution, and execution services for transactions that are executed for our customers. On SAA's behalf, SAI approves and opens accounts and accepts securities order instructions with respect to the accounts.

All brokerage transactions are processed by SAI and cleared by National Financial Services or Pershing. National Financial Services and Pershing are not affiliated with SAA or SAI. We have also entered into agreements with various insurance companies that allow for the management and valuation of client's variable annuity accounts within our Managed Opportunities Advisor Directed Programs and certain other advisory programs. The insurance company custodians maintain custody of all variable annuity accounts. SAA and SAI do not act as a custodian for any account. Generally, SAA and SAI do not maintain custody of client funds or securities. Outside custodians maintain custody of all funds and securities. Because some of the programs described in this document allow for the direct deduction of advisory fees from client accounts we may be deemed to have limited custody of client assets. SAA and SAI may be deemed to have limited custody for certain transmittal policies. For example, by giving you the ability to transfer funds between accounts you own that are titled in the same name; or if you specifically request it, transferring funds between accounts you own that are titled in different names, SAI may be deemed to have limited custody. Additionally, by giving you the ability to have funds sent from your account to your address of record or, if you specifically request, to some other address, SAI may be deemed to have limited custody of your assets. In each of these cases, SAA, SAI and/or your representative may be deemed to have limited custody. Outside custodians maintain custody of all funds and securities.

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## Selecting Brokerage Firms

We recognize your unrestricted right to select and choose any broker or dealer you wish, except in situations where SAA or a recommended manager is given discretionary authority over your account. We will process brokerage security transactions through SAI, our affiliated broker/dealer, so long as we determine that executing the transactions through SAI fulfills its duty of best execution. Please refer to the

section titled “Best Execution” for information as to the factors considered by our firm when selecting a broker/dealer.

Stocks, bonds and other securities may be traded in managed accounts and are subject to normal spreads, mark-ups and mark-downs paid to market makers of those securities. SAI does not make markets in securities. SAI and our firm do not receive any portion of the spreads, mark-ups or mark-downs.

Transaction charges may apply to securities sales, purchases and exchanges. The charges vary for mutual funds, variable products, stocks, bonds and option transactions. Factors that determine transaction charges include size of purchase, type of transaction, mutual fund family, variable product sponsor, the representative involved and processing method (on-line/phone/systematic). Full transaction charges may not apply to certain transactions associated with mutual fund product sponsors participating in the Premier Funds program (see description below). At the representative's discretion, he/she may pass these transaction charges to you. For more information on these transaction charges or commissions, please ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

SAI created the Premier Funds program for mutual funds and variable product sponsors. These sponsors are selected to participate based on several criteria including brand recognition, product breadth, investment performance, training and wholesaling support. In exchange for certain benefits, such as broader access to SAI registered representatives, product sponsors in the Premier Funds program are required to pay SAI for participation in the program by sharing with SAI a portion of the revenue generated from the sales of their products. Certain product sponsors also provide for the payment of a marketing allowance to SAI, which may be based upon a percentage of the amount of the sponsor's product purchased by clients. SAI, at its sole discretion, may share all or some of any marketing allowance payments with representatives as part of compensating them for marketing and distribution expenditures incurred promoting the sponsor's products. No portion of any compensation received under the Premiere Funds program is passed through to your representative. For the most current list of Premier fund families, please ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

SAI created the Premier Partner program for investment advisors collectively offering a diversified array of money management services and programs. Investment advisors are selected to participate based on several criteria including, investment strategy, investment performance, transaction reporting capabilities and training and wholesaling support. In exchange for certain benefits, such as broader access to SAI registered representatives, investment advisors in the Premier Partner program are required to pay SAI for participation in the program by sharing with our firm a portion of the revenue generated from the sales of their services. No portion of any compensation received under the Premiere Partner program is passed through to your representative. For the most current list of Premier Partner program participants, please ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor information.

