

SSN Advisory, Inc. |

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## **Form ADV Part 2A – Appendix 1**

### ***Encompass SMA Brochure***

#### **Item 1 – Cover Page**

This wrap fee program brochure provides information about the qualifications and business practices of SSN Advisory, Inc (SSNAI). If you have any questions about the contents of this brochure, please contact us at 800/264-5499. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration does not imply a certain level of skill or training.

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

February 7, 2017

## **Item 2 - Material Changes**

The following information discusses only material changes since the last annual update of this brochure on March 08, 2016.

None

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

SSN Advisory, Inc. (SSNAI) is an investment advisor registered with the Securities and Exchange Commission (SEC) since April 2003. SSNAI is owned by a FINRA member introducing broker-dealer firm, Securities Service Network, Inc. (SSN). SSN is a fully disclosed introducing broker-dealer and a wholly-owned subsidiary of Ladenburg Thalmann Financial Services, Inc. (LTFS). LTFS is listed on the NYSE\_MKT under the symbol LTS. Dr. Phillip Frost and related entities Gamma Trust and Nevada Trust are beneficial owners of over 25% of LTFS. More information on SSN and LTFS is available in Item 9 – Additional Information. SSNAI offers financial planning and consulting services, asset management services, referrals to third party investment advisors and a wrap fee program. This brochure describes Encompass SMA which is sponsored by SSNAI. For information and descriptions of SSNAI's other advisory services, please refer to the SSNAI Form ADV Part 2A which you may obtain from your Investment Advisor Representative (IAR) or from [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Encompass SMA is a discretionary asset management program, offered through IARs of SSNAI and by other registered investment advisers (collectively referred to as "Advisors"). For Encompass SMA SSNAI uses the asset allocation and model portfolio construction services of various portfolio or model managers (collectively referred to as "Model Manager(s)"). Model Managers will provide investment strategies or model portfolios (collectively referred to as "Model(s)") with underlying holdings consisting of various securities, including, but not limited to stocks, bonds, open-end mutual funds and/or exchange-traded funds (collectively referred to as "Funds"). Model Managers are responsible for the construction of the Models, selection of Funds for the Models, on-going monitoring of the Models, and communication of Model changes to SSNAI. SSNAI, acting as discretionary overlay manager, will implement any changes in Model allocations and Fund selections in Client accounts. Certain Model Managers may also have the discretionary authority to place trades in your account without your prior knowledge. Asset allocations and/or securities in the Models may be adjusted or replaced at any time. Reallocation of assets may trigger short-term redemption fees and will trigger taxable events except where Individual Retirement Accounts or other qualified retirement plans or accounts are involved.

Based on investment objectives, financial and tax status, risk tolerance, and time horizon information you provide to your Advisor, your Advisor will assist you in choosing an appropriate Model(s). Your initial selection of one or more Models shall be set forth in Schedule A of the Encompass SMA Agreement ("Agreement"). SSNAI has the discretionary authority to replace any Model Manager or Model selected at any time. You may also replace or add a Model by notifying Advisor and SSNAI in writing by completing a new Schedule A. Any restrictions on the management of an account imposed by you may cause the Model to deviate from the Model construction decisions made by the Model Manager. There is no guarantee that a Model will achieve your investment objectives.

### **Fees**

Each account in Encompass SMA will generally be charged an asset-based fee ("Wrap Fee") in advance, on a quarterly basis. The Wrap Fee will be calculated based on the ending account balance as of the prior quarter end. The Wrap Fee includes the Model fee and the fee payable to your Advisor, and includes custody, trading, and performance reporting costs. Model Manger fees will range from 0.45% to 1.50%. The maximum Wrap Fee is 2.50% and is negotiable between you and your Advisor. The actual fee rates paid by you will be set forth in Schedule A of the Agreement. A portion of the Model fee is paid to the Model Manager and a portion is retained by SSNAI. The portion of the Wrap Fee in excess of the Model fee will be paid by SSNAI to your Advisor. As your Advisor adds Client assets to Encompass SMA the portion of the Model fee retained by SSNAI will decrease; this will increase the portion of the Wrap Fee paid to your Advisor. This creates a conflict of interest for your Advisor; SSNAI has policies and procedures to address such conflicts of interest. The Model fee may be increased in the future. If the increase in the Model fee will cause your total Wrap Fee to be increased your Advisor will have you sign a new Schedule A. The amount of compensation received by your Advisor from Encompass Wrap may be more than what he or she would receive if you participated in other programs or paid separately for investment advice, brokerage, and other services. Therefore, your Advisor may have a financial incentive to recommend Encompass Wrap over other programs or services.

