

# Securities America Advisors, Inc. Managed Opportunities Program 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.

March 27, 2018



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12325 Port Grace Blvd.  
La Vista, NE 68128  
[www.securitiesamerica.com](http://www.securitiesamerica.com)  
800-747-6111

March 27, 2018

## **ITEM 2. SUMMARY OF MATERIAL CHANGES**

The last annual amendment to the Securities America Advisors, Inc. Form ADV Part 2A and this Wrap Fee Program Brochure was filed March 31, 2017. Since then, the following material changes have occurred:

- The LifeGuide and Asset Based Brokerage Services Programs have closed and all legacy accounts have been merged into Financial Advisor Program accounts
- We have revised how fees are charged on some alternative investment products.
- The Unified Managed Account Portfolios program under the Managed Opportunities Program is now offered on a non-discretionary basis only at the Securities America Advisors level.
- The Retirement Plan Advisory Program is no longer a wrap fee program. There are no legacy wrap accounts in the Retirement Plan Advisory Program.
- The Insured Cash Account Program has been introduced as an investment "sweep" vehicle for eligible accounts. Securities America can receive revenue depending upon the core account investment vehicle used.
- Disclosure has been added regarding the possibility of stepped out trades in the Managed Opportunities Program.
- Disclosure has been added regarding lowest cost share class selection when investing in mutual funds for client accounts.
- Disclosure has been added regarding the use of lead generation services provided by third parties.

We may update this Wrap Fee Program Brochure at any time. If we make any material changes relating to Item 9 (disciplinary information) of the Form ADV Part 2A we will provide you either: (i) a copy of the Wrap Fee Program Brochure 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 Wrap Fee Program Brochure. 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

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.

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## **ITEM 4. SERVICES, FEES AND COMPENSATION**

### **Advisory Business**

#### **Ownership**

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

Securities America Financial Corporation is also a majority owner of Arbor Point Advisors, LLC (APA). APA is an investment advisor firm registered with the Securities and Exchange Commission (SEC).

#### **Firm Description**

SAA is an investment advisor firm registered with the SEC since January 1994 and provides a variety of programs that can be used by it, 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 independent investment advisors (independent IA representatives) may be registered representatives of SAI, a full service broker/dealer affiliated with SAA. References to "your representative" or "representative" refer to the SAA representative or independent IA representatives) 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 jurisdictions where they maintain a place of business in accordance with the regulations for each individual state jurisdiction. We are not affiliated as an investment advisor with the independent investment advisor firms.

#### **Types of Services Offered**

We provide a diverse range of advisory programs and services, all of which are described in greater detail in the Securities America Advisors, Inc. Firm Brochure (Part 2A of Form ADV). Our investment advice can include investment supervisory services, which we define as giving you continuous advice or making investments for you based on your individual goals. We also offer a range of services that do not involve providing continuous advice to you, such as financial planning services and retirement plan services.

Once you've decided to establish an advisory account, you will need to complete certain account opening documents that provide information regarding the custodian's name, address and manner in which the funds or securities are maintained. If you wish to use our investment advisory services, you generally will sign a client services agreement describing the services provided to you. When possible, assets in our programs are invested primarily in lower cost mutual funds and/or 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 can charge a transaction fee when you buy funds. Stocks and bonds can be bought or sold through a brokerage account when appropriate. SAI, our broker/dealer affiliate, charges a fee for stock and bond trades. Charges for these products can be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer.

#### **Managed Opportunities Program**

The Managed Opportunities Program allows you to establish an account utilizing Fund Strategist Portfolios (FSP), Separate Account Portfolios (SMA), Unified Managed Account Portfolios (UMA) and Advisor Directed Portfolios (MOAD).

The FSP, SMA and UMA Portfolios are developed by third-party money managers who are registered investment advisors (collectively referred to as sub-advisors). . One or more of these sub-advisors are affiliated entities of SAA. Your representative acts in a referral capacity when referring you into FSP, SMA and UMA portfolios

Your representative can also use the MOAD option to design investment management and asset allocation portfolio(s) for you. When doing so, he or she is acting as the portfolio manager and not using sub-advisors.

Your representative assists you in establishing the Managed Opportunities Program account through a web-based platform. For accounts held at National Financial Services, LLC (NFS), a master brokerage account (master account) can be established at your request for the administrative purpose of holding and transferring your assets. When liquidating positions is required for investing proceeds into a Managed Opportunities portfolio, the liquidating transactions can occur in the master account.

Generally, NFS, Pershing, LLC (Pershing) or other custodians maintain custody of funds and securities. We are authorized to deduct fees directly from your accounts to pay for our investment management services. In these cases, we are deemed to have limited custody of your assets. SAA and SAI are also be deemed to have limited custody based on certain transmittal policies. Refer to the section titled "Custody" for more information.

Administrative, website, performance reporting, transaction order entry and other services are provided to us by outside service providers and sub-advisors. You grant us the discretionary authority to select one or more sub-advisors to provide those services to you and our firm. Envestnet Asset Management, Inc. (Envestnet) provides these sub-advisory services in the Managed Opportunities Program. Clients establishing Managed Opportunities Program accounts receive a copy of Envestnet's Disclosure Brochure in addition to our firm's Disclosure Brochure or Wrap Fee Brochure. SAA and Envestnet are separate, non-affiliated entities.

To establish Managed Opportunities Program accounts, you must provide relevant information requested by us in the New Account Application, although we may reasonably request other supporting documents and financial information. We provide services through the Managed Opportunities Program based solely upon information supplied by you. This information assists your representative in determining the suitability of the accounts and in establishing appropriate investment objectives. An Investment Strategy Summary is generated from the Application, profile and suitability information provided by you. It summarizes recommended investment strategies and sets out the objectives and restrictions in the management of your account.

For information about the investment strategies employed in a Managed Opportunities Program Portfolio, please refer to the section titled "Methods of Analysis, Investment Strategies and Risk of Loss."

#### Description of Investment Strategy Options

##### Fund Strategist Account Portfolios

Sub-advisors provide us with mutual fund and exchange traded fund asset allocation model portfolios based on the information, research, asset allocation methodology and investment strategies of the sub-advisors. We can terminate existing sub-advisor service agreements and enter into new sub-advisor agreements at our discretion. Your initial FSP portfolios are described in your Investment Strategy Summary.

##### Separate Account Portfolios

Sub-advisors provide us with access to a number of institutional separate account investment manager model portfolios of equity and/or fixed income securities. We can terminate existing sub-advisor agreements and enter into new sub-advisor agreements at our discretion. If a portion of the asset allocation does not meet a particular sub-advisor manager's account minimum, a mutual fund can be used in place of an individual portfolio manager. Your initial SMA portfolios are described in your Investment Strategy Summary.

##### Unified Managed Account Portfolios

Sub-advisors provide us with access to UMA portfolios. These portfolios combine specialized institutional asset class managers, mutual funds and/or exchange traded funds. SAA serves as the overlay manager to

manage separate account positions in a comprehensive asset allocation portfolio of securities in a single brokerage account. Your initial UMA portfolios are described on your Investment Strategy Summary.

#### Advisor Directed Portfolios

MOAD portfolios are managed by your representative based on the financial information and investment objectives you provide. Your representative designs one or more investment management and asset allocation portfolios for you. Your initial MOAD portfolios are described on your Investment Strategy Summary.

We have also entered into agreements with insurance companies that allow for managing and valuating your variable annuity accounts within MOAD portfolios. The insurance company custodians maintain custody of all variable annuity accounts.

Your representative can choose to “bundle” related Managed Opportunities Program accounts to achieve a break on management fees.

Trading by third-party money managers can trigger wash sale rule implications. A wash sale occurs when a security is sold at a loss and then the same or substantially identical security is repurchased within a short time period. We do not necessarily manage accounts in the Managed Opportunities Programs in a manner to avoid wash sale implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in these and in all advisory programs.

The client agreement can be terminated by any of the parties by providing notice to the other parties, and termination is effective upon receiving the notice. In addition, closing the account will cause the client agreement to be terminated. However, if you elect to administratively reopen a closed account within 30 days of closing, the client agreement will remain in full force and effect.

If the client agreement is terminated, you are entitled to a prorated refund of any management fee or deposit not already earned by SAA or your representative. At your direction, SAA, SAI or your representative will advise the account custodian to deliver the funds and securities in accordance with your instructions. In the alternative, you can call Securities America at 1-800-747-6111 and request that the securities and funds in your account be liquidated. If the account is liquidated, once all transactions are settled then all proceeds are payable to you according to your distribution instructions. Subsequent transactions in a liquidated account are subject to SAI's normal brokerage rates. SAA and the custodian reserve the right to charge an account closing fee, except for clients in any state prohibiting an account closing fee. Refer to the New Account Application for details.

Terminating the client agreement does not affect the liabilities or obligations of the parties arising out of transactions initiated prior to termination.

#### Fees and Compensation

##### **Fees**

Management fees charged in our programs are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds, variable annuities or any other investment that can be recommended to you. A description of these fees and expenses are available in each investment prospectus. The ongoing management fee for investment management services can 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 receive ongoing investment advice or management services, you should consider opening a brokerage account rather than an advisory account. Fees charged in our programs can 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 and our advisors.