SAI created the Income Distribution Partner program for certain third party money managers, variable products, mutual fund and fixed insurance product sponsors. These Product Sponsors are selected to participate based on several criteria including brand recognition, product breadth, investment performance, training and wholesaling support. In exchange for certain benefits, such as broader access to SAI Representatives, sponsors participating in the Income Distribution Partners program are required to pay SAI for participation in the program by sharing with SAI a portion of the revenue generated from the sales of their products. SAI representatives must complete formal Income Distribution Training to have access to the SAI income distribution planning desk. The SAI income distribution planning desk is available to develop distribution plans for clients of those representatives who have completed the formal training. The income distribution plans use suitable products available from both the Income Distribution Sponsor

Partners and products on the Securities America Approved Product list. Advisors using the planning services are not required to use the products included in the proposal and do not receive a greater or lesser commission for utilizing these products. The marketing educational and distribution activities paid for with revenue sharing, however, could lead our representatives to focus more on those products that make revenue sharing payments to SAI, as opposed to sponsors that do not make such payments. No portion of any compensation received under the Income Distribution Partner program is passed through to your representative. For the most current list of Income Distribution Partner program participants, please ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

Consistent with prudent product approval practices, SAA may require that an independent due diligence analyst conduct a thorough review of an investment company, investment advisor or one of their products or services prior to making the product or service available for solicitation to the general public by representatives. SAA and SAI may incur costs in connection with the analysis provided by the due diligence analyst. SAA and SAI may in turn require that the investment company or investment advisor reimburse us for such expenses. In addition, SAA and SAI may at our discretion, require investment companies to pay annual fees to reimburse us for ongoing due diligence and product administration expenses.

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#### Best Execution

SAA will process brokerage security transactions through our affiliated broker/dealer so long as we determine that executing the transactions through SAI fulfills our duty of best execution. We consider the following factors when selecting a broker/dealer and determining the reasonableness of commissions:

- Electronic download of trades;
- Balances;
- Efficiencies achieved in utilizing integrated front and back office technology systems;
- A dedicated service team;
- Electronic download of duplicate statements, and confirmations; and
- The ability to deduct advisory fees directly from client accounts.

We will exercise reasonable diligence to ensure best execution is obtained for all clients when implementing any client transaction by considering the back office services, technology provided and pricing of services offered. On SAA's behalf, SAI conducts trade reviews to determine that the duty of best execution is being met by its trade execution and clearing firms.

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#### Soft Dollars

Investment advisors may direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research is known as "soft dollars." Section 28(e) of the *Securities Exchange*

*Act of 1934* provides a “safe harbor” that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

Although SAI does not allow directed brokerage, SAI may still receive products and services from our firm or other program sponsors and product issuers. These products and services may be used for research and non-research purposes and allows SAI to supplement, at no cost, its own research and analysis activities. These products and services can include:

Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues

On-line news services and financial and market database services

Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters

Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily used for the specific account that generated the soft dollars. SAI does not attempt to allocate the relative costs or benefits of research among clients, because it believes that, in the aggregate, the research it receives benefits all clients and assists SAI in fulfilling its overall duty to clients.

These arrangements may be deemed to create a conflict of interest to the extent that SAI would have to pay for some or all of the research and/or services with “hard dollars” if it were unable to obtain the research and services in exchange for commissions in connection with client transactions. Your trades will always be implemented based on your goals and objectives and not on any research, products or other incentives available. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

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## Brokerage for Client Referrals

### **Directed Brokerage**

We pay a set commission rate on trades for securities traded with a commission. We do not negotiate commissions on a trade-by-trade basis or directed brokerage basis.

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## Order Aggregation

While not required by firm policy, SAA and your representative may aggregate client transactions or allocate orders when possible. The types and volumes of securities traded for client accounts do not lend themselves to aggregation or blocking of trades when mutual funds are traded. To the extent other securities are purchased that lend themselves to aggregation or block trading (for example, stocks or exchange traded funds), SAA and your representative may aggregate client transactions or allocate orders whenever possible. SAA and our representatives will allocate trades to advisory clients in a fair and equitable manner that will be applied consistently to all clients. When trades are not aggregated, clients

may not enjoy the effects of lower transaction per share costs that often occurs as a result of aggregating trades. As a result, you may pay a higher transaction cost than could be received elsewhere. Personal accounts of representatives, associated persons and family members will not be treated more favorably than any other client account. You should be aware that if an order is not aggregated, you may or may not pay higher brokerage costs.