Fees for Encompass SMA accounts opened prior to July 27, 2015 will be billed in arrears as set forth in the Agreement signed by the clients at account opening. Additionally, certain Encompass SMA accounts opened prior to July 27, 2015 are subject to a Model fee that is the greater of 0.45% or \$450.00 as set forth in the Agreement signed by the clients at account opening.

SSNAI will deduct the Fee directly from clients' accounts but does not otherwise have custody of clients' funds or securities. Deduction of the Fee will be made by the qualified custodian holding your funds and securities. Further, the qualified custodian agrees to deliver a monthly or quarterly account statement directly to you, and never through SSNAI, showing all disbursements from the account. You are encouraged to review all account statements for accuracy. SSNAI will form a reasonable belief that such statements are delivered to you. You may terminate authorization for automatic deduction of the Fee by notifying your Advisor in writing. In turn, your Advisor will notify the SSNAI home office promptly and your account will be closed.

Either party may terminate the Agreement at any time on thirty (30) days prior written notice. A *pro rata* portion of any Wrap Fee paid by the client in advance will be remitted to the client based on the number of days left in the quarter following receipt of the notice of termination by SSNAI. Should your Advisor no longer be appropriately registered with SSN, your Agreement shall remain in force until such time as the Agreement is terminated by SSNAI or you. During this time your account will only be charged the Model fee portion of the Wrap fee.

If assets are transferred in-kind into your account, such assets may be liquidated at the discretion of SSNAI. In this situation, you will be responsible for any and all transaction charges (including ticket charges, confirmation fees, deferred sales charges, and short term redemption fees) related to such liquidations. You will be responsible for any and all transaction charges related to any transaction placed at your direction. This includes liquidations for account transfers and money movement requests (checks, wire transfers, electronic fund transfers, ACAT, etc.). Additionally, the custodian of your account may impose additional fees for checks, wire transfers, electronic fund transfers, etc. You may pay other fees as required by law. You may pay short term redemption fees on certain mutual fund transactions. You will pay separately for IRA custodial services.

All fees paid to SSNAI for investment advisor services are separate from fees and expenses charged to owners of mutual fund shares and ETF shares by the investment companies. As a result, you may pay two management fees. The default fund for your cash balances is a Bank Deposit Sweep Program ("BDSP"). For more information on BDSP please see Item 9 – Additional Information.

SSN and/or your IAR will, from time-to-time, receive 12b-1 fees, revenue sharing, or trail commissions ("Additional Compensation") from mutual funds or variable annuities ("Investment Company or Companies") in connection with the placement of client funds into Investment Company products. SSN will, from time-to-time, receive a portion of the transaction charges in connection with transactions within certain brokerage accounts. For more information on these practices, please refer to Item 12 – Brokerage Practices.

In certain instances multiple share classes of the same mutual fund may be available for investment, with one share class (ex. Class A Share) charging higher ongoing expenses and paying Additional Compensation to SSN and/or your IAR and the other share class (ex. Class F Share) charging lower ongoing expenses and not paying Additional Compensation to SSN and/or your IAR. Your IAR may select or recommend the fund share class that pays Additional Compensation even when you are eligible to own the lower cost share class. It is generally in your best interest to purchase the lower-fee share class rather than the higher-fee share class because your returns are not reduced by 12b-1 fees. You should understand your share class options and discuss them with your IAR prior to investing. This conflict will exist for both discretionary accounts (you have empowered your IAR to buy and sell securities without your prior knowledge) and non-discretionary accounts. These share class practices present a conflict of interest and gives SSNAI or your IAR an incentive to recommend investment products based on the compensation received, rather than on your needs. These conflicts are addressed through disclosure in this Form ADV Part 2A and in the Agreement.

