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**Client Disclosure Brochure: ADV Part 2A Appendix 1 - Client Wrap Fee Program Brochure**

This wrap fee program brochure provides information about the qualifications and business practices of United Capital Financial Advisers, LLC ("United Capital") and its Wrap Program. If you have any questions about the contents of this brochure, please contact us at 949-999-8500. 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.

Additional information about United Capital is also available on our website at [www.unitedcp.com](http://www.unitedcp.com) and the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

This section of the ADV Part 2A – Appendix A brochure is meant to describe any material changes relating to United Capital that Clients should be aware of since the last update of this brochure. Accordingly, the following changes are disclosed:

- At page 21, we have made changes to reflect that TD Ameritrade has modified the amount that United Capital is required to pay for referrals made through their referral program.
- At page 8 and 9, we have revised the section titled "Mutual Fund Sub-Adviser Costs" to describe United Capital's work as a sub-adviser to mutual funds. .

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year, if any do arise in the future. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes to our business or the services provided to you, or if there is new information to inform you about, at any time, without charge.

Currently, our Brochure may be requested by contacting our main office at 949-999-8500. Our Brochure is also available on our web site [www.unitedcp.com](http://www.unitedcp.com), also free of charge.

Additional information about United Capital is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with United Capital who are notice filed, or are required to be notice filed, as investment adviser representatives of United Capital.

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## **Services, Costs and Compensation**

### **Description of Business**

United Capital Financial Advisers, LLC ("United Capital") is an independent wealth counseling and investment advisory firm registered with the Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940, as amended. United Capital's registration with the SEC became active on June 9, 2005. United Capital is a Delaware corporation with its principal office located in Newport Beach, California, with regional offices and locations throughout the United States. While not separate legal entities, United Capital, through its Investment Adviser Representatives and Regional Offices offers its services through *United Capital* and *United Capital Financial Life Management* <sup>SM</sup>, *United Capital Private Wealth Counseling* <sup>SM</sup>, *United Capital Retirement Advisers*, or *United Capital* followed by the name of a regional location. Certain offices may also use a different name followed by the wording "a division of *United Capital Financial Advisers*" to market investment advisory services.

### **General Description of the United Capital Wrap Program**

United Capital provides investment management services to its Clients using a variety of asset classes and investment vehicles that typically include mutual funds, exchange traded funds ("ETFs"), equity securities, fixed income securities, and other related securities. Client accounts are generally invested in strategies, with similar accounts invested in the same securities. Accounts are also managed at a custom level, with security selection varying from one Client to another. United Capital IARs work with Clients to understand the Client's risk tolerance, investment objectives, and investment attribute preferences and to determine an appropriate asset portfolio construction. United Capital IARs determine an appropriate portfolio for each of their clients. See below under "Portfolio Manager Selection" for further detail.

### **Reasonable Restrictions, Pledging and Withdrawing Securities**

Clients have the option to place reasonable restrictions on their investment management accounts, including investments in specific securities or types of securities. Requests for such restrictions are reviewed by the portfolio manager, the Client's IAR, and/or any Sub-Managers to ensure they are reasonable and will not impair United Capital's ability to manage the account and/or to achieve the investment objectives and goals the Client selects.

Subject to the specific policies and procedures of the custodian for their account, Clients may pledge the securities in their account or withdraw the securities from their account (transfer in-kind to another account or custodian).

### **Investment Management: Wrap Fee versus Non-Wrap Fee Accounts**

Clients are subject to transaction costs charged by the broker-dealer executing the transactions in the Client's account. In certain instances, Clients are assessed these costs separately by their account broker-dealer (Non-Wrap), or the transaction costs may be paid by United Capital in one combined cost with their investment management cost or included with their supplemental investment management cost paid to United Capital (Wrap). Since the difference between the two types of accounts relate to transaction costs, depending on how the Client's assets are invested, Wrap Fee account may cost less than a Non-Wrap Fee account, or vice versa. IARs work with Clients to determine if their account will be managed as a Wrap or Non-Wrap account. IARs are compensated based on a percentage of the assets under management, and their compensation may be higher or lower, depending on which method is chosen. Therefore, IARs may have a financial incentive to recommend one method over another. Further, because United Capital absorbs the transaction costs in wrap fee accounts, United Capital may have an incentive not to place transaction orders in those accounts since doing so increases United Capital's transaction costs. Thus, an incentive exists for United Capital to place trades less frequently in a wrap fee account. United Capital mitigates this conflict by disclosing this to you and by not considering the additional transaction costs when making investment decisions.

The investment management agreement, supplemental investment management cost disclosure (or documented amendment to the agreement), and/or custodian documents that each Client executes displays whether the Client or United Capital pays the transaction costs. The costs paid to United Capital for Wrap Fee Accounts may be higher than the costs Non-Wrap Fee accounts pay. United Capital does not manage Wrap Fee accounts differently from the way it manages Non-Wrap Fee accounts. In addition to the investment management costs and the transaction costs, Clients may be subject to other costs, as described below.

### **Assets Under Management (as of 12/31/2016)**

United Capital Financial Advisers, LLC      Phone: 949.999.8500 – Fax: 949.999.8545  
620 Newport Center Drive, Suite 500, Newport Beach, CA 92660  
ADV Part 2A.Appendix 1.Wrap Fee Program.version.08.14.2017

	Assets Under Management	Number of Accounts
Discretionary	\$17,418,197,023	54,664
Non-Discretionary	\$45,152,221	420
<b>TOTAL</b>	<b>\$17,463,349,244</b>	<b>55,084</b>

### Cost of Services

Each Client will enter into an agreement that describes United Capital's services and the costs ("Agreement"). The annual Investment Management is negotiated with each Client and is customized depending on several factors as discussed in the "Negotiated Costs" section below. The following Cost of Services schedule provides information about how United Capital charges for its services.

<b>COST OF SERVICES SCHEDULE<sup>1, 2, 3, 4</sup></b>	
<b>Client Assets Under Management</b>	<b>Cost for Discretionary Investment Management</b>
\$0 to \$2,000,000	1.00%
\$2,000,001 to 5,000,000	0.85%
\$5,000,001 to \$10,000,000	0.75%
Great than \$10,000,000	Negotiable

**The following information applies to the above Cost of Services schedule:**

1. The actual Cost of Services paid by each Client is noted in the Agreement executed between United Capital and the Client. As directed in the agreement, the costs agreed to may be higher or lower than the rates noted in the above schedule. Clients that initiated Investment Management services with United Capital prior to April 1, 2015 were subject to a maximum cost of 1.75%, still in force. The Negotiated Costs section below describes the variation in amounts paid by Clients for Costs of Services.
2. Sub-Manager, Manager or Manager Research Costs: The investment management cost does not typically include costs charged by managers, Sub-Managers or fees assessed to cover manager research expenses. These costs range from 0% to 1% of the Client's assets under management and are billed either quarterly or annually. These costs may be charged by United Capital for its management of strategies, as well as by third parties not affiliated with United Capital. United Capital may have an incentive to recommend its own strategies that have a manager cost associated with them rather than a non-affiliated manager or a strategy that does not include additional costs, since United Capital and its IARs may receive additional revenue.
3. The Client's total Cost of Services is a blended cost using these stepped rates.
4. United Capital imposes minimum costs for Investment Management of \$5,000. Minimum costs may be reduced or waived on a case- by- case basis depending on the facts and circumstances of the services provided , at United Capital's sole determination.

### Negotiated Costs

The amount and method for calculating United Capital's Investment Management costs as referenced in the Cost of Services schedule are negotiated with each Client and confirmed in the Client's Agreement, or if the schedule has changed since the initial Agreement the Client signed, then through supporting documentation. While the Investment Management costs are typically assessed as a percentage of the Client's assets under United Capital's management, it may also be assessed as a flat dollar amount. The Client is subject to the fee rate that is agreed to in their Client agreement, which may be higher or lower than the fee schedule noted above.