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#### Handling Trade Errors Made by SAA or a representative

If SAA or our supervised persons make a trade error in your account, the error will be corrected and your account will be restored to where it would have been had the trade error not occurred. Any profit or loss from the trade correction will be maintained by our firm.

## **REVIEW OF ACCOUNTS**

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#### Frequency of Account Reviews

Asset Based Brokerage Services Program accounts and other investment advisory agreements (wherein SAA or the Representative is the Advisor) are reviewed as needed, as required and as appropriate by SAA supervisors (SAI Principals), and your representative. The nature and timing of the reviews may vary by your representative. In all accounts, reviews are conducted at least annually.

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#### Review Triggers

Factors triggering an account review may include material market, economic or political events, changes in your financial or personal situation or performance of the account in general.

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#### Reports and Account Statements

You will receive monthly statements from the account custodian or clearing firm, if your account(s) have activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. Such statements will show any activity in the account, as well as period ending position balances.

To the extent you receive performance reports from your representative, we urge you to compare performance reports received with account statements received from the custodian. Inquiries or concerns regarding the account, including performance reports, should be directed to the investment advisor firm at the phone number listed on the account statement.

Accounts not receiving reports from our firm will be reviewed and monitored at the discretion of the representative assigned to the account or the independent investment advisor firm, their representatives and money managers handling the accounts. No other parties review accounts for accuracy of performance information. These individuals are available to answer your questions and to review an account at your request.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

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### **Incoming Referrals - Our Use of Solicitors/Payment of Referral Fee**

We enter into agreements with solicitors (referring parties) to refer clients to us. The referral agreements between our firm and referring parties are designed to comply with SEC regulations as set out in 17 CFR Section 275.206(4)-3. If a referred client enters into an investment advisory agreement with our firm, and a cash referral is paid to the referring party, such fee will be paid as a fixed fee or a percentage of the client advisory fees that are generated. Written disclosure regarding the referral fees we pay are provided to you prior to or at the time of entering into our investment advisory or financial planning agreements. The referral fee disclosed to you will be payable to the referring party for the duration of SAA's advisory relationship with you, whether or not our investment or trading strategies, or your investment objectives, change over time. We will have no further referral fee obligation, if, the referring parties' representations and warranties outlined in our referral agreement become inaccurate or untrue, or if our investment advisory agreement with you is terminated for any reason. In those states that require solicitors to be licensed or filed as a registered investment advisor, we may require the solicitor to be licensed or filed under our registration.

The compensation to be paid in connection with these agreements is subject to negotiation between our firm, the representative, and the referring party. The referral agreements between any referring party and our firm do not result in any charges to you in addition to the normal level of advisory fees charged. However, these situations may create a financial incentive to recommend one SAA Program over another or over other investment advisors and broker/dealer programs, products and services. The representative or an independent investment advisor firm recommending our programs receives compensation as a result of your participation in our programs.

Fees for investment management may be more than the cost of purchasing the same services separately. You may be able to obtain similar services for a lesser fee from other advisors. The fees charged may vary among investment management services. The amount of compensation a representative may receive in a particular program may be more than would be received if you participated in other programs or paid separately for investment advice, brokerage and other services. In addition, the compensation a representative receives for recommending one Program Portfolio option over another portfolio option may vary and may create a financial incentive for our firm and representative. Your representative is not under any obligation to promote or use one money manager over another. You are not under any obligation to engage these individuals when considering implementation of advisory recommendations. You are free to select any broker/dealer you wish to implement recommendations and execute transactions. You may purchase the same investment product from a non-affiliated broker or could implement securities transactions without the services offered by your representative. In that case, you would not receive the services provided by your representative.

In addition, we may award separate non-cash compensation to representatives, the independent investment advisor firms and the independent I/A representative for client referrals.