Our firm can also invest a portion of your assets in mutual funds, exchange traded funds, variable annuities or other investments and charge a management fee on your assets invested in these securities. Therefore, you will pay two levels of fees for management of your assets, one directly to our firm and one indirectly to the managers of the mutual funds, exchange traded funds, variable annuities or other investments held in your portfolios. In addition, your representative can manage variable annuity account(s) held by insurance company custodians even though those annuity accounts are not linked to an SAA advisory account. If annuity management service is provided, it is provided on a discretionary basis only, and you can be subject to additional advisory fees. 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, variable annuity investment or any other investment. However, in that case, you would not receive the investment management services provided by your representative.

SAA will not impose an asset-based advisory fee on unit investment trusts (UITs) and variable annuities that were subject to an up-front load or sales charge and sold by an SAI representative at the time of purchase. Any variable annuity that had an asset-based advisory fee prior to June 9, 2017, may continue to be charged. Variable annuities that were purchased with an advisory share class (e.g., I shares) may be linked for the purpose of collecting a management fee and/or exercising discretion. Please consult with your representative if you have any questions regarding this policy.

In addition, SAA will exclude the value of any investment it designates as an "alternative investment product" from an asset-based advisory fee if you purchased it in a commission-based account through a registered representative of SAI and then transferred it to an advisory account. However, if an alternative investment product was purchased at Net Asset Value ("NAV") (in other words, purchased with no commission), then that alternative investment product can be subject to an asset-based advisory fee.

Representatives will receive either an advisory fee or a commission, but not both. If an advisor received an upfront commission, or is receiving ongoing trail commissions or 12b-1 fees, the advisor may not charge an additional advisory fee except as described above for variable annuities.

In addition, advisors using third-party money managers for funds held directly with the product sponsor may not receive an additional solicitor's fee if they received an upfront commission, ongoing trails or 12b-1 fees.

Representatives may charge advisory fees and/or receive solicitor's fees for advisory class products that do not pay upfront commissions or ongoing trails, such as institutional mutual fund share classes and advisory share class variable annuities.

Representatives may recommend that products on which they previously received a commission be converted to a fee-based advisory account. This recommendation can be deemed to be a conflict of interest, and we manage the conflict through written disclosure to you and by imposing reasonable controls designed to monitor for this activity. Mutual funds moved from a commission account to a fee-based advisory account will be converted to a lower-cost share class available and not included on the Approved Product List (discussed below). Recently purchased A share mutual funds, however, cannot be transferred to fee-based accounts. Other commissionable products can be transferred in-kind to an advisory account (i.e. equities and ETFs) but will have a look-back period, and recently received commissions will be reimbursed to the client. We do not allow the systematic conversion of recently purchased commission-based products to fee-based advisory accounts. "Recently purchased" is defined as a minimum of 90 days with a best practice of 12 months; this time can be extended back further to address the best interest standard.

SAA requires its investment advisor representatives to make all mutual fund purchases in advisory accounts in the share class specified for each mutual fund on an approved products list created and updated by SAA (the Approved Products List). SAA uses its best efforts to include only the lowest-cost share class available to SAA's investors for each mutual fund on the Approved Products List. In some instances, a fund share class may not be included on the Approved Products List because it has a high or prohibitive minimum purchase requirement. Thus, a lower-cost fund share class may be offered by a fund family but not on the Approved Product List. Clients seeking to make such an

investment should speak to their representative about the ability to purchase funds in share classes not on the Approved Products List through SAA granting an exception to its policy.

In addition to an asset-based advisory fee, you can incur brokerage commissions, transaction charges and other fees, including "ticket charges," related to the purchase and sale of stocks, bonds and other securities. More specifically, stocks, bonds and other securities traded in advisory accounts can be subject to commissions, mark-ups and mark-downs. With respect to mark-ups and mark-downs, they are paid to market makers and neither SAA nor SAI receive any portion of the mark-ups or mark-downs.

SAA representatives will either absorb commissions, transaction charges and other fees (in other words, the representative pays the commissions, transaction charges or other fees) or the commissions, transaction charges and other fees will be in addition to the investment management fee (in other words, you pay these commissions, transaction charges or other fees). However, commissions, transaction and other fees that are charged to you prior to the holdings being in an advisory account will not be waived or credited toward the investment management fee. Please contact your representative for more information about commissions and transaction charges.

While SAA (or an entity on its behalf) has designed reasonable controls to monitor for the accuracy of advisory fees, we also encourage you to check the accuracy of your advisory fee billings.

If your representative recommends a product previously purchased in a commission-based account be transferred into an advisory account, the recommendation can 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.

SAA and your representative do not retain 12b-1 fees paid by funds for either qualified or non-qualified accounts. SAA has implemented a policy requiring that IARs complete all new purchases of mutual funds in advisor directed accounts at the lowest cost share class. Further, SAA has implemented a policy requiring that 12b-1 trails be credited back to all existing advisory accounts (qualified and non-qualified) that hold positions in higher-fee share classes.

### **Fees for the Managed Opportunities Program**

You pay an annual management fee based on a percentage of assets under management for all Managed Opportunities Program accounts. Fees are negotiated based on the complexity of your financial situations, the investment services to be provided, the experience and standard fees charged by your representative and the nature and total dollar asset value of the assets maintained in your account. The maximum annualized management fee that can be charged to you is 3%. The exact fee or fee schedule used will be disclosed to you prior to services being provided. The representative is paid a portion of the management fee for solicitations/referrals to FSP, SMA and UMA Portfolios.

You can make cash additions to your account at any time and can withdraw account assets upon notice to SAA and, if applicable, your representative. Assets in excess of a threshold amount (as such amount is determined from time to time by SAA or SAI), deposited into or withdrawn from the account by you can be charged or refunded a prorated portion of the management fee based on the number of days during the billing period that assets were held in the account.

In the UMA Portfolios program, accounts are subject to an annual minimum account fee. The annual minimum account fee depends on the specific UMA Program selected by you and is disclosed on the Managed Opportunities client fee schedule. Imposing an annual minimum account fee on smaller accounts can result in an annual management fee greater than the stated maximum percentage.

We retain a portion of the representative's annualized management fee for management, administrative and support services we provide. Sub-advisors are compensated by us from our portion of these fees. We pay the balance of the annualized management fee to the representative; we also charge the representative a minimum administrative fee. Representatives can receive a reduced administrative and support services fee based on total assets under management, creating a potential conflict of interest. The total fees paid by you are disclosed in the Managed Opportunities Program Investment Strategy Summary.



You can also be assessed ticket charges and other miscellaneous charges by SAI, NFS or Pershing on account transactions. Account assets can also be subject to additional fees and expenses as explained in the prospectus for mutual funds or exchange traded funds.

#### Management fees for Managed Opportunities Program Accounts Held at National Financial Services

Management fees are calculated monthly at the beginning of each month based on either the average daily balance (ADB) or the period ending balance (PEB) of your account assets under management for the previous month. Management fees are billed in advance with the exception of the initial fee. The initial fee is billed in arrears, prorated based on the number of days that services were provided during the first billing month. This initial fee is billed at the same time the first full month's fee is billed in advance. For all Managed Opportunities Program Portfolios, except the UMA program, management fees are calculated at the beginning of each month based on the ADB of your account assets under management for the previous period. The ADB does not take into account unpriced securities held in the account or days when an account has a zero balance.

For the UMA program, management fees are calculated at the beginning of the month based on the PEB balance of your account assets under management for the previous month. Any unpriced securities held in the account are not included in the account's billable value.

Management fees are automatically deducted from your accounts pursuant to your written authorization. On an exception basis, you can have management fees paid from other accounts or have us bill you directly by invoice. In these cases, the management fee is noted as zero on your account statements. At no time will SAA or SAI act as custodian of your accounts or have direct access to your funds and/or securities. When required, SAA or the account custodian sends you a management fee notification at the beginning of each billing period. The management fee notification can be included on your brokerage account statements. The management fee notification shows the average daily balance computed fee, any adjustment to the fee and the net fee to be deducted later in the billing period from your core account investment vehicle. Advisors and/or sub-advisors will maintain cash in the core account investment vehicle which you select in order to pay for management fees and other charges and fees. Fees and charges are noted on your statements.

Variable annuity policies can be linked to Managed Opportunities Advisor Directed accounts. The variable annuity policy prospectus contains information about limitations and restrictions on making cash additions and withdrawals from any linked policy, and you should review that information. With respect to the MOAD Portfolios, the market value of variable annuity accounts included in the management portfolio can be included in the calculation of the management fees. We might not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In some circumstances, when ADB is utilized, management fees on certain variable annuity accounts can be based on the weekly or monthly average balance. You can pay more or less in management fees when the pricing is based on a weekly or monthly average balanced compared to management fees when the pricing is based on the ADB.