Encompass SMA may cost you more or less than purchasing similar services separately. Factors to consider include the type and size of the account, the securities to be bought or sold and the historical and/or expected size or number of trades. Your Wrap Fee may be more or less than the Wrap Fee of other Encompass SMA clients. Multiple accounts will not be “householded” or combined for billing purposes. SSNAI does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets). Your Advisor may receive more compensation for the Encompass SMA program than if you participated in other available programs offered, or paid separately for investment advice, brokerage, and other services. Thus, the Advisor may have a financial incentive to recommend Encompass SMA over other programs or services.

Some Advisors may generate account statements or performance reports for clients. You are urged to compare the account statements from the custodian with those from your Advisor.

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

The minimum amount of assets required to open an Encompass SMA account will vary depending on the Model selected, and ranges from \$50,000 to \$200,000 based on various factors, such as average number of Model positions and expected annual turnover. Should the market value of an account fall below the stated minimum, SSNAI will have the right to require that additional monies be deposited to bring the account value up to the required minimum, or close the account.

SSNAI makes Encompass SMA available to individuals, IRAs, trusts, estates, charitable organizations, and corporations or business entities.

Accounts are carried by National Financial Services, LLC, a Fidelity Investments Company, located at PO Box 77001, Cincinnati, OH 45277 and Pershing, LLC, a subsidiary of Bank of New York Mellon Corporation, located at PO Box 2054, Jersey City, NJ 07303. Some SSNAI advisory accounts may be carried by TD Ameritrade Institutional (“TD Ameritrade”), located at 4075 Sorrento Valley Blvd, Suite A, San Diego, CA 92121, a wholly owned subsidiary of TD Ameritrade Holding Corporation or Fidelity Institutional Wealth Services (“FIWS”), located at 200 Seaport Blvd, Z2B1, Boston, MA 02210, a wholly owned subsidiary of the Fidelity Investments Group of companies.

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

SSNAI typically acts as overlay manager for Encompass SMA. Certain Model Managers may also have the discretionary authority to place trades in your account without your prior knowledge. This creates a conflict of interest in that SSNAI bears the costs related to trading activity, thus giving SSNAI incentive to reduce trading activity in your account. This conflict of interest is addressed due to the fact that SSNAI relies on the Model Manager to recommend all changes in Model allocations and fund selections.

SSNAI relies on Model Managers for all Model analysis, strategies and recommendations. SSNAI conducts a detailed review of the services and disclosures provided by a Model Manager prior to adding the Model Manager to Encompass SMA. This analysis includes a review of the following characteristics: ownership, asset selection methodology, investment selection methodology, attention to compliance issues, marketing and support ability, computer technology, and research capabilities. If the Model Manager manages accounts using more than one investment strategy, SSNAI may also select which of these investment strategies are included as Models in Encompass SMA. Thus, Model Managers included in Encompass SMA may manage accounts using an investment strategy that is not included in Encompass SMA.

Model Manager performance is monitored by SSNAI. Managers who under-perform relative to the applicable asset class and or style will likely be removed from the program. SSNAI practices careful judgment and discretion when determining whether to include each Model Manager in the program. However, SSNAI does not independently verify Model Manager returns, but rather relies on the returns presented by the Model Manager and/or third-party sources.

Advisors identify specific Models for particular clients based on asset size, any investment restrictions the client may wish to impose, any investment guidelines or policies that the client may have or other factors that may make a particular manager more desirable to the client. Clients are responsible for the initial selection of Models.

SSNAI has discretionary authority to replace any Model or Model Manager selected by a client or reallocate assets among selected Models at any time. Factors that would cause SSNAI to replace a Model may include but are not limited to the following: the Model or Model Manager does not perform as well as other managers with a similar investment strategy or style, a change in management personnel or a change in their strategy or discipline that is deemed no longer beneficial to SSNAI or the client, the determination of significant risk or impairment as discovered through due diligence, a significant regulatory deficiency, or a violation of the terms of agreement held between the Model Manager and SSNAI. Clients may also replace or add a Model or Model Manager by notifying Advisor and SSNAI in writing by completing a new Schedule A of the Agreement.