### **Outgoing Referrals - SAA as Solicitor for Other Investment Advisors/Receipt of Referral Fee**

We have entered into solicitation agreements with independent third-party investment advisers, pursuant to which our firm and the independent investment advisor firm and the representative receive solicitation compensation from the third-party investment adviser in return for referral of accounts. SAA's broker/dealer affiliate, SAI and the representative, in his or capacity as a registered representative, may serve as

broker/dealer and/or representative of record on accounts managed by the independent third-party investment advisor. In such case, SAI and the representatives may receive normal and customary compensation (e.g. commissions, 12b-1 fees, trails) from the sale of mutual funds, exchange traded funds or variable annuities in such accounts. This compensation may be in addition to the solicitor fee paid by the third-party investment advisor.

We have established a relationship with Hanson McClain Retirement Network, LLC (HMRN), a registered broker/dealer and investment advisor. The associated persons of HMRN provide consultation and marketing support services to the representative to assist representatives in obtaining more clients. As a result of this relationship, SAA pays HMRN a portion of the fees from any clients obtained as a result of the services provided by HMRN.

You should be aware that SAA and your representative may receive solicitor/referral fees for recommending certain portfolios to you. Therefore, a potential conflict of interest may exist because these circumstances may result in your representative having a financial incentive to recommend one portfolio over another. However, it is our policy that portfolios will be selected and recommended to you based on your individual needs, goals and objectives. Your representative is not under any obligation to sell any particular product or to meet any selling quotas related specifically to these products. You are not under any obligation to engage the SAA representative when considering implementation of advisory recommendations. You are free to select any broker/dealer you wish when implementing recommendations and executing transactions. You may purchase the same investment product from a non-affiliated broker or could implement securities transactions without the services offered by your representative. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

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#### Other Compensation

SAA or our affiliated broker/dealer, SAI, may form alliances and networking and referral arrangements with financial institutions such as community banks, credit unions, credit union service organizations and Farm Credit Services (Third-party Financial Institutions) to allow representatives to offer financial planning services and certain other non-deposit investment and insurance products and services, to customers/members of those Third-party Financial Institutions. Our firm may lease space in selected branches of the Third-party Financial Institutions and then sub-lease it to your representative, if he or she conducts business from these locations. As a result of these alliances or networking arrangements, your representative may not be able to offer certain products that are otherwise available through our firm. Also as a result of these alliances or networking arrangements, Third-party Financial Institutions may receive compensation representing payment for the use of the facilities and equipment of the Third-Party Financial Institutions, in the form of a program support or rent payment and/or a portion of advisory fees or securities and insurance commissions paid to representatives for sales to customer/members of the institutions.

If SAA or our affiliated broker/dealer, SAI, refers an existing or new representative to Fidelity Institutional Wealth Services, SAA receives 3 basis points (.03%) on the assets under management of the referred representative. This fee is not shared with the representative.

These relationships may create compliance issues relative to consumer protection. The joint guidelines of regulators of the depository institution call for at a minimum written and verbal disclosure at or prior to the time securities products are purchased or sold that the securities products:

- Are not insured by the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Share Insurance Fund, the Federal Deposit Insurance Corporation, the National Credit Union Administration, or any other federal or state deposit guarantee fund or other government agency;
- Not endorsed or guaranteed by the bank or credit union or their affiliates;
- Are not deposits or obligations of the depository institutions and are not guaranteed by the depository institutions;
- Investments and securities are subject to investment risks, including possible loss of principal invested.

SAI may also receive reimbursement from the clearing firms it uses, for all or a portion of any asset transfer fees you may incur upon the transfer of accounts from other clearing providers. SAI may retain all or a portion of such reimbursements or, at its discretion, may pass through all or a portion of such reimbursements to you and/or its representatives.

Your representative may be incented to join and remain affiliated with Securities America through certain compensation arrangements which could include bonuses, enhanced pay-outs, forgivable loans and/or business transition loans. The receipt of such compensation may be considered to be a conflict of interest. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

We may offer incentives to your representative for meeting certain production levels above and beyond compensation he or she receives for selling products and services through Securities America. The receipt of such incentives may be considered to be a conflict of interest. We encourage you to review this ADV closely and discuss any potential conflicts of interest with your representative.