If an account is terminated and securities are liquidated, you can incur separate charges for each transaction. In addition, you can incur contingent deferred sales charges (CDSC) imposed by mutual fund companies on mutual fund position liquidations if you direct us to liquidate the account or switch managers. All other brokerage commissions are waived in Managed Opportunities Program accounts. You are subject to a \$200 transfer charge if, within 12 months of the establishing a Managed Opportunities Program portfolio, you direct us to transfer the assets of that portfolio to another Managed Opportunities Program portfolio.

The fee is a tiered fee schedule whereby the percentage-based fee is lowered as assets in your accounts increase. The exact fee charged or fee schedule used is disclosed to you in the fee schedule prior to services being provided.

#### Management Fees for Managed Opportunities Program Accounts Held at Pershing

Management fees for Managed Opportunities Program accounts that are held at Pershing are calculated monthly at the beginning of each month based on the value of account assets under management as of the close of business on the last business day of the preceding month. The assets are valued by an independent pricing service, where

available, or by Pershing in good faith, based on Pershing's books and records. Management fees are billed in advance with the exception of the initial fee. The initial fee is billed in arrears, prorated based on the number of days that services were provided during the first month. This initial fee is billed at the same time the first full month's fee is billed in advance. Fee calculations are based solely on the PEB and do not take into consideration any day(s) in the month where the account has a zero balance. In addition, any unpriced securities held in the account are not included in the account's billable value.

Management fees are automatically deducted from your accounts pursuant to your written authorization. On an exception basis, you can have your management fees paid from other accounts or have us bill you directly by invoice. In these cases, the management fee is noted as zero on your account statements. At no time will SAA or SAI act as custodian of your accounts or have direct access to your funds and/or securities. Advisors and/or sub-advisors will maintain cash in the core account investment vehicle in order to pay for management fees and other charges and fees. You can also be assessed ticket charges and other miscellaneous charges by SAI or Pershing on account transactions. Miscellaneous charges can include custodial fees levied by the custodian. Account assets can also be subject to additional fees and expenses as explained in the prospectus for mutual funds, exchange traded funds or other investments. Fees and charges are noted on your statements.

Variable annuity policies can be linked to Managed Opportunities Advisor Directed accounts. The variable annuity policy prospectus contains information about limitations and restrictions on making cash additions and withdrawals from any linked policy, and you should review that information. With respect to the MOAD portfolios, the market value of variable annuity accounts included in the management portfolio can be included in the calculation of the management fees. We might not receive daily account valuation information for variable annuities from the insurance companies or their custodians. In limited circumstances, management fees on certain variable annuity accounts can be based on the weekly or monthly average balance. You can pay more or less in management fees when the pricing is based on a weekly or monthly average balance compared to management fees charged when the pricing is based on the ADB.

If an account is terminated and securities are liquidated, you can incur separate charges for each transaction. In addition, you can incur contingent deferred sales charges (CDSC) imposed by mutual fund companies on mutual fund position liquidations if you direct us to liquidate the account or switch managers. All other brokerage commissions are waived in Managed Opportunities Program accounts. You are subject to a \$200 transfer charge if, within 12 months of the establishing a Managed Opportunities Program portfolio, you direct us to transfer the assets of that Portfolio to another Managed Opportunities Program portfolio.

The fee is a tiered fee schedule whereby the percentage-based fee is lowered as assets in your accounts increase. The exact fee charged or fee schedule used is disclosed to you in the fee schedule prior to services being provided.

### **Compensation for the Sale of Securities or Other Investment Products**

Your representative receives compensation as a result of your participation in our programs or for providing advisory services to you. Fees for investment supervisory services can vary and can 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 can receive in a particular program can 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, recommending one Managed Opportunities Program portfolio over another Managed Opportunities Program portfolio can 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:

- The cost of developing investment strategies and managing the assets.
- The cost of producing performance reports covering the managed assets.
- The cost of administrative, marketing and website services.
- 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. Neither SAA nor SAI receive any portion of mark-ups or mark-downs but market makers may receive this type of compensation.

- The value of the services provided in assisting you in designing, establishing and monitoring the managed assets.
- The cost of the additional administrative, marketing, asset management and other support services that may be provided in the management of a program account.

Your representative is a registered representative of SAI and able to effect securities transactions and receive commissions in that separate capacity. Your representative may be licensed as an insurance agent and sell insurance products for commissions in that separate capacity. SAI registered representatives have the discretion to determine the amount of commission charged to clients on products other than mutual funds or insurance products. Representatives generally waive any securities commissions from recommended securities transactions affected in Managed Opportunities accounts. In addition, your representative can reduce his or her advisory fee to offset the commissions received when transactions are effected. Load mutual funds and bonds may be bought in some managed accounts on an exception basis at your direction.

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.

Clients are not obligated to engage SAA representatives to implement advisory recommendations. Nor are clients obligated to engage SAA representatives in their separate capacity as SAI registered representatives or licensed insurance agents when implementing recommendations. Implementing any or all recommendations is solely at client's discretion.

Commissions charged for securities and/or insurance products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer or insurance broker. 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.

Receiving compensation from a variety of sources can be considered a conflict of interest. In addition to the fees disclosed in your advisory agreement or commissions you pay for the purchase of securities and insurance products, your representative can receive additional compensation (including bonuses and non-cash compensation) for selling certain securities or other investment products. Examples of non-cash compensation may include receiving 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 investment 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 him or her. We encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

SAI, our employees and your representative can benefit from the compensation paid to us and can directly or indirectly receive a portion of those fees, commissions or other compensation paid by retirement services clients. Those clients can also use other products or retirement services available from or through us and in such case pay additional compensation. This practice creates a potential conflict of interest that can give us and your representative an incentive to recommend advisory retirement services based on the compensation received. Additionally, fees and commissions can also be higher for some brokerage products, services or retirement services. The remuneration and profitability to us, our representatives and affiliates resulting from transactions involving some accounts can be greater than the remuneration and profitability resulting from other advisory accounts, products or retirement services. We manage this conflict through written disclosure to you and by imposing reasonable controls designed to address the suitability of advisor products offered to you. We can also offset or refund additional compensation when required by law.

## Other Fees

Representatives may sell various investment products and insurance products offered by subsidiaries of LTFS. Representatives can make referrals for investment banking services and trust services through LTFS and/or its subsidiaries. SAFC, the parent of SAI and SAA, is a wholly-owned subsidiary of LTFS and, therefore, a potential conflict of interest can exist when representatives recommend these products or services. Due to the interrelationship of these entities, conflicts of interest can arise that are not readily apparent to you. Through SAI and LTFS, SAFC can 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 can execute securities transactions for you on our behalf or on behalf of your representative. SAI receives various forms of revenue from our clearing firms NFS 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. Additional details are provided below:

- Transfer Charges: You can be assessed transfer charges on account transactions and other miscellaneous charges by NFS on account transactions.
- Margin Interest Charges: To the extent margin is available in the Managed Opportunities Program or a retirement plan advisory program, such accounts must meet certain risk tolerance requirements. When margin is used to buy additional securities, the total value of eligible program assets increases as your asset-based fees increase. In addition, you can be charged margin interest on debit balances in your account. An increase in the asset-based fee you pay can provide an incentive for your representative to recommend the use of margin.
- Mutual Fund 12b-1 Trails: SAA and your representative do not retain 12b-1 fees paid by funds for either qualified or non-qualified accounts.
- Principal Transaction Fees: "Mark-ups" and "mark-downs" or "dealer spreads" that broker/dealers, including affiliates of SAI, can receive when acting as principal in certain transactions. Neither SAA nor SAI receive any portion of mark-ups or mark-downs but market makers may receive this type of compensation.
- Other Fees: Fees charged in our programs are separate and distinct from fees and expenses charged by mutual funds, exchange-traded funds, variable annuities and other investments that can be recommended to you. A description of these fees and expenses are available in each investment prospectus.
- 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 your agreement for specific fees and additional information.

Your representative can also be charged additional fees for executing certain transactions (e.g., transaction charges, ticket charges or service fee/charges, etc.). When allowed by our firm or by SAI, your representative can pass these charges onto you at his or her discretion. If such charges are passed on to clients participating in the Managed Opportunities Program, it will be reflected on your trade confirmation as a Post/Serv Fee for NFS accounts or as a Service Charge for Pershing accounts. All fees and charges are noted on your statements and/or confirmations. Stocks, bonds and other securities can 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 can 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".

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

Your representative and SAA can refer you to a third party lending institution should you wish to obtain a loan using your securities as collateral. SAA can receive a fee for such a referral; any fee received will not reduce your advisory management fee. Additionally, similar securities-based loans may be available to you for a lower overall cost from other providers. If the assets securing the loan are in an advisory account, the management fee is still being assessed to the entire account, plus any interest charged by the third party lender.