SSNAI may provide clients with information about Model Managers and Models. The information may be prepared by SSNAI or by a third party and is based on and/or incorporates information provided by Model Managers and other third-party sources. SSNAI believes that this information is accurate; however, SSNAI does not independently verify or guarantee the accuracy or completeness of the information. SSNAI shall have no liability with respect to information provided by Model Managers.

Performance information may be included in the information provided by SSNAI or may be provided by Model Managers. This performance is calculated by the Model Managers themselves or by third parties. This performance is not calculated or verified by SSNAI or by a third party at SSNAI's request. Thus, this performance may not be calculated on a uniform and consistent basis.

Clients will receive each Model Manager's disclosure document. Clients should review the Model Manager disclosure document carefully for important information about the Model Manager, including risks associated with the selected Model (if applicable). Each Model Manager is solely responsible for the truthfulness, completeness, and accuracy of its own disclosure document. Neither SSNAI nor the financial consultants are responsible for the performance of any Model Manager or Model. In addition, neither SSNAI nor the Advisor shall not be responsible for any act or omission of any Model Manager or any misstatement or omission contained in any document prepared by or with the approval of any Model Manager or any loss, liability, claim, damage, or expense, whatsoever, as incurred, arising out of or attributable to such misstatement or omission or any other action or omission by a Model Manager.

Certain Model Managers seek to execute and fill transactions for institutional and other non-Wrap Fee/separately managed program accounts prior to providing Model change notification to SSNAI. This could have an adverse impact on the execution price clients receive if trades for institutional and non-sponsor program accounts impact the market and trading volume of the securities sought to be purchased with respect to the client's account. Model Manager trading and execution practices are described more fully in each Model Manager's disclosure document.

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

Investing in securities involves risk of loss that you should be prepared to bear.

Risks associated with the Models include:

- Capital risk – The risk that your investments may lose value.
- Currency risk – If the assets you invest in are held in another currency there is a risk that currency movements alone may affect the value.

- Financial risk – The risk that there may be a disruption in the internal financial affairs of the investment, thereby causing a loss of value.
- Market risk – The risk that the value of a security or portfolio will decrease due to the change in value of the overall market.
- Credit risk – The risk of loss arising from a borrower who does not make payments as promised.
- Interest rate risk – The risk that an interest-bearing asset, such as a bond, will lose value due to variability of interest rates. In general, as rates rise, the price of a fixed rate bond will fall, and vice versa.
- Investing in the natural resources and commodities sectors involves special risks, including increased susceptibility to adverse economic and regulatory developments affecting the sector.
- Investing in international developed and emerging markets stocks and bonds involves risks relating to political and economic developments abroad, foreign taxation, currency exchange rate fluctuations, and differences in accounting standards.
- Investing in stocks of small companies involves additional risks, including a higher risk of failure and market volatility that is greater than that of the total market.
- Investing in global REITs involves risks relating to the concentration of scope; therefore, it may be more volatile than the broad market. The real estate market is inherently less liquid, which may adversely affect liquidity.

Underlying ETFs are subject to the following risks:

- The market price of an underlying ETF's shares may trade above or below net asset value.
- There may be an inactive trading market for an underlying ETF.
- The underlying ETF may employ an investment strategy that utilizes high leverage ratios.
- Trading of an underlying ETF's shares may be halted, delisted, or suspended on the listing exchange.
- The underlying ETF may fail to achieve close correlation with the index that it tracks.

Each Model entails varying degrees of risk. There can be no assurance that a particular Model or Model Manager will be successful or that clients will not suffer losses. Results generated by for each account will differ, and the investment advice provided to an individual will differ from client to client. Investment performance is not guaranteed, and Model Managers past performance with respect to a client's account or other accounts does not predict future performance.

SSNAI does not vote client securities and does not charge performance-based Fees.