United Capital considers a number of variables when analyzing the specific services to be provided to the Client and when determining the appropriate cost for those services. Factors that determine the Cost of Services include, but are not limited to:

- the services expected to be performed
- the Client's wealth counseling and investment needs
- the amount of investable assets
- the Client's net worth
- the amount of time anticipated to be spent servicing the Client

- local regional office precedence based on historical costs charged to other similar Clients

The Client's IAR will determine the Cost of Service after carefully balancing the consultative and the implemented portions of the Client relationship. As a result, similar Clients may be charged different costs for similar services and the actual Cost of Services may be higher than the rates noted in the above schedule.

United Capital charges a minimum cost for its services as described in the above Cost of Services schedule. At United Capital's discretion, the minimum cost may be waived in different situations.

United Capital typically combines the assets from "related accounts" to reduce the combined rate charged to Clients, this is also known as "householding." The Client's IAR reserves the right to determine whether Client accounts are "related" for purposes of aggregation. A determination of the related accounts is part of the Cost of Services negotiation between the Client and IAR. The Client should be aware that there may be certain restrictions on the aggregation of investments for ERISA, trusts, and IRA Client accounts.

In those instances where the majority of a Client's account is invested in fixed income securities, the Client's IAR reserves the right to offer a reduced Cost of Services.

For accounts where United Capital is the investment adviser exercising discretion, the Cost of Services schedule is typically applicable to all assets under management, including cash and cash equivalents. The actual Cost of Services negotiated with the Client may determine that cash and/or cash equivalents are not included to be included in the total Cost of Services. When cash and cash equivalents are not included, this creates a conflict of interest as United Capital earns more fees when those assets are invested in securities it acquires. This conflict can be addressed by the Client and IAR pre-determining the amount of cash that will not be included with billing, or a pre-determination by the Client and IAR that a specific cash amount will not be subject to United Capital's advisory services, or by United Capital billing on all assets under management.

United Capital has acquired certain Client relationships through its business acquisitions and recruiting efforts. To accommodate such transitions, the costs United Capital charges these Clients is typically determined by the prior investment adviser relationship. Based on arrangements accompanying the transitions, this may mean that some Clients may be paying higher or lower rates than United Capital's current Cost of Services schedule referenced in this brochure. Some Clients receive reimbursement or credit for transfer costs associated with moving their accounts from one institution or custodian to another during a transition from another investment advisory firm. In some circumstances, United Capital may, where appropriate, absorb the costs, waive advisory costs or pay certain expenses related to the transfer of Client accounts. In certain circumstances, account transfer costs may also be paid for by the new account custodian (see the Soft Dollar section of this brochure under Item 12 below, for more information about the custodian payment of transition costs). Payment for such expenses must be approved by an authorized officer or agent of United Capital.

### **Terminated Accounts**

If United Capital's management services are terminated by written notice by either party, any unearned pre-paid costs will be refunded to the Client on a pro-rata basis. United Capital will begin the process of removing it from access to the account upon notification by or to the Client; however, a reasonable amount of time will be needed to liquidate and/or transfer assets, including time for required recordkeeping, and processing, and the rules and conditions imposed by mutual fund companies, stock exchanges, or securities issuers.

### **Investment Management Costs**

United Capital charges its Clients an annual management Cost of Services based on an agreed upon percentage of the Client's assets under management. These investment management costs are payable quarterly. The method for billing these costs may vary based on the local regional offices, or IARs, historical method and is agreed upon under the terms of the Agreement, or supporting documentation if there were changes made after the Client signed the Agreement.

United Capital typically bills its investment management costs in advanced based on the value of the assets in the Client's account at the end of the previous quarter. In certain situations, as agreed upon in

the agreement, United Capital may bill costs in arrears, based on average daily balance of the account during the prior quarter, rather than in advance, or other methods.

For new accounts and for new assets added after the start of a quarter, accounts will either be billed when the assets are available to be managed by United Capital, or in arrears, after the end of the quarter. United Capital typically does not charge a pro-rated amount for new money, less than \$20,000, added during a quarter. Additionally, United Capital does not typically credit any pre-paid costs for account withdrawals of less than \$20,000. The dollar threshold for crediting and debiting costs may change over time, at United Capital's discretion.

United Capital's annual investment management Cost of Services includes costs for the following services: review, selection, monitoring and replacement services for a variety of securities, including but not limited to exchange traded funds, exchange traded notes, mutual funds, individual securities, bonds and sub-managers, and related services.

United Capital relies on a number of different resources to price securities held in Client accounts, including multiple portfolio accounting systems (primarily Envestnet, Orion and Tamarac), pricing services and custodians. As a result, Clients may receive different statements displaying a different valuation of the same security, based on the source of the data. Additionally, different Clients with the same security may pay different costs depending on the valuation source of the securities in their specific account.

There are certain costs that Clients may incur, which are not included as part of the annual Cost of Services for investment management services charged by United Capital. The investment management Cost of Services does not typically include costs charged by managers, sub-managers or costs assessed to cover manager research expenses. These costs range from 0% to 1% of the Client's assets under management and are billed annually. These costs may be charged by United Capital for their management of strategies, as well as by third parties not affiliated with United Capital. United Capital may have an incentive to recommend its own strategies that have a manager cost associated rather than a non-affiliated manager, or into a strategy without additional costs, since it gets paid more when recommending its own strategies that have a supplemental cost. The amount that United Capital is paid when Clients invest in its strategies is based on an estimate of the costs, which include third party research, third party expense, reporting fees, and strategy implementation and trading costs.

In addition, national securities exchange costs, Clients may be charged the following costs: charges for transactions with respect to assets not executed through the custodian; short term redemption costs; costs charged to shareholders of mutual funds and exchange traded funds by the fund manager; odd-lot differentials; American Depository Receipt costs; costs associated with exchanging currencies; or other costs required by law. Administrative costs for retirement accounts and any platform (technology) costs are paid directly by the Client, unless other arrangements have been made. Additionally, the Client will be charged for non-standard service costs incurred as a result of any special requests made by the Client, such as overnight courier or wiring costs. Financial Guidance services costs, along with initial consultation costs may be charged in addition to investment management costs.

Generally, United Capital imposes a minimum account size of \$100,000 and, in the case of sub-managed assets a sub-manager may impose their own minimum account requirements. Any exceptions to account minimums are considered accepted by United Capital once the management of Client assets begins. Upon giving notice to United Capital, or by contacting their account custodian directly, Clients may make additions to or withdrawals from their investment management accounts. United Capital reserves the right to terminate any account falling below its stated account minimum. Account minimums are imposed for various reasons, including, but not limited to the diminishing impact on the smaller allocations within a broadly diversified portfolio, the impact of a smaller portfolios transaction costs on the total expense to manage the portfolio, limitations on securities that may be purchased for smaller dollar amounts, amongst other reasons.

United Capital's responsibility for advising Client accounts begins at the earlier of the "Effective Date" agreed to in the Agreement, or the date when the Client's assets (cash and/or securities) have been credited to the Client's account at the custodian and sub-custodian, if applicable. However, in no event shall costs begin accruing prior to the date the Client signs the Agreement.

Where provided in its Client Agreements, and upon written notice, United Capital reserves the right to amend its Cost of Services schedules at any time.

Clients should be aware that the costs charged by United Capital may be higher or lower than those charged by others in the industry and that it may be possible to obtain the same or similar services from other advisers at lower or higher rates.

Clients should also be aware that Investment Professionals ("IPs" or Solicitors) not affiliated with United Capital recommending these advisory services may receive compensation as a result of Clients' contracting with United Capital for such services. The IP recommending services may, therefore, have a financial incentive to recommend that a Client use United Capital's services over the services offered by other investment advisers. In certain instances, where Clients are referred to United Capital by an IP not affiliated with it, the Cost of Services charged to Clients may be negotiated and may be different from the rate charged if the Client were referred by an affiliated IP. In no circumstance will the negotiated rate be higher than the annual baseline Cost of Services Schedule noted at the beginning of this section.