Certain securities, such as over-the-counter stocks and fixed income securities are traded primarily in "dealer" markets. In such markets, securities are directly purchased from, or sold to, a financial institution acting as a dealer, or "principal." Dealers executing principal trades typically include a "mark-up," "mark-down," and/or spread in the net price at which transactions are executed. Your representative can recommend certain bond trade transactions on a discretionary or non-discretionary basis using the Ladenburg Thalmann Fixed Income desk. In these instances, our affiliate, Ladenburg Thalmann & Co., Inc. (LTCO) executes a transaction for a security traded in the dealer markets; LTCO will either execute the transaction as agent through a dealer unaffiliated with LTCO, or as principal in accordance with applicable law. Those accounts covered under the *Employee Retirement Income Security Act of 1974*, as amended (*ERISA*) are exempt from principal transactions. Clients in our advisory program may not pay commissions or separate transaction charges to LTCO in connection with these transactions; however, the client will bear the cost (including any mark-up, mark-down, and/or spread) imposed by the dealer as part of the price of the security. Thus, the dealer will receive compensation in connection with most principal trades. SAA has a conflict of interest in using LTCO to execute principal transactions because LTCO will receive compensation in connection with the trade as dealer, which is in addition to the advisory program fee. For more information about how this conflict of interest is addressed, see the "Policy Regarding Engaging in Principal Trading Involving Advisory Accounts" section below.

### **Offerings and Special Transactions**

Clients can purchase securities through broker/dealers in initial public offerings, secondary offerings and special purpose acquisition company transactions. An affiliate of our firm can 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 can also receive a portion of the gross spread as a member of the syndicate offering. 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 can 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. This conflict of interest is heightened when your representative recommends securities where our firm is a member of the syndicate offering because your representative typically receives more compensation in connection with these securities than in connection with other types of securities. Your representative can also have a heightened conflict of interest when recommending funds that pay compensation, because your representative can receive a portion of that compensation. Your representative can 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 can 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. If you create a debit balance in a cash account by failing to make payment in full for securities purchased by settlement date, by failing to timely deliver securities sold, from proceeds of sales paid prior to settlement date or for other charges which can be incurred in your account, SAI reserves the right to charge you interest on such debits until satisfied by you.

Cash accounts with debit balances can 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 National Financial Services and Pershing, the interest on debit balances is computed using the debit ADB 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 and your average debit balance. Your monthly or quarterly statement shows this dollar amount of interest and the interest rate charged to your account.

## Retirement Services

Our representatives also provide services to clients' retirement accounts, such as individual retirement accounts (IRAs) and retirement plans. Our services to IRA clients include those described above. Please note: a client leaving an employer typically has four options (and may engage in a combination of these options):

- (i) Leave the money in the former employer's plan, if permitted
- (ii) Roll over the assets to the new employer's plan, if one is available and rollovers are permitted
- (iii) Rollover to an IRA or
- (iv) Cash out the account value (which could, depending upon the client's age, result in adverse tax consequences)

Our representatives may recommend an investor roll over plan assets to an IRA which our representative would manage. As a result, we may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer, or roll the assets to a plan sponsored by a new employer, will generally result in no compensation to us (unless we are engaged to monitor and/or consult on the account while maintained at the existing plan). Therefore, our representatives may have an economic incentive to encourage an investor to roll plan assets into an IRA that we will manage or encourage an investor to engage us to monitor and/or consult on the account maintained at the existing plan.

There are various factors that we may consider before recommending a rollover, including but not limited to:

- (i) The investment options available in the plan versus the investment options available in an IRA
- (ii) Fees and expenses in the plan versus the fees and expenses in an IRA
- (iii) The services and responsiveness of the plan's investment professionals versus ours
- (iv) Strategies for the protection of assets from creditors and legal judgments
- (v) Required minimum distributions and age considerations and
- (vi) Employer stock tax consequences, if any

The following exception to the early withdrawal penalty applies only to distributions from a qualified retirement plan other than an IRA: distributions made to you after you separated from service with your employer if the separation occurred in or after the year you reached age 55.

No client is under any obligation to rollover plan assets to an IRA managed by us or to engage our representative to monitor and/or consult on an account maintained at an existing plan. Please note that a recommendation to roll assets out of an employer-sponsored plan into an IRA will most likely result in more expenses and charges than if the assets were to remain in the plan.

Please speak to your representative to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

### **Performance-Based Fees and Side-by-Side Management**

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

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

## **ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **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.

### **Account Minimums**

The minimums to establish and maintain Managed Opportunities accounts are listed below. Exceptions can be granted if negotiated between yourself, SAA and your representative.

- \$50,000 for Managed Opportunities Fund Strategist Portfolios
- \$100,000 for Managed Opportunities Separate Account Portfolios
- \$150,000 for Managed Opportunities Unified Managed Account Portfolios
- \$50,000 for Managed Opportunities Advisor Directed Account Portfolios

### **Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of Analysis**

Security analysis methods can include (1) fundamental analysis, (2) technical analysis and (3) cyclical analysis.

- Fundamental analysis involves analyzing individual company information such as its financial statements, product line, experience and expertise of management and the outlook for the company. Similar information relating to the industry or other market sectors is also analyzed. The resulting data is used to measure the "true value" of the security compared to the current market value. Fundamental analysis can involve risk, since the information obtained may be

incorrect and/or the security may be already fairly valued based on factors not apparent in the analysis.

- Technical analysis involves using chart patterns, momentum, volume, relative strength and similar measures of a stock's historical performance in an effort to select securities that may outperform their relevant market index. However, there is no assurance of accurate forecasts or that trends will develop in the markets followed. In the past, there have been periods without discernable trends and similar periods can occur in the future. Even where such trends develop, unforeseen factors could them. Another limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may suggest investment decisions be made in response to minor price movements or establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.
- Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy. Therefore, the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would result from these changing trends.

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, LTCO, 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 can use the services of LTCO 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.

## **Investment Strategies**

Various investment strategies can be employed in our programs and when providing advisory services, including (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. In addition, model mutual fund and variable annuity asset allocation portfolio programs, provided by a number of institutional investment managers and strategists, can be used when managing client assets. In the Managed Opportunities Fund Strategist Account Portfolios, Separate Account Portfolios and Unified Managed Account Portfolios, multiple investment strategies can be used when managing your account. Your representative is responsible for determining the appropriate management style and assists you in placing your assets in a model portfolio based on your individual financial situation, goals and objectives. Your assets are allocated according to the model selected. Reallocations are implemented in discretionary accounts by the money managers in these portfolios without prior notice to you.

Investment strategies and philosophies used within our managed programs or when providing advisory services vary based on the advice provided by your representative. Models and strategies used by one representative may be



different than models and strategies used by other representatives. Some representatives limit their advice to mutual funds and others provide advice on a full range of securities that include equities, mutual funds, options, fixed income and other types of investments. Some representative will develop models or strategies that are generally applied to their clients while other representatives will develop individualized portfolios for each client.

For all accounts, a specific investment strategy or investment policy is determined for you focusing on your specific financial situation, goals and stated investment objectives. Your representative is responsible for developing and determining the investment strategies used when managing your accounts. He or she is also responsible for monitoring your portfolios and re-allocating them as may be appropriate based on changing market conditions, changes in your individual circumstances, or other factors. If your accounts are managed on a discretionary basis, re-allocations are implemented without prior notice to you. If your accounts are managed on a non-discretionary basis, you will be consulted prior to any securities being re-allocated.

In order to help identify the investment strategies to be used, 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 can also directly contact a third-party advisor managing the account at the same time you notify your representative and/or SAA. Any subsequent changes directed by you to the initial portfolio(s) will be reflected in a verification update letter which will be provided to you, and the changes will also appear on your statement.

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 exchanging 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 or a third-party money manager can 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 not invest funds necessary to meet your regular, on-going personal needs. 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 can result in few or no profits and, worse, can 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 can involve aggressive trading, and you can generally, expect to pay commissions, ticket and transaction charges on each trade. The total daily commissions you pay on your trades will add to your losses or significantly reduce your earnings. For instance, assuming 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 trading costs.
- Active trading can result in 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.

## Risk of Loss

Investment portfolios, programs, models, asset allocations or strategies entail the risk of loss; and values and returns 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 the representatives emphasize investment returns, particularly over shorter time periods, that depend highly 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:

- **Market Risk:** This type of risk is caused by external factors independent of a security's particular underlying circumstances. Markets can, as a whole, go up or down on various news releases for no understandable reason at all. This sometimes means that the price of specific securities can go up or down without any real reason and take some time to recover any lost value. Adding securities does not help to minimize this risk since all securities may be impacted by market fluctuations.
- **Short-Term Trading Risk:** These types of transactions may result in short-term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long-term strategies. SAA and your representative attempt to invest your assets in a tax efficient manner, but you should consult with your tax professional regarding transactions in your account.
- **Investment Term Risk:** If you require us to liquidate your portfolio during a period in which the price of the security is low, you will not realize as much value as you would had the investment had the opportunity to increase or regain its value (as investments frequently do) or had we been able to reinvest in another security.
- **Short Sales Risk:** Short sales are motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit. The maximum gain on a short sale is limited but the maximum loss is theoretically infinite. Short sales also involve significant expenses, dividend responsibilities, possible regulatory prohibitions and critical timing considerations that impact potential profitability.
- **Margin Risk:** If you engage in margin transactions then you are borrowing funds to purchase securities using loans for which your portfolio serves as collateral for repayment. Use of margin increases a portfolio's risk as price swings are amplified and, if the value of your securities declines, you can lose more funds than you originally deposited. The lender or custodian may be required to cease trading or liquidate securities to meet a margin call or credit line demand. When using margin as a strategy, you can lose more than your original investment.
- **Option Risk:** An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time, reflecting the nature of the option as a wasting asset becoming worthless when it expires. If

you don't sell an option in the secondary market or exercise it prior to expiration, you will lose your entire investment in the option.