## **Item 7 – Client Information Provided to Portfolio Managers**

Your Advisor will obtain all information necessary to open your account. This information is obtained through the completion of the SSN New Account Form, Encompass SMA Client Advisory Services Agreement, and applicable custodian new account paperwork and is provided to SSNAI.

## **Item 8 – Client Contact with Portfolio Managers**

Clients are encouraged to contact their Advisor to arrange for a consultation with SSNAI and/or Model Managers. Clients may also contact SSNAI or the Model Manager directly

## **Item 9 – Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SSNAI or the integrity of SSNAI's management.

In March 2015 SSNAI, and our affiliated broker dealer firm SSN, entered into a Consent Order from the State of Missouri. From January 2010 through December 2011 an Investment Advisory Representative/Agent ("IAR") of SSNAI and our affiliated broker dealer firm SSN utilized a market timing strategy for 18 client accounts. The strategy involved two inverse ETF transactions (non-leveraged) and the State of Missouri has alleged that the strategy was not suitable for clients with a moderate risk tolerance. The State further alleges that the Firm failed to supervise the IARs activity. SSNAI and SSN agreed to a Consent Order whereby \$500,000 was paid in restitution, \$35,000 was paid to the State's Investor Education and Protection Fund and \$15,000 was paid for investigative costs.

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

The principal business of SSNAI is the provision of advisory services. SSNAI is owned by SSN, a FINRA member introducing broker-dealer firm. SSN is a wholly-owned subsidiary of Ladenburg Thalmann Financial Services, Inc. (LTFS). SSNAI's executive officers are registered representatives SSN.

Other companies that are owned by LTFS and thus affiliated with SSNAI are:

Ladenburg Thalmann Asset Management, Inc. (LTAM)	100% owned by LTFS
Ladenburg Thalmann Fund Management, LLC (LTFM)	50% owned by LTAM
Ladenburg Thalmann & Co. Inc. (LTCO)	100% owned by LTFS
Ladenburg Capital Agency Inc.	100% owned by LTFS
Triad Advisors, Inc.	100% owned by LTFS
Triad Hybrid Solutions, LLC	100% owned by LTFS
Investacorp, Inc.	100% owned by LTFS
Investacorp Advisory Services	100% owned by LTFS
Premier Trust, Inc.	100% owned by LTFS
Securities America Financial Corporation (SAFC)	100% owned by LTFS
Securities America, Inc.	100% owned by SAFC
Securities America Advisors, Inc.	100% owned by SAFC
Arbor Point Advisors, LLC	80% owned by SAFC
KMS Financial Services, Inc	100% owned by LTFS
HCHC Acquisition, Inc. (HCHC)	100% owned by LTFS
Highland Capital Brokerage, Inc.	100% owned by HCHC

#### **Boyar Value Fund and Alternative Strategies Fund**

LTAM owns 50% of Ladenburg Thalmann Fund Management, LLC, ("LTFM"), which is a registered investment adviser. LTFM is an adviser to an open-end registered investment company, the Boyar Value Fund, Inc. This fund is an open-end diversified management investment company. LTCO is the distributor of the fund. LTAM is the investment adviser to the Alternative Strategies Fund (LTAFX). The Alternative Strategies Fund is a closed end interval fund that incorporates quality alternative products and allows clients to access these investments with lower minimums and no accreditation. Your IAR may recommend that you invest in the Boyar Value Fund or in the Alternative Strategies Fund for which LTAM acts as investment adviser, and LTCO acts as distributor.

#### **Ladenburg Thalmann High Income Portfolio (UIT)**

LTAM provides a recommended list of securities to First Trust Portfolios, L.P. (First Trust), the sponsor of the Ladenburg Thalmann High Income Portfolio (UIT). The UIT's objective emphasizes income generation through non-traditional yield sources such as Real Estate Investment Trusts (REITs), Business Development Companies (BDC), and Master Limited Partnerships (MLPs). The portfolio is made up of individual securities, closed end funds, exchange traded funds (ETFs) and or BDCs.