#### **Investment Management Cost Payment**

For payment to United Capital for its management services, United Capital sends the custodian an invoice for quarterly cost debits, or Clients submit payment by check. Clients will receive a quarterly statement from the custodian showing the amount of management costs that have been debited from their account. By signing the United Capital Agreement, Clients are authorizing the debit of both the initial pro-rata and on-going quarterly costs.

#### **Mutual Fund and ETF Costs**

If mutual funds are selected for inclusion in Client accounts United Capital manages, those mutual funds are either no-load funds or load-waived mutual funds. At times, mutual fund with a sales load may be transferred to United Capital as part of new assets included under United Capital's management. When this is the case, it is United Capital's position that the mutual funds should be sold as soon as practicable.

All mutual funds and ETFs pay management costs to their investment advisers, and certain funds and money-market accounts have other types of costs or charges, including 12b-1, administrative or shareholder servicing costs, early redemption, bank servicing or certain other costs, which may be deducted from the net asset value of the funds that may be held in Client accounts on a continuing basis. These costs are routinely charged to all fund or security shareholders or owners and are separate from and in addition to United Capital's management Cost of Services.

#### **Mutual Fund Sub-Adviser Costs**

United Capital serves as the Sub-Adviser for certain mutual funds, including for the Ascendant Tactical Yield Fund. When it provides Sub-Adviser services, United Capital is paid Sub-Adviser service fees that are separate and distinct from the Cost of Services described and agreed to in your Agreement with United Capital.

As described above, mutual funds charge Shareholder fees to investors in connection with buying, selling or exchanging shares. These fees are paid directly from the mutual fund investment and are described in detail in the mutual fund's prospectus. In addition to the Shareholder fees, mutual funds charge on-going operating expenses such as investment management fees, possible distribution fees, and/or administrative fees, which are also described in detail in the mutual fund's prospectus and paid directly from your investment. When United Capital serves as Sub-Adviser to a mutual fund, it is paid a portion of the investment management fees assessed by the mutual fund.

If you invest in a mutual fund sub-advised by United Capital, while the Cost of Services fee you pay directly to United Capital will not change, the additional compensation that United Capital receives provides United Capital and its investment adviser representatives with an incentive to recommend the mutual fund over other services/products that may be more suitable for your investment needs. To help address this conflict of interest, Clients are not obligated to invest in any mutual fund for which United Capital serves as sub-adviser.



In certain instances, the mutual fund adviser may hire a financial intermediary to sell shares of the mutual fund. When the adviser hires an intermediary, the manager may, at its own expense and out of its own assets including profits from the mutual fund, provide additional cash payments to financial intermediaries who sell shares of a fund. United Capital, as sub-manager to the fund, may contribute payment to the fees paid to the intermediary. When contributions are made, they are made under the direction of an agreement between the adviser and United Capital.

#### **Other Costs**

For custodial services, United Capital utilizes the services of a number of firms to meet its Clients' needs. Custodial costs (for transactions executed through the custodian's broker-dealer) may be paid by the Client or by United Capital as negotiated and stated in the United Capital Client Agreement. Custodial and brokerage/transaction costs include custodial and clearing agent services for Client accounts, maintenance of portfolio accounting systems, preparation and mailing of Client statements, account processing, systematic withdrawals, redemptions, retirement account custodial services (except for the retirement account termination cost), maintenance of a Client inquiry system, as well as execution of securities transactions in the Client's account. Additionally, a transaction cost is charged by the Securities and Exchange Commission (SEC) to sellers of securities that are traded on stock exchanges and subsequently assessed to Clients. These costs are from Section 31(b) of the Securities Exchange Act of 1934 and are charged to recover the costs associated with the government's supervision and regulation of the securities markets and securities professionals.

Separate from costs assessed by the custodian, some Clients of United Capital receive reports that display additional detailed performance information on their account/s. Such reports are provided to offer Clients additional insight about the way their accounts are performing, and are provided in addition to the reports provided Clients through their account custodian. Notwithstanding, the performance information provided through reports, Clients should rely on the custodian statements for the most accurate account information. To produce these performance reports, United Capital may charge Clients. The cost covers the reporting system expense and United Capital's associated administration of the system. The payment of this Reporting Cost may be made paid by United Capital or by the Client, as negotiated.

Certain states require service providers to pay a Gross Receipt Tax (GRT) for services provided to residents of the state, including New Mexico. When United Capital is required to pay a GRT, it directly passes through such costs to Clients for whom it applies.

#### **Outside Activities of IAR's**

Certain IARs of United Capital may be registered with a broker-dealer not affiliated with United Capital, as an outside business activity. These IARs, in their capacity as a registered representative of an unaffiliated broker-dealer, may perform securities transactions on a Client's behalf, if requested to do so by the Client, and may receive a commission for the transactions. In these circumstances, Clients are under no obligation to effect securities transactions through the IAR's associated broker-dealer. Because of the potential for the IAR to generate a commission in addition to costs charged by United Capital, the IAR may have an incentive to recommend investment products based on the potential compensation received, rather than the Client's needs. To address this conflict, Clients are under no obligation to place any securities transaction through an IAR of United Capital. See also "Other Financial Activities and Affiliations" below.

#### **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

United Capital generally provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, corporations, government entities, charitable institutions, foundations, endowments, and other investment advisers.

#### **Minimum Account Size**

Generally, United Capital's investment management services are available for accounts with a minimum asset value of at least \$500,000, with typical individual account minimums of \$100,000. The IAR may from time to time make exceptions to the minimums, as the IAR deems appropriate. Account minimums are reviewed periodically and are subject to change. Upon giving notice to United Capital, or by contacting their account custodian directly, Clients may make additions to or withdrawals from their investment management accounts. If at any time the Client's account is less than the minimum account size designated, the Agreement may be subject to termination by United Capital after formal written notice is

provided to the Client. United Capital's investment strategies are designed as long-term investment vehicles and asset withdrawals may impede the achievement of a Client's investment objectives or goals.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Portfolio Manager Selection**

As described under the "General Description of the United Capital Wrap Program" above, United Capital provides investment management services to its Clients using a variety of asset classes and investment vehicles that typically include mutual funds, exchange traded funds ("ETFs"), equity securities, fixed income securities, and other related securities. Client accounts are generally invested in strategies, with similar accounts invested in the same securities. Accounts are also managed at a custom level, with security selection varying from one Client to another. United Capital IARs work with Clients to understand the Client's risk tolerance, investment objectives, and investment attribute preferences and to determine an appropriate asset portfolio construction. United Capital IARs determine an appropriate portfolio for each of their clients. Depending on how the Client assets are allocated, they are managed in two ways.

One way assets are managed is through centrally-managed strategies, with well-defined strategy mandates. The Investment Committee for Centrally Managed Assets oversees the strategies to ensure the assets are managed according to the strategy mandates.

The other way assets are managed is through portfolio construction decision making made by a local United Capital office. For local office management, the United Capital Investment Committee for Locally Managed Assets oversees each IAR with respect to their investment portfolio decision-making and the subsequent follow-on portfolio execution.

Both Investment Committees (for Centrally Managed and Locally Managed Assets) report to the United Capital Investment Oversight Committee, which has the primary responsibility for establishing and maintaining United Capital's investment management services.

Each of the United Capital Investment Committees are comprised of a core voting groups. Members of the Committees are generally required to have both a high school and college education or equivalent experience. In addition, all personnel who provide investment financial guidance are required to have financial, analytical or portfolio management experience, or to have passed the Uniform Investment Adviser Law Examination (Series 65 or Series 66), or other relevant qualifying examinations, or to have obtained a professional designation such as Chartered Financial Analyst or CERTIFIED FINANCIAL PLANNER™, or other valid educational background or professional designations as permitted by regulations.

Generally, Client assets are managed in set strategies where multiple accounts are invested in the same securities at the same allocation. Client assets may also be managed on a custom and/or non-discretionary basis. All Clients have the ability to request reasonable restrictions on how their account is allocated, but United Capital may not be able to accommodate all restrictions based on specific mandates of particular strategies. If United Capital cannot accommodate a requested restriction, the Client will be notified and given the option to withdraw their request, or the Client can work with their IAR to find an investment solution that meets the Client's expectations. If United Capital is unable to accommodate a Client's requested restrictions, the Client will need to find another firm to help meet their financial objectives.