Our firm, our officers and our representatives may receive reimbursements from marketing and distribution allowances, due diligence fees and travel expenses. Other compensation or reimbursement may also be received based on deposits and/or assets under management directly from third-party asset manager program sponsors for the costs of marketing, distribution, business and client development, educational enhancement and/or due diligence reviews incurred by our firm or your representatives relating to the promotion or sale of the program sponsor's products or services.

Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or it is anticipated sales will be made.

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## **CUSTODY**

Generally, we do not maintain custody of your funds or securities other than the direct deduction of advisory fees from your accounts within the programs described in the "Advisory Business" section above. However, SAI, our affiliated broker/dealer may serve as an introducing broker/dealer and collect physical



stock certificates or engage in certain asset transmittal practices such that we may be deemed to have custody of such assets. For example, by giving you the ability to transfer funds between accounts you own that are titled in the same name; or if you specifically request it, transferring funds between accounts you own that are titled in different names, SAI may be deemed to have limited custody of your assets. Because our affiliated broker/dealer, SAI, maintains limited custody of our client assets as described above, SAA is required by SEC regulation to obtain from SAA a written internal control report provided by a qualified independent public accountant at least annually. Additionally, SAA must undergo an independent verification of client assets under its control. The internal control report we receive from SAI is intended to show that our affiliates have established appropriate custodial controls with respect to client assets under custody.

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## Account Statements

You will receive account statements from investment sponsors, brokerage firms, insurance companies and other money managers at least quarterly. You may also receive monthly account statements from investment sponsors, brokerage firms, insurance companies and other money managers monthly, if there is any activity in your account. We have verified that each custodian or investment provider we use for our investment management services is a qualified custodian and provides statements to clients directly at their address of record at least quarterly. We encourage you to carefully review your account statement.

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## Performance Reports

If you receive performance reports from your representative, we urge you to compare the account statements received directly from their custodians to the performance report statements provided by our firm or your representative. Inquiries or concerns regarding your account, including performance reports, should be directed to SAA, the independent investment advisor firm or your representative.

## **INVESTMENT DISCRETION**

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### Limited Discretionary Trading Authority

If you grant SAA or your representative limited discretionary trading authority, we have the authority to determine, without obtaining your specific consent, the securities to be bought or sold, and the amount of the securities to be bought or sold and when to buy or sell those securities. Upon receipt of the written authority to engage in limited trading authority on your behalf, SAA and your representative will commence engaging in discretionary trading transactions. Discretionary trading authority facilitates placing trades in your accounts on your behalf so that SAA and your representative may promptly implement the investment policy that you have approved in writing.

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## Limited Power of Attorney for Trading

If a limited power of attorney for trading is signed by you, we consult with you prior to placing each trade. You sign a limited power of attorney so that we may execute the trades that you have approved.

We accept discretionary authority to manage accounts on your behalf. For discretionary clients, we request that you provide written authority to determine which securities and the amounts of securities that are to be bought or sold. Any limitations on this discretionary authority by you should be included in this written authority statement. You may change/amend these limitations as required. Such amendments must be submitted in writing.

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## Voting Client Securities

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### Proxy Voting

Our firm and SAA representatives will not perform proxy voting services on behalf of clients in the ABBS Program. If the account is for a pension or other employee benefit governed by ERISA, the right to vote proxies is expressly reserved for the Plan's trustees or other Plan fiduciary and not our firm. All proxy notices will be sent directly to you. You are instructed to read through the information provided with the proxy materials and to make a determination based on the information provided. Upon your request, SAA representatives may provide a recommendation or clarification based on their understanding of issues presented in the proxy materials but you are solely responsible for all proxy voting decisions. Our firm and SAA representatives are expressly precluded from the voting of proxies solicited by the issuers of securities held by the qualified plan in the ABBS Program accounts.

## **FINANCIAL INFORMATION**

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### Financial Condition

We do not have any financial impairment that will preclude us from meeting our contractual commitments to you. We do not serve as a custodian for your funds or securities. At no time will fees of more than \$1,200 be charged six or more months in advance by our firm or an SAA representative. Our affiliated broker/dealer, SAI, on our behalf has established policies and procedures designed to prevent the collection of fees greater than \$1,200 six or more months in advance. As such, a balance sheet is not required to be provided to you at this time.