SSN will receive a portion of a dealer concession or agency commission in connection with units of the Ladenburg Thalmann High Income Portfolio UIT that are sold by your IAR, if those units are subject to a sales charge. A higher concession percentage will be received if certain total sales levels of the UIT are met, as set forth in the UIT prospectus. Although, SSN will not receive a concession on the sale of UIT units to SSNAI advisory accounts because the sales are not subject to a sales charge, units sold to advisory accounts will count towards these sales levels. Thus, SSNAI has a conflict of interest in recommending sales of the UIT.

For a license to use the Ladenburg name and for providing a list of securities, LTAM receives a licensing fee of .10% which is based on assets raised within Ladenburg Thalmann High Income Portfolio (UIT) during the offering period.

#### *The Ladenburg Total Portfolio Series (Collective Investment Trusts)*

LTAM is the investment adviser to The Ladenburg Thalmann Total Portfolio Series which is a series of Collective Investment Trusts ("CITs"). The CITs are a series of 5 portfolios established for qualified retirement plans, such as 401(k) plans and Profit Sharing Plans. The portfolios are generally comprised of Exchange Traded Funds ("ETF") which closely mimic LTAM's traditional LAMP ETF models. The CITs are maintained by a bank trust, and are offered in 2 share classes, Advisory or Investor.

The CITs may not be utilized if your IAR is acting in an ERISA fiduciary capacity.

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

LTCO acts as a dealer with respect to certain securities, and as such, may execute transactions for SSNAI clients as principal. As a dealer, LTCO may 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 that client pays to SSNAI and its affiliates. Thus, SSNAI will address this conflict of interest in the following ways: After receiving disclosures about a specific principal transaction with LTCO, clients have the opportunity to reject the transaction before it is completed, to the extent required by applicable law. In addition, SSNAI has policies and procedures in place to assure that clients receive best execution with respect to principal trades, regardless of whether the trade is executed by LTCO or an unaffiliated dealer.

#### *Bank Deposit Sweep Program*

SSN typically receives compensation in connection with cash held in advisory accounts. For most accounts, the Bank Deposit Sweep Program (the "BDSP") is the only vehicle available for cash balances (from deposits to the account, securities transactions, dividend and interest payments and other activities) in the account. Certain retirement accounts may be offered other sweep vehicles, such as a money market fund. SSN will receive a fee in connection with the BDSP based on the value of the cash in the program. This fee will reduce the amount of interest that clients receive in connection with cash held in their accounts. SSN will not receive a fee in connection with the BDSP with respect to cash in certain retirement accounts. In such cases, the fee will be retained by the custodian. Your financial consultant will not receive any portion of the BDSP fee received by SSN. For more information, see the disclosure document available through your financial consultant or at: <http://www.ssnetwork.com/disclosures/bank-deposit-sweep-program/>

#### *Conflicts disclosure*

LTCO may share a portion of payments received from a mutual fund, UIT, CIT, or in connection with an initial public offering, a secondary offering, and/or a private placement with your IAR. If available, your IAR will also receive compensation, such as 12(b)-1 or services fees, in connection with the sale of funds or investments, including the Alternative Strategies Fund, Boyar Fund, Ladenburg Total Portfolio Series CITs, and Ladenburg High Income Portfolio UIT. Therefore, your IAR has an incentive to recommend implementing the recommendations made through the consulting services through LTCO. This conflict of interest is heightened when your IAR recommends securities where LTCO acts as underwriter because your IAR typically receives more compensation in connection with these securities than in connection with other types of securities. Your IAR may also have a heightened conflict of interest when recommending

funds, CITs, and UITs that pay compensation, including the Alternative Strategies Fund, Boyar Value Fund, the Ladenburg Total Portfolio Series (CIT), or Ladenburg Thalmann High Income Portfolio UIT.

For accounts carried by National Financial Services, Inc. and Pershing LLC, SSN receives transaction costs and charges assessed to its clients' accounts. This gives SSNAI incentive to recommend SSN in its capacity as a broker-dealer if you are in need of brokerage and/or custodial services. Lower fees for comparable services may be available from other sources, including Fidelity Institutional Wealth Services and TD Ameritrade Institutional. This conflict of interest is fully disclosed to you in this brochure. For more information on brokerage services, please refer to Item 12 – Brokerage Practices

SSN owns and operates a full service insurance agency under the name of Network Agency, Inc. SSN also has a number of state specific insurance corporations that conduct insurance business across the country; Network Agency of Alabama, Inc., Network Agency of Ohio, SSN Agency of Texas, Inc., and SSN Agency, Inc. Other affiliated entities are Renaissance Capital Corporation, which purchases equipment that is leased to SSN/SSNAI.