Certain equity, fixed income, commodity, and balanced strategies/models are managed by the United Capital Investment Management Department, under the oversight of the Investment Committee for Centrally Managed Assets. These strategies/models are made available to the United Capital IARs for use with the IARs clients, if the IAR feels this is in their client's best interest. The United Capital Investment Committee for Centrally Managed Assets oversees the United Capital Investment Management Department with respect to their management of the strategies/models that they manage. Members of this committee are generally required to have a college education and either the Chartered Financial Analyst, Certified Financial Planner, or Series 65 designations, as noted above.

Unless the Client specifically directs otherwise in their Client Agreement, the Client grants United Capital authority to:

- use its discretion in determining the types of securities bought and sold, along with the percent allocation
- direct trades to the custodial agent

- reallocate the Client's portfolio to keep it in line with the Client's investment goals and risk tolerances
- rebalance the Client's account periodically to conform to the asset allocation expectations of the individual account
- replace the custodial agent if deemed necessary, after obtaining the Client's consent
- select the broker-dealer for execution of securities transactions
- vote proxies on behalf of the Client
- act as the Client's agent and attorney-in-fact to receive prospectuses, periodic reports, transaction confirmations, proxy materials, Part 2 of any Sub-Manager Form ADV, and other communications from issuers of securities, as applicable, and
- deduct investment management costs directly from the Client's account

The frequency and timing of transactions in Client accounts may vary significantly, depending on the investment options chosen. Certain investment strategies offered by United Capital are created to limit the amount of trading activity. Other strategies are tactical and adjust depending on micro and macroeconomic indicators. When there is significant activity, the potential that a wash sale is generated, negating the taxable advantage of realizing investment losses from sale of securities. Other strategies attempt to improve the taxable consequence of the assets invested, through the use of tax loss harvesting and other tax management strategies. When deploying tax loss harvesting and other tax management strategies, United Capital does not guarantee the ability to reduce the taxable consequence from managing assets. Further, attempts to reduce the taxable consequence of a portfolio may cause a disparity in the performance of the managed account, because certain assets may not be sold, when they might have been if taxes weren't considered. **Clients are urged to work with their IAR to help choose the investment strategy that best meets their goals and objectives.**

Other than its authority to request the deduction and payment of agreed upon management costs from the Client's account, United Capital does not take custody of Client assets.

When executing transactions in Client accounts, as noted above, United Capital is typically provided with the discretion to select the broker-dealer for execution of securities transactions. When deciding the appropriate method for executing transactions, United Capital may choose to:

- execute all Client transactions at the same time in a block transaction,
- stage transactions, and/or
- submit each Client's transaction independently.

When trades are placed in a "block" all Client shares as part of that block are aggregated and provided an average execution price. At times, because of the size of a transaction, United Capital, at its discretion, may choose to stage transactions. Staging transactions means that United Capital, or its trading agent, will submit the transactions for execution at varying times and/or days. This is done to minimize the price movement of the security attributable to the transaction.

#### **Sub-Manager Limited Discretion, Provided to United Capital**

For certain strategies, on a limited discretionary basis, United Capital outsources a portion of the investment selection to independent professional asset managers, who are not affiliated with United Capital, who serve as sub-advisers ("Sub-Manager" or "Sub-Adviser").

A Sub-Manager's responsibility varies and may include the authority to:

- exercise discretion to determine the types of securities bought and sold, along with the percentage allocation
- apply their discretion on when to buy and sell
- apply their discretion on the timing of transactions
- select the broker-dealer for execution of securities transactions, if appropriate
- vote proxies and
- take other portfolio management actions that United Capital delegates or deems appropriate

United Capital has also hired third party non-affiliated advisers to provide research to assist with the investment management of Client assets. These non-affiliated advisers do not have any authority to exercise discretion over the management of United Capital's Client assets.

When working with Sub-Advisers, their activities are overseen by the United Capital Investment Committee, for either Centrally Managed or Locally Managed Assets.

As part of the discretionary investment management agreement the Client executes with United Capital, the Client appoints United Capital as a limited power of attorney for the Client's assets that are invested through Sub-Managers. The limited power of attorney grants United Capital the right to receive certain documents from the Sub-Manager on the Client's behalf, including but not limited to prospectuses, shareholder reports, privacy notices, proxies and Part 2A of the Sub-Manager's Form ADV, and other documents. This limited power of attorney granted by the Client may be rescinded at any time upon written notice to United Capital from the Client.

Upon request, United Capital will provide Clients with information about any Sub-Manager participating with United Capital to provide Client services. This information may include content provided by a Sub-Manager explaining its investment style, or an explanation from United Capital describing the Sub-Manager's investment style. Additionally, United Capital will provide Clients with a copy of the Sub-Managers Form ADV Part 2 upon request.

#### **Sub-Adviser and Consulting Services, Provided by United Capital**

United Capital provides customized investment adviser consulting services to other investment advisers and/or to broker-dealers. When providing these services, United Capital charges a fee, individually negotiated for each consultation. These services may differ from the financial advisory services provided to individual Clients of United Capital. The specific services provided to the third party adviser and/or broker dealers are documented in an agreement executed with each firm.

#### **Advisory Business**

See above "Investment Management: Wrap Fee versus Non-Wrap Fee Accounts" " section for a description of the difference between United Capital's Wrap and Non-Wrap programs.

#### **Methods of Analysis**

The United Capital Investment Committees are responsible for overall supervision of Client assets under United Capital's management, including determining which sub-managers to use. The United Capital Investment Committees for Centrally and Locally Managed Assets include supervised persons of United Capital. The United Capital Investment Committee for Locally Managed Assets regularly review the portfolios constructed by United Capital IARs.

The United Capital Investment Committee for Centrally Managed Assets is responsible for providing fiduciary oversight for United Capital's menu of investment strategies that are centrally-managed. Each portfolio manager(s) is responsible for asset allocation and security selection within strategies under their management, subject to the guidelines of each strategy's Investment Policy Statement. Within the guidelines of the Investment Policy Statement, each portfolio manager(s) has the latitude to utilize a wide variety of investment approaches.

#### **Leveraged and Inverse ETFs**

United Capital may, at times, purchase in Client accounts leveraged and inverse Exchange Traded Funds and Exchange Traded Notes (combined "ETFs") where it believes it is warranted, based on the invested portfolio's objective. These securities carry certain specific risks to investors. Leveraged ETF shares typically represent interest in a portfolio of securities that track an underlying benchmark or index and seek to deliver multiples of the performance of the index or benchmark. An inverse ETF seeks to deliver the opposite of the performance of the index or benchmark they track. Like traditional ETFs, some leveraged and inverse ETFs track broad indices, some are sector-specific, and others are linked to commodities, currencies, or some other benchmark. To accomplish their objectives, leveraged and inverse ETFs pursue a range of investment strategies through the use of swaps, futures contracts, and other derivative instruments. Most leveraged and inverse ETFs "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Their performance over longer periods of time, over weeks or months or years, can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. This effect can be magnified in volatile markets and thus may pose substantial risk for an investor.

#### **Performance Based Fees**

United Capital does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client).

## **Risk and Tax Disclosure**

Investing in securities involves risk of loss that Clients should be prepared to bear. Investment performance can never be predicted or guaranteed and the value of a Client's account or portfolio holding will fluctuate due to market conditions and other factors. For all accounts United Capital manages, there is a risk that the investments selected will underperform comparable indices.

Certain strategies that United Capital may implement may exhibit higher turnover, which might have certain negative implications, including but not limited to reduced investment performance versus comparable indices, additional brokerage and transaction costs, and may, in some instances, create additional tax liability for Clients.

