

## ADV PART 2A AND APPENDIX 1

### ITEM 1 – COVER PAGE

#### Cetera Advisor Networks LLC

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June 11, 2015

This brochure provides important information about Cetera Advisor Networks LLC (Firm, us, our, or we). You should use this brochure to understand the relationship among you, the Firm, and your investment adviser representative (Advisor). If you have any questions about the contents of this Brochure, please contact us at 800.879.8100, Ext. 77880.

The Firm is registered with the Securities and Exchange Commission (SEC) as a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The information in this brochure has not been approved nor verified by the SEC or by any state securities authority.

Additional information about the Firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (select "investment adviser firm" and type in our name).

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ADVISOR  
NETWORKS LLC  
Member FINRA/SIPC

## ITEM 2 – MATERIAL CHANGES

### **Why are you providing me with this brochure?**

Cetera Advisor Networks LLC prepared this brochure in response to the 2010 amendments to SEC Form ADV.

When appropriate, Item 2 provides a summary of material changes the Firm has made to this brochure since the last annual update, which occurred in March 2014.

On January 16, 2014, RCS Capital Corporation (RCAP) announced that it entered into an agreement to acquire Cetera Financial Group, Inc., the parent company of Cetera Investment Advisers. The transaction closed on April 29, 2014 and resulted in a change of ownership. The transaction in no way affects the services provided by your investment adviser representative.

On February 28, 2014, the firm terminated the Lockwood Sponsor Program.

On August 29, 2014, the Firm terminated the Advisor Select Program (AdvisorOne and AdvisorPlus). On December 31, 2014, the Firm terminated the Fund Select Premier Program.

On September 8, 2014, the firm launched Managed Wealth ADVANTAGE, a discretionary mutual fund wrap program using accounts held at Pershing, LLC. A related registered investment adviser, Cetera Investment Management (CIM), was the Model Provider for the program.

CIM was established and registered on or about November 15, 2012 to provide portfolio advice to related broker-dealers, Cetera Investment Advisers, and their clients. As of June 11, 2015, CIM changed its name and is now known as Tower Square Investment Management LLC (TSIM).

### **Will I receive a brochure every year?**

We may, at any time, update this brochure. Any material changes will either be sent to you as a summary of those changes or, depending on the extent of these changes, you will receive the entire updated brochure.

### **May I request additional copies of the brochure?**

Absolutely. You may request and receive additional copies of this brochure in one of three ways:

- Contact your Advisor with whom you are working with
- Download the brochure from the SEC website at [www.adviserinfo.gov](http://www.adviserinfo.gov). Select "investment adviser firm" and type in our Firm name
- Contact the Advisory Compliance Department at 800.879.8100, Ext. 77880

Securities and investment advisory services offered through Cetera Advisor Networks LLC (doing insurance business in CA as CFGAN Insurance Agency), member FINRA/SIPC. Cetera and Tower Square Investment Management are affiliated entities and are under separate ownership from any other named entity. Advisory services may only be offered by investment adviser representatives in conjunction with an advisory services agreement and disclosure brochure as provided. Investments are:  
\*Not FDIC/NCUSIF insured \*May lose value \*Not financial institution guaranteed \*Not a deposit \*Not insured by any federal government agency.

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## ITEM 4 – ADVISORY BUSINESS

### **Who We Are**

Cetera Advisor Networks LLC is a full-service, independent investment advisor/broker-dealer who utilizes a unique regional director model to support financial Advisors through the entire life cycle of their business. For more than a quarter century, Cetera Advisor Networks has been able to build and support regional teams through local service, regional offices and a national home office, facilitating the success of its nearly 2,000 financial professionals.

As of December 31, 2014, Cetera Advisors had \$19,029,027,062 in assets under management, of which \$10,838,173,726 was managed on a discretionary basis and \$8,190,853,336 was managed on a nondiscretionary basis.

We are wholly owned by Cetera Financial Group, Inc. On January 16, 2014, RCS Capital Corporation (RCAP) announced that it entered into an agreement to acquire Cetera Financial Group Inc. The transaction closed on April 29, 2014 and resulted in a change of ownership for Cetera Advisor Networks. Please refer to Item 10 of this brochure for more information on our corporate structure.

### **Getting to Know You Better**

Most advisory relationships begin with an initial client meeting. Typically, meetings may be done in person, over the telephone, or through email communications. The purpose of this initial meeting is to discuss with your Advisor your investment history, goals, objectives, and concerns as it relates to the management of your account.

The investment advisory services provided by Cetera Advisor Networks depend largely on the personal information the client provides to the advisor. For Cetera Advisor Networks to provide appropriate investment advice to, or, in the case of discretionary accounts, make appropriate investment decisions for, the client, it is very important that clients provide accurate and complete responses to their Advisor's questions about their financial condition, needs and objectives, and any reasonable restrictions they wish to apply to the securities or types of securities to be bought, sold, or held in their managed account. It is also important that clients inform their Advisor of any changes in their financial condition, investment objectives, personal circumstances, and reasonable investment restrictions on the account, if any, which may affect the client's overall investment goals and strategies.

### **Important Considerations Prior to Opening an Account**

We would like to provide you with general overviews of several important facts that are common with the advisory programs that we offer. While the list below is not meant to include every possible situation, we do consider and take into account the following:

#### *Reasonable Restrictions*

All advisory programs that involve the purchase and sale of securities offer you the ability to place reasonable restrictions on how we manage your account. For example, a reasonable restriction may indicate your desire that we do not invest in a certain sector or industry. If we determine that a restriction is unreasonable, we may refuse to manage your account. If this occurs, we will give you the opportunity to modify or withdraw the restriction.