SSNAI, its IARs, or SSN may receive administrative, investment advisory or other fees for providing support services, administrative support and/or client referrals to other investment advisory firms. If applicable, these arrangements are fully disclosed to you.

*Compensation and Reimbursement of Expenses to Ladenburg Thalmann and Representatives*

Ladenburg Thalmann Financial Services Inc. and its affiliates, which include Ladenburg Thalmann & Co. Inc., Securities America, Inc., Triad Advisors, Inc., Securities Service Network, Inc., Investacorp, Inc. and KMS Financial Services, Inc., (together "Ladenburg Thalmann"), and their representatives receive revenue on the products and services you purchase from several sources.<sup>1</sup> These sources include fees and charges you pay and other arrangements we have in place with affiliated and non-affiliated entities including: sales charges; commissions; periodic fees; periodic expenses paid from product assets such as 12b-1 fees from mutual funds and the funds available in variable annuities; financial planning and advisory service fees; a portion of the organization and offering fees and expenses for REITs, limited partnerships and other nonpublic securities offerings.

Ladenburg Thalmann receives compensation from mutual funds and variable product sponsors available to you through our representatives. These payments may include:

- sales charges (sometimes called loads); and
- trailing commissions (including service fees known as 12b-1 payments).

We may also receive additional payments called revenue sharing payments and/or marketing allowances from certain product sponsors under special agreements with those firms, called "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 Real Estate Investment Trusts (commonly referred to as 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 may also make payments to Ladenburg Thalmann to promote the marketing of their products to clients which includes seminars for clients and potential clients. These firms may also invite representatives to due diligence or continuing education meetings regarding their products. From time to time Ladenburg Thalmann may also allow its representatives to attend off-site training sessions that may be sponsored or co-sponsored by these product sponsors. Ladenburg Thalmann prohibits the promotion of any product, including those issued by fund families, insurance carriers, or sponsors, over another based solely on additional payments or other considerations that might be received from the sale or marketing of their products. Representatives are required to make recommendations to clients based on the clients' needs and objectives; however, receipt of such reimbursements could create an incentive by 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.

Representatives may also receive incentives to join and remain affiliated with SSN through certain compensation arrangements that could include bonuses, enhanced pay-outs, forgivable loans and/or business transition loans. The receipt of such compensation may be considered a conflict of interest.

SSN may receive reimbursement from its clearing firms, which include National Financial Services, LLC ("NFS") and Pershing LLC ("Pershing"), for all or a portion of any transfer of asset fees which customers could incur from other clearing providers upon the transfer of accounts to a SSN account carried by NFS or Pershing. If SSN receives this type of reimbursement, SSN may retain all or a portion of such reimbursements or, at its discretion, may pass through all or a portion of such reimbursement to its clients and/or its representatives.

Ladenburg Thalmann and its Affiliates are also affiliated with SEC registered investment advisory firms, which include Ladenburg Thalmann Asset Management Inc., Securities America Advisors, Inc., 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. Investment advisors are selected to participate based on several criteria including, investment strategy, investment performance, transaction reporting capabilities and training and wholesaling support. In exchange for certain benefits, such as an opportunity to participate in Ladenburg Thalmann's national conferences and broader access to our representatives, investment advisors in the Strategic Partners Program pay to participate in the 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 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. In addition to a flat fee, which may be up to \$150,000 per year, Strategic Partners pay basis points on sales on assets, 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 firms participating in the program are paid or directed to any representative who utilizes the services of these investment advisors.

#### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Pursuant to SEC Rule 204A-1, SSNAI has adopted a Code of Ethics for all access persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the personal securities transactions, trading, confidentiality and privacy, prohibition on insider trading, conflicts of interest, outside affiliations, and fair compensation, among other things. All supervised persons at SSNAI must acknowledge the terms of the Code of Ethics. The firm will provide a copy of our Code of Ethics to any client or prospective client upon request.