To implement investment management, if a Client's account initially contains securities invested rather than a cash deposit, all or a portion of the Client's securities may be sold either at the initiation of, or during, the course of management of their account. United Capital is not responsible for market risk that may result in losses in a Client's account during the in-kind transfer of securities from one institution to another. The Client is responsible for any tax liabilities arising from such transactions and is encouraged to seek the financial guidance of a qualified tax professional. **Except as noted for above, as an outside business activity for some supervised persons, United Capital, its affiliates and associated persons do not provide tax preparation, tax filing or legal financial guidance for services it provides to Clients.**

**Clients are urged to consult with a tax professional for any and all tax advice.**

## **Proxy Voting**

Unless directed otherwise, by signing the discretionary investment management service's Agreement, the Client has appointed United Capital as its agent and attorney-in-fact to vote proxies presented by the issuers of any securities held in the Client's accounts under United Capital's supervision.

United Capital, in its sole discretion, may delegate proxy voting to third parties, including a proxy-voting service or the Sub-Managers for securities held in Client accounts in the specific asset class they are sub-advising. The Client authorizes United Capital, and any third party to which United Capital has delegated proxy voting, to receive all shareholder communications related to such proxy voting distributed by the issuers of such securities. United Capital may stop using the services of third party voting services at its sole discretion. If Clients would like to elect how to vote a proxy for a specific issue or for all of their securities managed by United Capital, they should contact their local IAR, or call United Capital at 949.999.8500 during regular business hours and ask for the Investment Operations Department or write to United Capital, Investment Operations Department, 620 Newport Center Drive, Suite 500, Newport Beach, CA, 92660. Any requests made to vote a specific security a certain way will be made on a best efforts basis. United Capital cannot control the timing, guarantee or provide assurance that a vote can be overrode if it was already submitted for the specific request.

If United Capital is not voting proxies for the Client, the Client maintains exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the Client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the Client's investment assets.

United Capital's Proxy Voting Policies is summarized below. To receive a copy of United Capital's Proxy Voting Policy and Procedures or to find out how United Capital or its designee, if any, voted specific Client securities, Clients should call United Capital at 949.999.8500 during regular business hours and ask for the Investment Operations Department or write to United Capital, Investment Operations Department, 620 Newport Center Drive, Suite 500, Newport Beach, CA, 92660.

## **Proxy Voting Policy Summary**

United Capital has adopted Proxy Voting Policies and Procedures ("Procedures") that are designed to fulfill its duties of care and diligence to its Clients. These Procedures are designed to ensure that Client securities are voted in the best interests of United Capital's Clients and address material conflicts that may arise between United Capital's interests and those of its Clients. The primary policy of United Capital is to "vote in the best interest of the Client through the use of third party Proxy voting and research provider services, where analysis and review is conducted on the proxy proposal. The Procedures contain guidelines that focus on the best interests of the Clients, including election of Directors, auditor ratification, executive compensation, authorized shares, shareholder rights, merger/acquisitions, shareholder proposals,

governance and environment/social. The Client reserves the right and opportunity to vote proxies themselves, or to address the voting issue through other objective means, such as voting in a manner consistent with pre-determined voting policy or receiving an independent third-party voting recommendation. United Capital is not obligated to vote every proxy; there may be instances when refraining from voting is in the best interests of the Client. United Capital may vote securities differently for different Clients and may use a proxy voting service or delegate the proxy voting to Sub-Managers.

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

IARs act as the primary point of contact for United Capital's Clients, gathering information to understand their individual risk tolerance and financial objectives. Based on their assessment of Clients financial needs and risk tolerance, IARs select appropriate strategies or customized investments for Clients. After selecting a particular strategy or investment option, IARs provide appropriate outlet for processing transactions (which may include outside service agents) with the necessary information to execute transactions. The information provided typically includes but is not limited to the Clients:

- Name
- account number/s
- how the Clients assets should be distributed (percent allocation) into one or more strategies and
- any reasonable restrictions from the Client on how they would like their assets to be invested

The IAR notifies trading division (which may include outside service agents) about requested changes to the percent allocation and/or changes to reasonable restrictions requested by the Client.

#### **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients of United Capital may at times desire to speak with the portfolio managers of the United Capital Wrap Program. Clients are expected to speak with their IAR with questions about the management of their assets. Clients may request to speak with the portfolio manager, which will be granted on a case by case basis. Client should be aware that a Portfolio Manager may not be able to address information about the Clients individual investment objectives. Client's should rely on their IAR for discussions about their investment objectives.

#### **ADDITIONAL INFORMATION**

##### **Disciplinary Information**

Investment advisers and their management persons are required to disclose all material facts regarding any legal or disciplinary events that might be material to a Client, or a prospective Client's evaluation of United Capital's advisory business or the integrity of United Capital's management. United Capital has no reportable disciplinary information.

##### **Other Financial Industry Activity and Affiliations**

Certain IARs of United Capital are licensed as registered representatives of Girard Securities, Inc. ("Girard"), a broker-dealer not affiliated with United Capital. When acting as a registered representative, these individuals offer brokerage services and receive commissions for those brokerage transactions. Brokerage services provided by a registered representative are different from advisory services offered through United Capital. For a brokerage relationship, the standard of care is based on suitability, with the premise being that the recommended security is appropriate for a Client at the time of purchase and adheres to the Client's investment objectives and risk tolerance. Commissions earned are for a specific transaction and usually involve an upfront amount and may include a smaller ongoing commission (referred to as 12b-1 fees or trails). For an advisory relationship, fiduciary duty is mandated under Section 206 of the Investment Advisers Act of 1940, where the standard of care is higher than that of a brokerage relationship. A fiduciary standard requires investment advisers to place the clients' interests above their own. In an advisory relationship, the cost of services is typically generated throughout the advisory relationship based on the asset size of the account, or a negotiated flat cost for services. Because of the potential for the IAR to generate a commission separate from, or in addition to fees charged by United Capital, the IAR may have an incentive to recommend investment brokerage products based on the compensation they may receive rather than taking into account the Client's interest. This conflict is mitigated by the broker-dealers oversight of brokerage products and sales activity of the registered representative. Further, Clients are under no obligation to conduct brokerage services through the IAR's associated broker-dealer when the IAR is acting as a registered representative.

Certain IARs of United Capital may serve as IARs with an investment adviser not affiliated with United Capital, including Girard. These IARs may choose to offer financial guidance and investment

management services through a different investment adviser other than United Capital, or through United Capital. The decision as to which investment adviser is chosen for a specific service is made at the IARs discretion and is based on the specific needs of each individual Client and the availability of services through the different investment advisers. The compensation arrangement with different investment advisers may be different for the IAR, and as such, the IAR may have an incentive to choose one investment adviser over another. When the compensation arrangement is different, it presents a conflict of interest for the IAR when they choose one investment adviser over another, due to the affect the recommendation has on the incentive and compensation that the IAR receives. This conflict is mitigated because the different investment advisers have services that are distinct from one another.

Further, United Capital has a consulting arrangement with Girard, whereby the two businesses may mutually refer Clients for investment adviser and broker-dealer services. This arrangement presents a conflict of interest in that the IAR, United Capital and Girard may prefer to refer business to one another over other broker-dealers and investment advisers.

#### **United Capital Affiliations**

United Capital Risk Management ("UCRM"), an insurance agency located in Irving, Texas registered with various state insurance divisions, is a wholly-owned subsidiary of United Capital. Certain IARs of United Capital may affiliate with UCRM to offer fixed insurance products to Clients and prospects.

PFE Advisors, Inc. (d/b/a The PFE Group), a pension consulting firm located in suburban Boston, Massachusetts and registered as an investment adviser with the Securities and Exchange Commission, is a wholly-owned subsidiary of United Capital's parent company, UCFP. The PFE Group provides pension consulting services to its Clients as well as other non-advisory services such as educational workshops and employee benefit communications. The PFE Group and United Capital may refer clients to one another, whereby pension or profit sharing institutional Clients of United Capital may be referred to The PFE Group, and plan participants in pension and consulting plans of The PFE Group may be referred to United Capital for individual advisory services. No compensation is paid to United Capital or The PFE Group for such referrals. The PFE Group also provides sub-advisory services to United Capital (See additional information under Item 4.)