- **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.
- **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.
- **Inflation Risk:** The risk is that the rate of inflation will exceed the rate of return on an investment. The investment value itself does not decline but its relative value does.
- **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.
- **Political Risk:** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **Regulatory Risk:** Changes in law and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **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.
- **Concentrated Investment Risk:** Certain investment strategies may be concentrated in a specific sector, industry or individual security. In this case, your portfolio will be more likely to sharply increase or decrease in value with changes in the market. This strategy is more volatile because the risk associated with each security represents a large percentage of your overall portfolio.
- **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.
- **Financial or Default Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability because the company must meet the terms of its obligations and service its debts 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. Ratings provided by several rating services help to identify those companies with more risk.
- **Risks Specific to Sub-Advisors and Other Managers:** If we invest some of your assets with another advisor (including private placement), there are additional risks. For example, the other manager may not be as qualified as we believe them to be, the investments those managers use may not be as liquid as we would normally use, or the managers' risk guidelines may be more liberal than we would normally employ.

You should understand there are risks inherent in all financial decisions and transactions, and there is no guarantee 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 our firm and any of our affiliated entities may use or the success of our overall management. You should understand that SAA, its 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 representative or SAA's 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.

#### **ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION**

In the Managed Opportunities Advisor Directed Program, 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.

In the Fund Strategist Portfolios, Separate Account Portfolios and Unified Managed Account Portfolios, SAA 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. For a description of the portfolios offered in each program, please refer to the section titled "Description of Investment Strategy Options" for more information.

SAA engages sub-advisors with access to mutual fund and exchange traded fund asset allocation model portfolios, institutional separate account investment manager model portfolios of equity and/or fixed income securities and unified managed account portfolios in order to provide you with a choice of investment styles and corresponding risk levels. One or more of these sub-advisors are affiliated entities of SAA. Our firm or a designee, on our behalf, gathers information on the sub-advisors from published materials, questionnaires and interviews. Screening factors are both qualitative and quantitative and include:

- Management style and total assets under management;
- Assets managed in a particular investment style;
- Number of years the firm has managed assets; and
- The number and qualifications of investment professionals employed.

Each evaluation factor may have a different weighting in the decision-making process. Generally, no one factor determines the outcome of any selection. Firms, including affiliated sub-advisors that pass the evaluation process are subject to a due diligence review by SAI's due diligence committee, on behalf of SAA. Refer to the section titled "Advisory Description" and "Affiliations" for more information. For information as to who reviews, performance information, please refer to the section titled "Review of Accounts".

#### **ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

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 or financial planning agreement. If you select your representative to manage your portfolio, he or she 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. If you select another party to manage your portfolio, your information will be collected by the other party for purposes of managing your account.

#### **ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

In the Managed Opportunities Advisor Directed Program, there are no restrictions on your ability to consult with your representative. In the Fund Strategist Portfolios, Separate Account Portfolios and Unified Managed Account Portfolios,

your representative will serve as your primary source of support in addressing any questions or concerns relating to the listed programs.

## **ITEM 9. ADDITIONAL INFORMATION**

### **Disciplinary Information**

SAA has no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity. In the normal course of business, our parent company, Securities America Financial Corporation, and some of its subsidiaries are involved in legal, regulatory and arbitration proceedings, including class actions, concerning matters arising in connection with the conduct of its activities.

### **Other Financial Activities and Affiliations**

#### **Financial Industry Activities**

SAA conducts activities with some affiliates who are "related persons" as defined in the SEC's Form ADV Instructions. These activities can be material to our investment advisory business or our advisory clients. These affiliates include companies under common control with us by virtue of their status as subsidiaries of Securities America Financial Corporation. SAA and SAI are wholly-owned subsidiaries of Securities America Financial Corporation. APA, another investment advisor firm, is a majority-owned subsidiary of Securities America Financial Corporation. APA is registered with the SEC under common control with SAA and shares a principal office and place of business with SAA. Although our services are similar to those provided by APA, our investment advisor representatives do not provide advisory services for APA or utilize the programs sponsored by APA.

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

Other companies owned by LTFS and thus affiliated with SAA are:

Ladenburg Thalmann Asset Management (LTAM)	100% owned by LTFS
Ladenburg Thalmann Fund Management, LLC (LTFM)	50% owned by LTFS
Ladenburg Thalmann & Co., Inc. (LTCO)	100% owned by LTFS
Ladenburg Capital Agency Inc.	100% owned by LTFS
Ladenburg Thalmann Annuity Insurance Services LLC	100% owned by LTFS
Triad Advisors, Inc.	100% owned by LTFS
Triad Hybrid Solutions, LLC	100% owned by LTFS
Highland Capital Brokerage	100% owned by LTFS
Investacorp, Inc.	100% owned by LTFS
Investacorp Advisory Services	100% owned by LTFS
SSN Advisory, Inc.	100% owned by LTFS
Premier Trust, Inc.	100% owned by LTFS
KMS Financial Services, Inc.	100% owned by LTFS
Securities Services Network, Inc.	100% owned by LTFS

Ladenburg Thalmann Asset Management, Investacorp Advisory Services, Inc., Triad Hybrid Solutions, LLC, Triad Advisors, Inc., KMS Financial Services, Inc. and SSN Advisory, Inc. are SEC registered investment advisors and are wholly-owned subsidiaries of Ladenburg Thalmann Financial Services. Ladenburg Thalmann Asset Management owns 50% of Ladenburg Thalmann Fund Management, LLC (LTFM), which is a registered investment advisor. We are also affiliated with Ladenburg Thalmann & Co., Inc., Investacorp, Inc., Triad Advisors, Inc., KMS Financial Services, Inc. and Securities Services Network, Inc., which are registered full service broker-dealers. Triad Advisors, Inc. is also a licensed insurance entity, as is Ladenburg Capital Agency, Inc. and Highland Capital Brokerage. Ladenburg Thalmann Annuity Insurance Services LLC is a full-service processing and marketing firm for fixed and equity-indexed annuities.

Due to the interrelationship of these entities, conflicts of interest can arise that are not readily apparent to the client. In the course of its business operations, Securities America Financial Corporation, through SAI, SAA, APA and Ladenburg Thalmann Financial Services, can engage in marketing reallocation 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.

A potential conflict of interest can exist when representatives recommend these products, as Ladenburg Thalmann Financial Services 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.

Ladenburg Thalmann Financial Services is a publically traded company with a substantial interest, both financial and with respect to its reputation, in assuring new and/or additional shares of their securities are being purchased. Our investment advisor representatives can recommend Ladenburg Thalmann Financial Services securities on a non-discretionary basis. We can have an incentive to recommend investment in these offerings because of our affiliation with Ladenburg Thalmann Financial Services rather than investment based on a client's needs. To address this conflict, we have policies and procedures in place to make sure Ladenburg Thalmann Financial Services securities are recommended only to clients for whom they are suitable given the client's investment objectives and assets.

Furthermore, because of our affiliation with Ladenburg Thalmann Financial Services, clients might infer a recommendation is being made based on private information known to our investment advisor representative because of the affiliation. Representatives generally do not have access to material non-public information concerning Ladenburg Thalmann Financial Services or their securities. Any recommendation based on such material non-public information would be considered insider trading and a violation of industry regulations. Should representatives become aware of such information they are prohibited from using it in any way. Clients should understand any recommendation to purchase Ladenburg Thalmann Financial Services securities must be based solely on the client's financial needs.

Your representative can 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.

Our Managed Opportunities Strategic Fund Asset Allocation Account Portfolios and Separate Account Portfolios are developed by third-party money managers that are registered investment advisors (collectively referred to as sub-advisors). One or more of these sub-advisors can be affiliated entities of SAA.

The principal executive officers, other employees and representatives can 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 can receive separate yet customary compensation for effecting any securities transactions. These individuals can 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 can 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.

Securities America Advisors conducts its business through a network of independent investment advisor representatives who operate offices located throughout the United States. The representatives may operate under their own business name(s) or "doing business as" names (DBAs). These business names, DBAs and logos may appear on their sales and marketing materials and the representatives may offer and provide other services through those business names and DBAs. However, the representatives must disclose on all materials and correspondence that advisory services are offered through Securities America Advisors, Inc. All sales and marketing materials used by the representatives are reviewed and approved by Securities America home office personnel. The business names, DBAs and logos used by the representatives are separate from and are not owned or controlled by Securities America Advisors. Information about the representatives' other businesses can be found in their respective Form ADV Part 2B Supplemental Brochure, which also contains more detailed information about their educational backgrounds, business experience and disciplinary history (if any).

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. Advisory services and recommendations provided under agreement with an independent investment advisor is solely the responsibility of the independent investment advisor, not SAI. The independent investment advisor firms market these services under a different marketing name or/and under an outside business activity.