SSNAI does not engage in principal transactions as an investment advisor. SSN, as a broker-dealer, may engage in such transactions, however, not for any SSNAI investment advisor account transaction.

SSNAI, as an investment advisor, does not affect transactions for compensation for any investment advisor clients. SSN may do so in its capacity as a broker-dealer. SSN will receive transaction costs and charges assessed to the investment advisor clients.

SSNAI does not affect agency cross transactions for any investment advisor clients. SSN may do so in its capacity as a broker-dealer.

SSNAI does not recommend securities or investment products to its investment advisor clients in which SSNAI has a financial interest other than fully disclosed commissions or referral fees. SSN may do so in its separate capacity as a broker-dealer.

SSNAI or individuals associated with SSNAI may buy or sell securities identical to those recommended to customers for their personal accounts. All such orders placed on the same day must be placed in the customers' account prior to being placed in the IAR's account. Additionally, any related person(s) may have an interest or position in certain securities that may also be recommended to a client. As such, transactions are likely to be statistically insignificant in relation to the market as a whole.

SSNAI does not permit the aggregate blocking of personal securities transactions with those of advisory clients.

As these situations may represent a conflict of interest, SSNAI has established the following restrictions in order to comply with its fiduciary responsibilities:

- a. A director, officer or employee of SSNAI shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public upon reasonable inquiry. No director, officer or employee of SSNAI shall prefer his or her own interest to that of the advisory client.
- b. SSNAI maintains a record of securities holdings via account statements for itself, and anyone associated with its advisory practice with access to advisory recommendations. An appropriate officer or manager of SSNAI reviews these statements on a regular basis.
- c. SSNAI emphasizes the unrestricted right of the client to decline to implement any investment advice rendered, except in situations where SSNAI is granted discretionary authority over the client's account.
- d. SSNAI requires that all directors, officers and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- e. Any director, officer or employee of SSNAI found to have failed to observe the above-listed principles may be subject to internal disciplinary sanctions, which may include termination.

### **Review of Accounts**

Clients participating in Encompass SMA will have their accounts reviewed on a periodic basis, but no less frequently than each calendar quarter by SSNAI, Model Manager, or Advisor. If Model Manager recommends a change to a Portfolio, such changes will be made to clients' accounts on a discretionary basis. Asset allocations and/or securities in the Portfolios may be adjusted or replaced at any time.

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

**SSNAI as Solicitor:** SSNAI, its IARs, or SSN may receive administrative, investment advisory or other fees for providing support services, administrative support and/or client referrals to other investment advisory firms. If applicable, these arrangements are fully disclosed to you.

**SSNAI's Use of Solicitors:** SSNAI may compensate outside professionals or firms, such as attorneys, accountants, or other broker/dealers and investment advisers, for referring your advisory business to SSNAI. These professionals or firms are known as "Solicitors." SSNAI will pay a portion of the advisory fee you pay us to the Solicitor, typically for as long as you maintain an advisory relationship with us, to compensate the Solicitor for the referral. SSNAI will not charge a client who is referred to SSNAI by a Solicitor any amount for the cost of obtaining the client that is in addition to the fee normally charged by SSNAI for its investment advisory services. Such solicitation arrangements are disclosed to clients at the time of the solicitation via execution of a Solicitor Disclosure Statement or similar document that outlines the nature and amount of the compensation we pay to the Solicitor and whether or not the Solicitor is

affiliated with or related to SSNAI. Solicitors are required to provide prospective clients with a current copy of SSNAI's Form ADV Part 2 no later than the date on which the client enters into an advisory relationship with SSNAI.

General Responses: Your IAR may receive non-cash compensation in the form of due diligence trips or marketing support from product sponsors. Non-cash compensation will not be based on the number or amount of sales, client referrals, or new accounts. This presents a conflict of interest and gives your IAR an incentive to recommend investment products based on the non-cash compensation received, rather than on your needs.

#### **Financial Information**

SSNAI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.