#### **Affiliated Persons Activities**

Certain supervised persons of United Capital who serve as investment adviser representatives with it may separately serve as trustees for accounts that are not Client accounts of United Capital ("trustee-clients"). In such situations, when the supervised person is acting as trustee for a trust that is not a Client of United Capital, United Capital will not accept custody over trustee-clients' funds or securities. This exclusion does not include Client accounts of family members managed by investment adviser representatives employed with United Capital and who serve as trustee for a family account. Alternatively, there may be certain situations where an supervised person serves as the trustee for an account under United Capital's supervision that is not a family account. In this case, since the supervised person is a related party to United Capital, United Capital will not allow the supervised person to hold, directly or indirectly, the trustee-client's funds or securities. Nor will it permit the supervised person to obtain possession of them, in connection with advisory services that United Capital provides to such trustee-clients.

As an outside business activity, certain supervised persons of United Capital may sit on the board of private and public companies, non-profit organizations, and state and local government agencies. The boards that supervised persons sit on may include third parties that United Capital hires to help support the advisory services it provides to Clients and Client accounts.

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

United Capital has adopted a Code of Ethics for all supervised 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 confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at United Capital must acknowledge the terms of the Code of Ethics annually, or as required by any amendment of the Code of Ethics. Nevertheless, because the Code of Ethics in some circumstances would permit supervised persons to invest in the same securities as Clients, there is a possibility that supervised persons holding securities might benefit from market or trading activity conducted in a Client's

account. Supervised person trading is continually monitored under the Code of Ethics in an effort to prevent any potential conflicts of interest between United Capital and its Clients.

United Capital's Clients or prospective Clients may request a copy of its Code of Ethics by calling 949-999-8500, or writing to United Capital at 620 Newport Center Drive, Suite 500, Newport Beach, CA 92660.

It is United Capital's policy to not broker any principal or agency cross securities transactions for Client accounts. United Capital will also not broker trades between Client accounts.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction. Under SEC Interpretation of Section 206(3) of the Investment Advisers Act, Release No. IA-1732, the SEC states: "We have concluded that if an investment adviser receives no compensation (other than its advisory cost), directly or indirectly, for effecting a particular agency transaction between advisory Clients, the adviser would not be "acting as broker" within the meaning of Section 206(3)". Based on this interpretation, United Capital does not act as "agent" with respect to Rule 206(3) and is not subject to the written disclosure requirements of the rule.

In certain instances, a United Capital portfolio manager may decide that a securities position to be liquidated in one Client's account may be a good purchase for another Client. When this occurs, the portfolio manager may conduct a needs analysis to determine whether another Client might benefit from owning the securities position. If such activity does take place, with one United Capital Client selling a position and a separate Client purchasing the same position, United Capital shall not be compensated or receive any financial benefit from doing so of any kind, from either party, except for its normal asset management cost.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory Client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another Client account. United Capital does not perform principal transactions.

United Capital may refer certain Clients, on a case-by-case basis, to entities offering alternative investments, including hedge funds. United Capital's CEO is related to a fund manager for one fund that it has referred Clients who have invested in the fund, and the CEO and his family members are limited partner investors in that fund. In the future, United Capital may refer Clients to this fund, as it deems appropriate based on individual Client needs and circumstances. When referring Clients to this fund, United Capital will provide Clients for signature with a disclosure form containing information explaining this conflict of interest.

When investing its own corporate funds, United Capital, or its parent or affiliates, primarily use fixed-income deposits or money-market funds, United Capital does not intentionally invest in the same securities as its Clients or have its own proprietary account(s) alongside any Client accounts.

Certain supervised persons may have accounts managed by United Capital and/or may be invested in the same securities that are recommended to Clients or held in Client accounts. Supervised persons may also hold securities or trade for their own accounts contrary to financial guidance provided to Clients. If supervised persons have hired United Capital to manage their accounts on a discretionary basis, those accounts are traded along with other Client accounts and are not given any different or special treatment.

#### **Review of Investment Management Accounts**

United Capital's IARs, administrative and management personnel, and its Investment Committee members periodically and continuously monitor Client accounts for which it exercises discretionary investment management to identify situations that may warrant either a detailed review or specific action on behalf of a Client. Such reviews may include, but are not limited to, performance, client objectives, inactivity, high concentrations in individual securities, or changes in the Client's account information or financial situation. United Capital's Investment Committee for Centrally Managed and Locally Managed Assets review portfolios with respect to issues such as sub-manager performance results, the need for rebalancing or changes in sub-managers.



Annual or more frequent reviews are conducted with the Client and their IAR to discuss changes in the Client's investment objectives, risk tolerance and changes to, or new reasonable restrictions on the management of their investments. Clients are asked to either meet in person or by telephone or online conference at which time their financial situation, condition, or investment objectives or goals are reviewed. If the Client and IAR do not meet for a considerable period of time, greater than a year, after reasonable effort is made by the IAR to do so, the Client's account will be managed based on previously communicated expectations.

### **United Capital National Accounts**

United Capital's National Accounts ("UCNA") (also referred to as "Team Adviser Services" or "Team Adviser Plan") provides investment advisory services to Clients using a dedicated team of IARs. When using the UCNA services, a Client's relationship is managed by a team of IARs. Investment management and support services for these Clients are provided remotely by telephone, email and instant messaging. United Capital attempts to meet once a year with each Client using the UCNA services to discuss the Clients' goals and objectives, and in an effort to make sure that the assets managed by United Capital are aligned with the Clients' objectives. Clients using the UCNA services are generally offered a more limited number of investment options than Clients using other United Capital investment management services. For Clients managed under the UCNA, United Capital charges a percent of the assets under management, negotiated with each client, based on the cost of services schedule referenced in Item 5 below. The account minimum for UCNA services may be reduced by United Capital and the fee rate may be adjusted on a case by case basis and are considered accepted upon the Client signing an investment adviser agreement.

### **Continuing Education & Product Training**

From time-to-time, United Capital organizes educational and training meetings for its associated persons. Certain product providers, non-affiliated managers and vendors are permitted to make presentations to its associated persons. The presentations may or may not provide continuing education credits, such as for insurance licensing. These providers may contribute to the cost of putting on these sessions at hotels or other meeting facilities. These products and services, how they benefit us, and the related conflicts of interest are described below. The availability to us of these products and services is not based on us giving particular investment financial guidance.

### **Soft Dollars and Other Benefits**

United Capital receives products and services from firms providing custodial services that benefit United Capital but that may not benefit all United Capital Clients. These services are typically offered to all investment advisers working with the custodian and do not have a specific cost tied to the benefit. Some of these products and services assist United Capital in managing and administering Client accounts. These products and services include software and other technology that provide access to Client account data (such as trade confirmations and account statements); services that facilitate trade execution (and allocation of aggregated trade orders for multiple Client accounts); research, pricing information and other market data; products and services that facilitate payment of United Capital costs from its Client accounts, and assist with back office functions, recordkeeping and Client reporting. Generally, many of these services may be used to service all or a substantial number of United Capital's Client accounts.

Third party service providers also make available to United Capital other services intended to help United Capital manage and further develop its business enterprise but that do not benefit its Clients. These services include consulting, offering publications and conferences on practice management, information technology, third party research, business succession, regulatory compliance and marketing. In addition, third parties service providers may arrange and/or pay for these types of services rendered to United Capital by independent third parties. In certain instances, the third party service providers discount or waive costs they would otherwise charge for some of these services or pay all or a part of the costs of other third parties providing such services to United Capital. Third party service providers may also contribute to educational events held by United Capital for its supervised persons. Further, occasionally, Client account custodians and other third party vendors may make, on United Capital's behalf, charitable contributions to non-profit organizations. Likewise, these contributions benefit United Capital but do not benefit its Clients.