SAA and independent investment advisor representatives can be separately registered as representatives of SAI, our affiliated broker/dealer, and can use SAA programs when managing their clients' assets. Your representative can engage our firm to assist them in providing advisory services. In certain circumstances, the separate independent investment advisor firms can 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. Refer to the "Advisory Business" section for information about these programs.

OSJ managers ("supervisors") who are responsible for the direct supervision of your representative can receive a percentage of commissions or fees as an override to compensate them for their supervisory services. This can 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 can also recommend clients invest in securities issued in an initial public and secondary offering ("new issue") transactions for which LTCO, an affiliated broker/dealer, acts as a manager, an underwriter and/or a member of the selling syndicate or SAA or SAI acts as a member of the selling syndicate. Our firm has a conflict of interest in recommending these securities for several reasons. First, our affiliated broker-dealer, LTCO receives all or a portion of the gross spread – the difference between the price paid by the client for the security and the price LTCO purchases the security for -- in connection with such sales. This gross spread is generally 7%, but can be higher or lower in connection with certain offerings. If our firm is a member of the selling syndicate, 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 SAI. In addition, LTCO has a substantial interest—both financial and with respect to its reputation—in assuring 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 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.

### **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.

### **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 SEC and state regulations.

### **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 and/or annuity transactions if you elect to have insurance recommendations implemented and will receive separate compensation when doing so. 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 related persons who are insurance companies or agencies. SAI, our broker/dealer affiliate is also a licensed insurance agency and can 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.

#### Core Account Investment "Sweep" Vehicle

Each eligible brokerage account has an associated account to hold cash waiting to be reinvested. This account is called a "sweep" account because cash balances are automatically "swept" into the core account investment vehicle. By opening an account with Securities America, you authorize us to establish a core account investment vehicle in the appropriate program. For eligible accounts, those programs are the Insured Cash Account Program and the Bank Deposit Sweep Program. For eligible advisory Individual Retirement Accounts (IRAs), the applicable core account investment vehicle is the Insured Cash Account Program. For all other eligible accounts, the core account investment vehicle is the Bank Deposit Sweep Program. Your representative can help determine if your account is eligible for one of these programs.

If your account is not eligible for either program, we provide access to other core account investment vehicles, including money market funds, to hold cash balances waiting to be reinvested. Securities America can receive a financial benefit (revenue sharing from the money market provider) if cash is placed into money market mutual funds which may present a conflict of interest. Your investment adviser representative will not receive any portion of any revenue received by Securities America. Money market funds can lose value and have done so in the past. In addition, different core account investment vehicles can have different rates of return and different terms and conditions, such as FDIC insurance or SIPC (Securities Investor Protection Corporation) protection. For more information on FDIC insurance, please consult [www.FDIC.gov](http://www.FDIC.gov).

If you do not wish to use the applicable core account investment vehicle, we generally will not be able to maintain your account. You are not obligated to use any of our managed accounts and can select a managed account at another broker-dealer where similar programs may not exist. However, you would lose the benefit of having your account managed by your representative and Securities America Advisors. We describe the Bank Deposit Sweep Program and the Insured Cash Account in more detail below.

#### FDIC Programs

The Insured Cash Account Program and Bank Deposit Sweep Program offer FDIC insurance (FDIC Programs). The maximum amount of FDIC insurance coverage for your deposits in the FDIC Programs is \$1.5 million (for an individual account) or \$3 million (for a joint account). Funds deposited through the FDIC Programs are not eligible for SIPC coverage. Any deposits you maintain in the same insurable capacity, outside of the FDIC Programs but with a Program Bank, are aggregated with your deposits for purposes of determining the maximum applicable FDIC deposit insurance. You are responsible for monitoring the total amount of your deposits with each Program Bank to determine the extent of FDIC deposit insurance coverage available to you. If you are eligible to participate in the FDIC Programs, you can expect to receive the appropriate disclosure document when you establish your account and we encourage you to review it carefully.

Available cash in your account is deposited through the FDIC Programs into interest-bearing deposit accounts at one or more FDIC-insured depository institutions (i.e., the Program Banks). The list of Program Banks and current interest

rates for each FDIC Program is available from your representative and on the Investors section of the Securities America website.

The FDIC Programs can also create financial benefits for our firm, our affiliates, and our clearing firms: National Financial Services, LLC, Member NYSE/SIPC (National Financial Services) and Pershing, LLC, Member FINRA, NYSE, SIPC, and a subsidiary of The Bank of New York Mellon Corporation (Pershing). The revenue generated by us can be greater than revenues generated by sweep options at other brokerage firms. It can also be greater than other core account investment vehicles currently available to you or possible core account investment vehicles we have used in the past or may consider using in the future.

#### Bank Deposit Sweep Program

Except for advisory IRAs, the Bank Deposit Sweep Program is the core account investment vehicle for eligible accounts custodied at National Financial Services and/or Pershing. The cash balance in an eligible brokerage account is automatically deposited or "swept" into the Bank Deposit Sweep Program, which uses an insured bank deposit account. Our firm may, when allowable, receive a fee from each Program Bank in connection with the respective programs. We will also pay a fee to National Financial Services, Pershing and necessary third-party vendors for the services they provide in conjunction with the program.

#### Insured Cash Account Program

The Insured Cash Account Program is the core account investment vehicle offered for eligible advisory IRA accounts custodied at National Financial Services and/or Pershing. Each month for any advisory IRA using the Insured Cash Account Program as the core account investment vehicle, a level administrative fee applies for the administrative services performed in operating the program. The level account fee is predetermined by formula, as stated in the Insured Cash Account Program Disclosure Document. We cannot earn income in excess of the stated level account fee. The aggregate interest generated by banks participating in the Insured Cash Account Program is used to pay the level account fee for each individual client and to pay any third-party vendor fees. All interest left over after these payments is then credited to client accounts in the Insured Cash Account Program. A detailed explanation of the method for calculating interest and fees is available in the Insured Cash Account Program Disclosure Documents provided at account opening and on the Investors section of the Securities America website.

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

This program is no longer available to new accounts. Legacy managed accounts custodied at Pershing continue to 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.

For legacy accounts, Pershing will continue to use 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 can 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 can 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 your eligible legacy account participates in the DBIDP, you can expect to receive the Deutsche Bank Insured Deposit Terms and Conditions, which you should review carefully.

All legacy DBIDP accounts will be converted to the core investment "sweep" vehicles previously discussed.

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

For a discussion of our compensation arrangements involving the recommendation or selection of other investment advisors 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**

#### **Our Approach to Conflicts of Interest**

Conflicts of interest that can 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 we believe to be 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, best execution and new products.

#### **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 (Advisers Act)* 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 employees (including Securities America Financial Corporation, SAA and SAI, our affiliated broker/dealer), 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 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 who 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 can be obtained by calling us at (800) 747-6111 or writing to the RIA Compliance Department at Securities America, Inc., 12325 Port Grace Blvd, La Vista, NE, 68128.

### **Participation or Interest in Client Transactions**

SAI, our affiliated broker/dealer, can execute securities transactions on our behalf or on behalf of your representative. SAA, SAI and/or your representative can receive advisory fees and broker/dealer commissions for the sale of securities placed under our management. Receiving compensation from a variety of sources can 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. Refer to the section titled "Brokerage Practices" for more information.

Representatives can sell mutual fund, unit investment trust, collective investment trust and insurance products offered by subsidiaries of Ladenburg Thalmann Financial Services. Therefore, a potential conflict of interest can exist when representatives recommend these products because Ladenburg Thalmann Financial Services 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 agency cross transactions where representatives act as brokers for both buying and selling a single security between two different clients where representatives are compensating through an agency commission or principal mark-up for the trades. If 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**

Ladenburg Thalmann & Co., Inc., our affiliate, acts as a dealer with respect to certain securities, and as such, can execute transactions for SAA clients as a principal unless the account is covered under *ERISA*. Principle transactions are prohibited in *ERISA* accounts. As a dealer, Ladenburg Thalmann & Co., Inc. will receive a "mark-up," "mark-down," and/or spread in the net price at which principal transactions are executed. This compensation is in addition to other compensation paid to SAA and its affiliates under your advisory program. Thus, SAA has a conflict of interest in deciding to execute trades through Ladenburg Thalmann & Co., Inc. on a principal basis. SAA has policies in place to address this conflict of interest. After receiving disclosures about a specific principal transaction with Ladenburg Thalmann & Co., Inc. clients have the opportunity to reject the transaction before it is completed, to the extent required by applicable law. In addition, SAA has policies and procedures in place to assure clients receive best execution with respect to principal trades, regardless of whether the trade is executed by Ladenburg Thalmann & Co., Inc. or an unaffiliated dealer.

### **Personal Trading**

SAA, representatives and our supervised persons can recommend securities to buy, sell or hold a position in securities identical to the securities recommended to you, at or about the same time 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.

## **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 can 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 can 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.

## **Our Insider Trading Policy**

SAA and our supervised persons may come into possession of material non-public 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. In addition, we and they 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 non-public 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 can be subject to sanctions imposed by our firm.

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

SAA requires that its supervised persons seeking to make a political contribution to or volunteer for a state or local candidate, political action committee or political party pre-clear their political contributions or activity through the firm. We do not require our supervised persons to pre-clear contributions to federal candidates, unless the candidate is currently a state or local government official running for federal office. However, we do require supervised persons to notify us of any contributions made to or volunteer activity done on behalf of federal candidates, political action committees or political parties. SAA and your representative will also be subject to local and state pay-to-play rules in addition to federal securities rules and regulations.

## **Brokerage Practices**

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 NFS 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, the clearing firm provides clearing 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.

Generally, brokerage transactions are processed by SAI and cleared by NFS or Pershing. NFS and Pershing are not affiliated with SAA or SAI. We have also entered into agreements with various insurance companies that allow for managing and valuation of client's variable annuity accounts within the Managed Opportunities Advisor Directed Programs and certain other advisory programs as well as accounts created through our providing retirement plan

advisory services. 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 the program described in this document allow for the direct deduction of advisory fees from client accounts, SAA, SAI or your representative can be deemed to have limited custody of client assets. SAA and SAI can also be deemed to have limited custody for certain transmittal policies. For example, SAI can be deemed to have limited custody by giving you the ability to transfer funds between accounts you own and 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 can also 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 can be deemed to have limited custody of your assets. In each of these cases, SAA, SAI and/or your representative can be deemed to have limited custody. Outside custodians maintain custody of all funds and securities.

### 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 can 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 can 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 cannot apply to certain transactions associated with mutual fund product sponsors participating in the Strategic Partners Program (see description below). At the representative's discretion, he/she can 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.

SAA may also receive additional payments called revenue sharing payments and/or marketing allowances from certain product sponsors under special agreements with those firms ("Strategic Partners".) Additional details concerning the Strategic Partners Program and Non-Publicly Traded Products are set forth below. We also maintain revenue and marketing allowance payment programs involving certain REITs. Representatives of product sponsors, often referred to as "wholesalers," work with Ladenburg Thalmann and its representatives to promote their products. These product sponsors are generally granted access to our representatives to promote their products. Consistent with rules set out by FINRA, these wholesalers and/or their firms may pay Ladenburg Thalmann for training or education of our representatives. Product sponsors also make payments to Ladenburg Thalmann to promote the marketing of their products to clients, including covering in whole or in part the cost of seminars for clients and potential clients. These firms also invite representatives to due diligence or continuing education meetings regarding their products. From time to time Ladenburg Thalmann allows its representatives to attend off-site training sessions sponsored or co-sponsored by these product sponsors. Ladenburg Thalmann prohibits promoting any product, including those issued by fund families, insurance carriers or sponsors, over another based solely on additional payments or other considerations received from the sale or marketing of products. Representatives are required to make recommendations to clients based on client needs and objectives; however, receiving reimbursements could create an incentive to your representative to recommend products that provide such payments. We encourage you to talk with your representative about any fees or compensation they receive from the sale of investment products.

For the most current list of Strategic Partner program participants, please ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor information.

Ladenburg Thalmann and its affiliates are also affiliated with SEC registered investment advisory firms, including Ladenburg Thalmann Asset Management Inc., SAA, Arbor Point Advisors, LLC, Triad Advisors, Inc., Triad Hybrid Solutions, LLC, SSN Advisory, Inc., Investacorp Advisory Services, Inc., and KMS Financial Services, Inc., (together "Ladenburg Thalmann Advisors"). Ladenburg Thalmann Advisors has also created the Strategic Partners Program for independent investment advisors. These independent firms 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 an opportunity to participate in Ladenburg Thalmann's national conferences and broader access to our representatives, the advisors pay to participate in the Strategic Partners Program by sharing with Ladenburg Thalmann Advisors a portion of the revenue generated by distributing their products and services and/or paying a specified annual dollar amount. Ladenburg Thalmann Advisors representatives may also receive reimbursements, marketing and distribution allowances, due diligence fees, or other compensation 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 Ladenburg Thalmann Advisors and/or Ladenburg Thalmann Advisors representatives relating to the promotion or distribution of the program sponsor's products or services. Ladenburg Thalmann Advisors' Strategic Partners pay a flat annual fee of up to \$400,000 per year. In addition, Strategic Partners pay basis points on asset sales or a percentage of the Partner's net advisory fee derived from assets invested through their models. It is important to understand that none of the payments made by the Strategic Partners participating in the program are paid or directed to any representative who utilizes the services of these Strategic Partners.

Ladenburg Thalmann 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 Ladenburg Thalmann representatives, sponsors participating in the Income Distribution Partners program are required to pay Ladenburg Thalmann for participation. The Ladenburg Thalmann income distribution planning desk is available to assist with developing distribution plans for you. The income distribution plans use suitable products available from both the Income Distribution Sponsor Partners and products on the Ladenburg Thalmann approved product list. Ladenburg Thalmann representatives using the income distribution desk 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 representatives to consider products that make revenue sharing payments to Ladenburg Thalmann, 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.

Ladenburg Thalmann focuses on a select group of mutual fund, variable annuity and investment management companies providing them greater access to our representatives to provide training, education presentations and product information. The purpose is to identify creative ways to help these companies increase field visibility, identify meaningful representative networking opportunities, present timely products and grow assets. In return for these increased services, these sponsors compensate Ladenburg Thalmann in the form of revenue sharing payments. In addition to the customary sales commissions paid in connection with sales of mutual funds, variable annuities, third party models and money market funds, these companies make payments to Ladenburg Thalmann to participate in the Program. The payments consist of amounts up to 10 basis points on a sponsor company's sales and up to 5 basis points on assets. In addition, Ladenburg Thalmann may be reimbursed by the Distribution Partner for expenses incurred for various promotional activities including, but not limited to, sales meetings, conferences and seminars held in the ordinary course of business. Ladenburg Thalmann may receive a flat fee of up to \$300,000 per year per sponsor for such reimbursements.

For the most current list of Distribution Partner program participants, ask your representative or visit [www.securitiesamerica.com](http://www.securitiesamerica.com) under Investors/Investor Information.

In addition to revenue sharing received from our custodians and Strategic Partners programs, as described above, we can also participate in revenue sharing arrangements with specific money managers having their own mutual funds and using those funds in their managed programs. In all cases where we receive revenue sharing from managers using their own funds, we reduce the platform fee to the client.

Consistent with prudent product approval practices, SAA can 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 can incur costs in connection with the analysis provided by the due diligence analyst. SAA and SAI can in turn require that the investment company or investment advisor reimburse us for such expenses. In addition, SAA and SAI can, at our discretion, require investment companies to pay annual fees to reimburse us for ongoing due diligence and product administration expenses.

### **Step Out Trades**

Generally, SAA routes trades directly to SAI and/or the custodian(s) of record. In the Managed Opportunities Program, some investment products (e.g., certain thinly traded securities, illiquid or ETFs) can occasionally be “stepped out” to other broker/dealers in order to gain best execution and minimize market impact. In some instances, stepped out trades are executed by the other broker/dealer without any additional commission, mark-up or mark-down. In other instances, the executing broker/dealer may impose a commission, mark-up or mark-down on the trade. If trades are placed with a broker/dealer that imposes a commission or equivalent fee on the trade (including a commission imbedded in the security price), the client will incur trading costs in addition to the wrap fee paid to his or her representative. Due to the additional costs incurred, managers engaging in step-out trades will generally cost more than managers who do not utilize step-out trades.

### **Ladenburg Thalmann Initial Public Offering (IPO) Allocations**

IPO allocations through Ladenburg Thalmann are only available to clients through investment advisor representatives that have completed SAA's required IPO training. Consequently, advisory clients serviced by a representative who has not received the required training will not be allocated any shares in IPO securities.

### **Best Execution**

SAA will process brokerage security transactions through our affiliated broker/dealer so long as we determine 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 the duty of best execution is being met by its trade execution and clearing firms.

### **Soft Dollars**

SAA does not have any soft dollar arrangements.



## **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.

### **Order Aggregation**

While not required by firm policy, SAA and your representative can aggregate client transactions or allocate orders when possible. Mutual funds held in client accounts do not lend themselves to aggregate or block trades. To the extent other securities are purchased that lend themselves to aggregation or block trading (e.g., stocks or exchange traded funds), SAA and your representative can 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 can 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 can pay higher brokerage costs.

### **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**

### **Frequency of Account Reviews**

Managed Opportunities Program accounts and other investment advisory agreements (where 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 can vary by your representative. In all accounts, reviews are conducted at least annually.

### **Review Triggers**

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

### **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. The statements will show any activity in the account, as well as period ending position balances. You will also receive a confirmation from the custodian or clearing firm of each purchase and sale transaction.

To the extent you receive performance reports, 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 representative at the phone number listed on the account statement. Performance information provided by your representative is believed to be accurate but cannot be guaranteed. Your representative can include

variable annuity account position information within performance reports. Neither our firm nor your representative can guarantee the accuracy of fund values, securities and other information obtained from third parties.