Account custodians may offer reduced transaction costs to associated persons of United Capital that custody their personal assets at the custodian. These transaction costs may be less than the costs that are typically made available through the custodian's retail service divisions.

United Capital, in some instances, enter into agreements where a service provider agrees to pay for the services of a third party vendor. These services would include agreements with Charles Schwab & Co., Inc., Fidelity Brokerage Services, LLC, TD Ameritrade and other custodians. Further, in certain situations, United Capital inherited Client relationships that previously include a soft dollar arrangement. In these cases it is United Capital's policy to review the relationships for conflicts of interest, and if appropriate, to wind down any relationships of this nature as soon as practicable. Third party service providers may also refer Clients (see Fidelity Wealth Advisory Solutions Program, Schwab Advisor Network & TD Ameritrade AdvisorDirect Client Referrals below) or adviser partner candidates to United Capital.

To offset the costs of transitioning new Client assets, the Client's account custodian may agree to reimburse the Client for all or a portion of their account transfer fees. In order for the custodian to pay transaction costs, certain minimum asset transition thresholds may be required to be met. If the minimum asset transition amounts are not met, the reimbursement will not be made and the Client would be responsible for paying their transition expense. The payment of transition expense by a custodian creates a conflict of interest as the reduced expense may be a deciding factor to transition assets to United Capital. Thus, United Capital may have an incentive to recommend a custodian that will cover this expense over one that doesn't. To address this conflict of interest, prospective Clients can choose to not transfer their assets from their existing custodian, or choose a different custodian than the one recommended by United Capital. Choosing a different custodian may restrict United Capital's ability to manage the Client's assets.

While as a fiduciary, United Capital seeks to act in its Clients' best interests, United Capital's recommendation that Clients maintain their assets in accounts at a particular custodian may be based in part on the benefit to United Capital, including the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided. This may benefit United Capital more than individual Clients. United Capital may have an incentive to select or recommend a broker-dealer based on its interest in receiving these benefits, rather than the Client's interest in receiving the most favorable execution. It's possible that Clients would pay lower commissions by using a broker-dealer that does not provide any benefit to United Capital. A conflict of interest exists when the services provided by the vendor are based on the amount of Client assets that United Capital maintains with the third party service provider. To address this conflict, United Capital will not compromise its best execution and fiduciary responsibility to its Clients.

### **Third Party Service Providers**

United Capital typically asks Clients to custody their assets with a specific custodian. United Capital's recommendation to its Clients to hold assets in custody with a particular firm is based on various factors, including, but not limited to:

- the historical place where the assets were held in custody prior to the Client becoming a Client of United Capital, and
- the services provided by the custodian to United Capital to help service the Client's assets (see "Soft Dollars" above).

Custodians that United Capital recommends to its Clients may also provide certain services that may benefit United Capital and its business in general, rather than benefit specific Clients. Such benefits include but are not limited to:

- Sharing in IAR recruitment expenses and other business growth initiatives; and
- Payment directly to vendors supporting United Capital's business including research providers, trade administration, portfolio accounting systems, Bloomberg terminals, supporting United Capital's management of Client assets.

United Capital receives additional benefits based upon its relationship with certain third party service providers, including Fidelity Brokerage Services, LLC and their affiliated entities (combined "Fidelity"). As part of its relationship, Fidelity has paid in the past, and may in the future, a portion of the recruiting cost for certain business assets acquired by United Capital. These benefits may present a conflict of interest in that they provide United Capital with an incentive to recommend that its Clients custody their assets at Fidelity over other custodians that do not provide such benefits.

United Capital participates in the institutional adviser referral programs offered by Fidelity Investments, through the Fidelity Wealth Advisor Solutions® ("WAS") Program, by Charles Schwab & Co., Inc. ("Schwab") through the Schwab Advisor Network® ("the Service" or "SAN") and by TD Ameritrade Institutional ("TD")

from their AdvisorDirect program. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. Fidelity, TD and Schwab offer to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. United Capital receives some benefits from Fidelity, TD and Schwab through these programs.

United Capital does not have to pay for Schwab's services, or the benefits it provides to United Capital, as long as it keeps at least \$10 million of Client assets in accounts at Schwab. Beyond that, the services provided by Schwab are not contingent upon United Capital committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give United Capital incentive to recommend that Clients maintain their account with Schwab. This is a potential conflict of interest, but the \$10 million expectation for assets held in custody with them represents a very small portion of United Capital's total assets under management, equaling less than one percent of the firm's total asset under management.

While United Capital may recommend a custodian to Clients, Clients are not obligated to follow its recommendation. It is the Client's decision on where they custody their assets. If a Client chooses to custody their assets at a custodian other than what is recommended by United Capital, the firm may not be able to discretionarily manage the Client's assets, thus restricting the kinds of services it can make available.

### **Recruiting Expenses**

As a part of United Capital's business, the firm hires outside parties (recruiters) to help find investment adviser representatives interested in joining United Capital. The recruiters are typically paid a cost based on a percentage of the total revenue of the IAR or business referred to United Capital. At times, others may contribute to the recruiting expense United Capital might incur, including custodians of Client assets like Fidelity. When a third party contributes to the recruiting expense, it presents a conflict of interest, as United Capital may have an incentive to refer the Client to the third party custodian sharing the cost of the recruitment expense over another custodian.

### **Client Referrals**

United Capital receives Clients primarily through referral from its IARs, who are associated persons. When Clients are referred to United Capital, the IAR is typically compensated through salary paid to them by United Capital.

To provide incentives to IARs to join United Capital, the firm may pay an IAR, or their former business, additional compensation when the IAR joins United Capital. IARs affiliate with United Capital, primarily, in two ways. One such way is when an IAR joins as a recruit and is then paid an upfront signing bonus in the form of a forgivable or non-forgivable loan. When a loan is paid, the amount is typically based on the expected revenue that the new IAR will generate after joining United Capital. The bonus paid is individually negotiated between the new IAR and United Capital.

A second way IARs join United Capital is when certain Clients are referred to United Capital as part of a partial or full sale of the IAR's practice to United Capital. When United Capital acquires any portion of the IAR's practice, the IAR, or their business, is paid additional compensation based on whether certain pre-determined asset transition thresholds are met. The additional compensation is paid in the form of upfront cash, forgivable loans or other loans, notes payable, or stock in United Capital or its parent company, or a combination thereof. The amount of the combined payment typically is a multiple of the expected revenue that will be generated from the assets that are transferred to United Capital. The amount is individually negotiated with each IAR, or the business, that sells assets to United Capital.

A transfer of purchase price, as described above, based on the percentage of Clients who transfer their business to United Capital, or the anticipated revenue that is expected to be generated from Clients who transfer, raises conflicts of interest, including the concern that the IAR has an incentive to recommend that Clients transfer their assets to United Capital over another investment adviser. United Capital believes that Clients are not impacted financially by these arrangements because the advisory costs they have paid in the past do not increase when transitioning their business to United Capital.

United Capital also works with different affinity groups to market its services to their members. When working with affinity groups, United Capital may pay the group for providing access to their members. If

the payment is based on a percentage of the costs earned by United Capital from its members, it is done so in accordance with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940.

United Capital may at times pay a small amount ("gifts") to Clients and third parties who refer Clients to it. These gifts are typically of nominal value and are not based on a percentage of the actual or anticipated earnings that United Capital would generate or expect to generate from any new Clients gained.

United Capital may pay individuals to contact Clients and or prospective Clients (combined "Clients") in an effort to invite the Clients to seminars or meetings. Clients are not charged for this service.

United Capital also receives referrals from third parties that are not affiliated with United Capital. The third parties may be paid a flat cost for referrals, or a percentage of the costs that the Client pays to United Capital. In these situations, in accordance with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940, a Joint Marketing and Selling Agreement is executed between United Capital and the third party. United Capital initially and annual confirms that the third party is not statutorily disqualified from providing investment adviser services. Additionally, the third party will provide a Solicitor's Separate Written Disclosure Statement to the Clients at the time of the solicitation or referral disclosing the nature of the relationship with United Capital and the amount of referral fees paid.