Clients participating in the Managed Opportunities Program are able to view daily and quarterly performance reports on a website which describes the performance, holdings and other activity in your accounts. The website is maintained on our behalf by a third party. During any month in which there is activity in Managed Opportunities Program accounts, you receive a statement from the account custodian or clearing firm showing the activity in your accounts, as well as positions held in the accounts at month end. You also receive a confirmation of each purchase and sale transaction that occurs within the accounts. If there is no activity in the Managed Opportunities Program account, you receive statements no less than quarterly from the account custodian or clearing firm.

We review the performance information in Managed Opportunities Program accounts to determine its accuracy. Performance information provided by us is believed to be accurate but cannot be guaranteed. We do not guarantee the accuracy of fund values, securities' values and other information obtained from third parties.

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.

For retirement plan advisory services accounts, representatives can furnish to the plan sponsor consolidated performance reports of the model portfolios in the plan at least quarterly. Such reports are provided in accordance with the services agreed upon by the representative and the plan. When such services are contracted for, plan portfolios are reviewed as needed and as appropriate by your representative and also as required by SAA supervisors (SAI principals). Review triggering factors can include material market, economic or political events.

#### **Client Referrals and Other Compensation**

##### **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. 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 can 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 can 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 can 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 can vary and can 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 can 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 can award separate non-cash compensation to representatives, the independent investment advisor firms and the independent investment advisor 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 advisors, pursuant to which our firm and the independent investment advisor firm and the representative receive solicitation compensation from the third-party investment advisor in return for referral of accounts. SAA's broker/dealer affiliate, SAI and the representative, in his or capacity as a registered representative, can 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 can receive normal and customary compensation (e.g., commissions) from the sale of mutual funds, exchange traded funds or variable annuities in such accounts. This compensation can be in addition to the solicitor fee paid by the third-party investment advisor.

We have established a relationship with LTAM's \$ymbil program. Representatives of SAA can provide clients access to LTAM's \$ymbil program through the individual representative's website. SAA receives a portion of the asset management fee that LTAM charges. These fees can be paid on an ongoing basis and can continue even if your relationship with the representative and/or Securities America is terminated.

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.

In some instances, Managed Opportunities Advisor Directed Portfolios can be managed by third-party registered investment advisors under separate investment management or sub-advisor agreements. Third-party registered investment advisor management fees are separate and distinct from our firm's and the representative's fees.

You should be aware SAA and your representative can receive solicitor/referral fees for recommending certain portfolios to you. Therefore, a potential conflict of interest can exist because these circumstances can 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 has no 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 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.

### **Lead Generation Programs**

Our representatives may utilize the services of lead generation or business development firms. Generally, prospects will contact that firm directly or online and receive the names of several financial service providers in the prospect's area. The prospect can then review the list and make a decision whether or not to contact a selected financial service provider. The firm does not provide the prospect any advice or recommendations concerning the list of advisors. Typically, advisors pay a subscription or membership fee to be included in the firm's network or association. In addition, some firms can provide marketing resources.

## Other Compensation

SAA or our affiliated broker/dealer, SAI, can 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). These alliances and arrangements 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 can 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 can receive compensation representing payment for the use of the facilities and equipment of the Third-Party Financial Institutions. Compensation can be 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.

These relationships can 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. Also, the securities products:

- Are not insured by the Federal Deposit Insurance Corporation 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;
- Are 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;
- Are subject to investment risks, including possible loss of principal invested.

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

Your representative can have an incentive 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. Furthermore, there can production goals associated with the recommendation of a transaction from your representative. Receiving such compensation can 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 can 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. Receiving incentives can 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 can receive reimbursements from marketing and distribution allowances, due diligence fees and travel expenses. Other compensation or reimbursement can 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 can 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.

In order to help cover or defray the costs of transitioning from another RIA to SAA, our representatives can receive various forms and amounts of transition assistance. Such transition assistance can include a promissory note loan, rent, technology services and equipment, legal expenses, administrative support, termination fees associated with moving accounts, and regulatory services, with such transition assistance based on production, reimbursement of fees, free or reduced-cost marketing material, attendance to conferences and events, or access to preferred pricing.

SAI can issue payments in the form of loans to representatives which can be forgivable based on years of service with SAI or the extent of their production with SAI. This practice can create a conflict of interest in that the representative can have a financial incentive to recommend a client engage SAA for advisory services in order for the loan to be forgiven. However, if you engage SAA for an Advisor Managed Account, your representative will obtain the necessary financial data from you, assist you in determining the suitability for the Advisor Managed Account and help you set appropriate investment objectives. Your representative will then be able to purchase and sell securities in accordance with your investment objectives. SAA periodically reviews advisory accounts to ensure suitability and adherence to investment objectives. Please consult with your representative if you have questions regarding this issue.

### **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 can serve as an introducing broker/dealer and collect physical stock certificates or engage in certain asset transmittal practices such that we can be deemed to have custody of such assets. SAI can be deemed to have limited custody of your assets 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 can 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 undergo an examination at least annually provided by a qualified independent public accountant. Additionally, SAA must undergo an independent verification of client assets under its control.

### **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 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.

### **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**

All Managed Opportunities accounts are managed on a limited discretionary trading authority basis. This means your representative has 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 receiving 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 can promptly implement the investment policy you have approved in writing.

Any limitations you place on this discretionary authority should be included in the written authority statement. You can change/amend these limitations as required by submitting a written amendment.

Representatives can enter into separate investment advisory agreements with you to provide investment management services outside of our Managed Opportunities Program. You can grant the representative written authority to manage assets on a limited discretionary basis to buy and sell securities and investments according to your stated investment objectives.

## **Account Authorization**

The following describes each of the investment strategy options available to clients under the Managed Opportunities Portfolios Program, including the nature of granting discretionary authority with respect to each option selected by client.

When executing a Managed Opportunities Program client agreement, you grant us discretion to select one or more sub-advisors, including those providing administrative, website, performance reporting, transaction order entry and other services to you and our firm. You grant us and any sub-advisor selected by our firm limited discretionary trading authority with respect to the purchase and sale of securities in the Master Account, Strategist Fund Portfolios, Separate Account Portfolios and Advisor Directed Portfolios and appoint us and any sub-advisor selected by our firm as your agent and attorney-in-fact with respect to the trading authorization. In some programs, discretionary authority to select a broker and to negotiate commissions is typically given to the recommended manager (not available in the Managed Opportunities Advisor Directed Programs).

When executing a Managed Opportunities Program client agreement, you grant us limited discretionary trading authority with respect to the purchase and sale of securities in the Master Account and Advisor Directed Portfolios and appoint us and any sub-advisor selected by SAA as your agent and attorney-in-fact with respect to the trading authorization.

The Unified Managed Account Portfolios program is a non-discretionary program at the SAA level. However, you will grant any sub-advisor limited discretionary trading authority with respect to the purchase and sale of securities in your Unified Managed Account.

When executing a Managed Opportunities Program client services agreement, you acknowledge that the composition of any of the Managed Opportunities portfolios can change from time to time causing the portfolio to become more conservative or more aggressive and that such changes are a normal part of the investment management process. Unless a sub-advisor notifies us of a change in the fundamental investment objectives of a portfolio, our firm and/or your representative will not notify you of such changes or take action to change the investment portfolio selected for you. The initial portfolio or portfolios selected for you are explained on a "Managed Opportunities Program Investment Strategy Summary" document. Any changes to the initial portfolio(s) selection are reflected in a verification update letter mailed to you.

## **Voting Client Securities**

Generally, SAA delegates proxy voting for our Managed Opportunities Strategist Fund Portfolios, Separate Account Portfolios and Unified Managed Account Portfolios to Envestnet or to the sub-manager to whom it allocates client

assets, unless you specifically choose not to grant such authority. To retain the proxy voting authority you must complete the Managed Opportunities Program Additional Instructions Form indicating that you wish to receive all proxy notices.

SAA acknowledges our fiduciary obligation to ensure any proxies for which Envestnet or the sub-manager are responsible are voted solely in the best interests of the client. Both designees' have developed appropriate principles, policies and procedures to ensure proxies are voted in this manner. Generally, Envestnet and/or the sub-manager use a neutral third party that issues recommendations based on its own internal guidelines. This policy is in place to limit conflict of interest issues. Both have policies designed to identify and resolve any such issues.

You can request information on how your account proxies were voted or request a copy of SAA's proxy voting procedures, Envestnet's proxy voting procedures or a copy of the sub-manager's proxy voting procedures by contacting SAA in writing or by phone at:

Securities America Advisors, Inc.  
12325 Port Grace Blvd.  
La Vista, NE, 68128  
Attention: RIA Compliance  
(800) 747-6111

Other than the specific Managed Opportunities Program Portfolios described above, our firm and representatives will not perform proxy voting services on behalf of clients in any other 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 should read through the information provided with the proxy materials to determine how you choose to vote. Upon your request, representatives can 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 representatives are expressly precluded from the voting of proxies solicited by the issuers of securities held by the qualified plan other than for those Managed Opportunities Program accounts.

### **Financial Information**

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 of services being provided by our firm or a representative. On our behalf, our affiliated broker/dealer, SAI, has established policies and procedures designed to prevent the collection of fees greater than \$1,200 six or more months in advance of services being provided. As such, a balance sheet is not required to be provided to you at this time.