United Capital and its IARs may refer Clients to other non-affiliated broker-dealers and investment advisers, including Girard Securities, Inc.. When a referral is made to a firm, the firm pays United Capital for the referral. This presents a conflict of interest in that the IAR, United Capital and third party firm may prefer to refer business to one another over other broker-dealers and investment advisers due to additional compensation incentives offered through the referral versus making the referral to another firm.

#### **Schwab Advisor Network®, Fidelity Wealth Advisor Solutions & TD Ameritrade AdvisorDirect Referrals**

As disclosed above, United Capital participates in the Fidelity WAS program, TD Ameritrade's institutional customer program "AdvisorDirect" and Charles Schwab & Co., Inc.'s Schwab Advisor Network®. United Capital may recommend Fidelity, TD Ameritrade and Schwab to Clients for custody and brokerage services. There is no direct link between United Capital's participation in these programs and the investment financial guidance it gives to its Clients, although United Capital receives economic benefits through its participation in the programs that are typically not available to Fidelity, TD Ameritrade or Schwab retail investors.

These benefits may include, but are not limited to, the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving United Capital participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to United Capital by third party vendors. Fidelity, TD Ameritrade and Schwab may also have paid for business consulting and professional services received by United Capital's related persons. Some of the products and services made available by Fidelity, TD Ameritrade and Schwab through their respective programs may benefit United Capital but may not benefit its Client accounts. . See the Brokerage Practices section above, under Item 12, for additional information about these benefits. These products or services may assist United Capital in managing and administering Client accounts, including accounts not maintained at Fidelity, TD Ameritrade or Schwab, respectfully. The other services made available by Fidelity, TD Ameritrade and Schwab are intended to help United Capital manage and further develop its business enterprise.

The benefits received by United Capital or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to Fidelity, TD Ameritrade or Schwab. As part of its fiduciary duties to Clients, United Capital endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by United Capital or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the United Capital's choice of Fidelity, TD Ameritrade or Schwab for custody and brokerage services.

The WAS, AdvisorDirect and Schwab Advisor Network® programs have minimum eligibility requirements, in addition United Capital may have been selected to participate in these programs based on the amount and profitability to Fidelity, TD Ameritrade and Schwab, respectively, based on the assets in, and trades placed for, Client accounts maintained with each firm.

The Fidelity WAS Program, through which United Capital receives referrals, is directed from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments.

United Capital is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control United Capital, and SAI has no responsibility or oversight for United Capital's provision of investment management or other advisory services.

The Fidelity companies providing services related to the WAS program, as well as TD Ameritrade and Schwab are independent of and unaffiliated with United Capital and there is no employee or agency relationship between them. TD Ameritrade's AdvisorDirect program, Fidelity's WAS program and Schwab's AdvisorDirect program were established as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. Neither Fidelity, TD Ameritrade nor Schwab supervise United Capital and have no responsibility for United Capital's management of Client portfolios or United Capital's other financial guidance or services.

United Capital pays Fidelity (paid to SAI), TD Ameritrade and Schwab a fee for each successful Client referral from their respective programs. The specific compensation arrangement varies from one program to another and is disclosed to each client before or at the time that they initially establish a relationship with United Capital. The compensation arrangement between United Capital and each program is general as follows:

- Fidelity – (a) an annual percentage of 0.10% of all fixed income and cash assets of and (b) an annual percentage of 0.25% of all other assets held in WAS-referred Client assets held at Fidelity after the referral is made to United Capital. In addition, United Capital has agreed to pay SAI a minimum annual fee amount in connection with its participation in the WAS Program. United Capital has also agreed to pay SAI a one-time fee of 0.75% of assets if it transfers custody of the assets it managed for you to a custodian other than an affiliate of SAI. (This compensation arrangement is a revision to prior arrangements and is effective April 1, 2017)
- TD Ameritrade – 0.25% of referred client assets up to \$2 million; 0.10% of referred client assets over \$2 million up to \$10 million; 0.05% of referred client assets over \$10 million. United Capital is obligated to pay TD Ameritrade a minimum of \$10,000 per calendar year for participation in their program (This compensation arrangement is a revision to prior arrangements and is effective April 1, 2017).
- Schwab – 0.20% or 0.25% of any and all Client assets held under United Capital's management at Schwab.

United Capital will also pay Fidelity, TD Ameritrade and Schwab the Solicitation Fee on any advisory fees received by United Capital from any referred Client's family members, including a spouse, child or any other immediate family member who resides with the referred Client and hired United Capital on the recommendation of such referred Client. United Capital will not charge Clients referred through WAS, AdvisorDirect or the Schwab Advisor Network® any fees or costs higher than its standard fee schedule offered to its Clients or otherwise pass Solicitation Fees paid to Fidelity, TD Ameritrade or Schwab to its Clients. For information regarding additional or other fees paid directly or indirectly to Fidelity, TD Ameritrade, please refer to the Fidelity WAS, TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form, or for Schwab, the associated separate written disclosure statement for the Schwab Advisor Network® program.

United Capital's participation in WAS, AdvisorDirect and Schwab Advisor Network® raises potential conflicts of interest. WAS, TD Ameritrade and Schwab will most likely refer clients to investment advisors that encourage their clients to custody their assets at their respective firms and whose client accounts are profitable to their firms. Consequently, in order to obtain client referrals from Fidelity, TD Ameritrade and Schwab, United Capital may have an incentive to recommend to Clients that the assets under management by United Capital be held in custody with Fidelity, TD Ameritrade and Schwab, and to place

transactions for Client accounts with Fidelity, TD Ameritrade and Schwab. In addition, United Capital has agreed not to solicit Clients referred to it through WAS, AdvisorDirect or to the Schwab Advisor Network® to transfer their accounts from the referring custodian or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. United Capital's participation in WAS, AdvisorDirect and Schwab Advisor Network® does not diminish its duty to seek best execution of trades for Client accounts.

#### **Additional Services**

United Capital receives Additional Services through its participation in the TD Ameritrade Institutional, a Division of TD Ameritrade, Inc. ("TD Ameritrade") program, which includes economic support for portfolio back office services, paid to one or more third party service provider supporting United Capital's business. The economic benefit provided to United Capital by TD Ameritrade through this program may not be offered to any other independent advisers that participate in the Additional Services Program. A specific benefit offered to United Capital through this program is a payment to Envestnet to cover support for portfolio back office services. Other benefits include event sponsorships, free trading for Clients, and access to TD Ameritrade's AdviserDirect referral program through their branch offices which is disclosed above. This Additional Service is provided to United Capital by TD Ameritrade without any cost incurred by United Capital to refer Client assets to TD Ameritrade. These additional benefits are dependent upon United Capital meeting certain Client thresholds for assets held in custody at TD Ameritrade. TD Ameritrade provides the Additional Services in its sole discretion and at its own expense, and United Capital does not pay any fees to TD Ameritrade for the Additional Services. United Capital and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provisions of the Additional Services. TD Ameritrade has the right to terminate the Additional Services Addendum with United Capital, in its sole discretion, provided certain conditions are met. While United Capital does not have any obligation to refer Client's to TD Ameritrade for these Additional Services, United Capital has a conflict of interest in referring Clients to TD Ameritrade, because TD Ameritrade considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, United Capital's Client accounts when determining whether to provide or continue to provide Additional Services to United Capital. Additionally, United Capital has a conflict of interest because it has received this benefit because it has referred its Clients to TD Ameritrade and may expect to receive a similar or greater benefit in the future by continuing to increase the amount of assets referred to TD Ameritrade. Other custodians that United Capital refers Clients to do not provide economic support of this nature. United Capital's receipt of Additional Services does not diminish United Capital's duty to act in the best interest of its Clients, including seeking best execution of trades for Client accounts.

#### **Financial Information**

This item is meant to provide certain financial information or disclosures about United Capital's financial condition. United Capital 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. A copy of United Capital's balance sheet for its most recent fiscal year can be found in the accompanying pages.