#### *Deposits and/or Withdrawals*

Unless specifically stated, you may make additions to or withdrawals from your account at any time. If your account falls below the minimum required account value, we may terminate your account. You may also add securities to your account; however, note that we reserve the right to not accept particular securities into your account.

#### *Trading Authorization*

Advisory accounts typically involve the purchase and/or sale of securities. These accounts may be managed either on a discretionary or non-discretionary basis.

#### *Quarterly Performance Reports*

On a calendar quarter basis, you may receive a performance report that indicates how your account has performed over time. If you have any questions regarding the performance of your account, please contact your Advisor.

#### *Minimum Account Opening Balance*

Each advisory program requires a program-specific minimum account opening balance. At its sole discretion, the Firm may waive the minimum account size. If you establish a new account and deposit funds less than the minimum opening balance requirement, your funds will not be managed until the minimum dollar amount is met. Your cash will be placed into a money market fund until the minimum opening balance requirements are met.

## **Wrap Fee Programs**

Most third-party money management programs, as well as all of the Firm-Sponsored Programs, with the exception of Preferred Asset Management® and Advisor Select program (under the circumstances described below), are considered “wrap fee” programs, in which the client pays a specified fee for portfolio management services and trade execution. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap fee programs assess trade execution costs that are in addition to the investment advisory fees.

Prime Portfolio Services and Premier Portfolio Management accounts are managed by your Advisor in accordance with his or her own investment methodology and philosophy. The other wrap fee programs available through Cetera Advisors are either managed by a related registered investment called Tower Square Investment Management LLC (TSIM) or an unaffiliated third-party money manager. Wrap fee programs are managed in accordance with the investment methodology and philosophy used by the respective third-party money manager or TSIM's Investment Research team. Cetera Advisors receives a portion of the investment advisory fee you pay to your Advisor when you participate in any managed account program. If TSIM is acting as the portfolio manager, it will also receive a portion of the investment advisory fees.

## **Program Choice Conflict of Interest**

Clients should be aware that the compensation to Cetera Advisors and your advisor will differ according to the specific advisory program chosen. This compensation to Cetera Advisors and your advisor may be more than the amounts we would otherwise receive if you participated in another program or paid for investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules among the various advisory programs and services offered by Cetera Advisors and your advisor, we may have a financial incentive to recommend a particular program or service over other programs or services.

## **Firm-Sponsored Programs**

The Firm has developed several advisory services and programs to give you as much flexibility as possible. The specific advisory program selected by you may cost you more or less than purchasing program services separately. Factors that bear upon the cost of a particular advisory program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client-related services provided to the account.

The following is a list of our advisory programs:

- Firm-Sponsored Programs
  - a. Preferred Asset Management® Services
  - b. Prime Portfolio Services
  - c. Premier Portfolio Management
  - d. Managed Wealth ADVANTAGE®
  - e. Mutual Fund/Exchange Traded Funds Advisory Program
  - f. xMA® Next Generation Managed Account Program
- Third-Party Money Management Programs
- Financial Planning
- Consulting Services
- Plan Advice and Consulting Services

## **Preferred Asset Management and Prime Portfolio Services**

We sponsor the Preferred Asset Management (Preferred) and Prime Portfolio Services (Prime) asset management programs. In these programs, your Advisor will create a mix of investments that are appropriate for your investment goals. The benefit of opening these types of accounts includes:

- Individualized management of your account
- Annual reviews of your account
- Quarterly performance reports

### *Minimum Account Opening Balance*

In general, we require a minimum deposit of \$25,000 to open a Preferred or Prime account. Your opening balance may include both cash and securities.

Depending on a number of factors, we may waive the minimum required balance, including whether or not you have other accounts with us.

### *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. The Preferred and Prime programs are materially the same with one important exception. In the Prime program, your Advisor pays for any transaction costs associated with your account. In the Preferred program, any transaction charges are paid by you. Because your Advisor pays for transaction costs in the Prime account, the management fees that you pay may be higher. Please refer to Item 5 of this brochure for further information regarding fees.

Your Advisor may have a potential conflict of interest in recommending that you open a Preferred or a Prime advisory account because he or she only pays for transaction costs in the Prime advisory program. For example, if it is anticipated that you will trade more frequently, your Advisor would receive less investment advisory compensation if you were to open a Prime advisory account, because in that program, the Advisor pays the transaction costs. If it is anticipated that you will trade infrequently, your Adviser would receive less compensation than if you were to open a Preferred advisory account, because while you pay transaction costs, the maximum fee schedule for the Prime program is 0.25% higher than the maximum fee schedule for Preferred. To help mitigate this conflict of interest, the Firm requires a lower maximum fee schedule for Preferred accounts. For both Preferred and Prime programs, other brokerage account charges will be charged when applicable.

### *FundVest Mutual Funds*

We offer a wide range of mutual funds, including mutual funds in the FundVest mutual fund program. This program is maintained by our clearing/custodial firm, Pershing LLC (Pershing). Pershing, at their sole discretion, may add or remove mutual funds from the FundVest program without prior notice. In the FundVest program, transaction costs are waived on purchases that would normally carry a transaction charge, which may provide your Advisor with an incentive to recommend a FundVest mutual fund. This incentive is increased if you have a Prime account due to the fact that your Advisor pays for the transaction costs.

Mutual funds that participate in Pershing's FundVest program will be assessed by Pershing a short-term redemption fee if sold within three months. Similar short-term redemption fees may be charged by mutual fund families that are part of and outside of the FundVest program. FundVest short-term redemption fees are not covered by your advisory fees for Preferred and Prime accounts. Any short-term redemption fees will be charged to you, the client if you have a Preferred or Prime account.

### *Trading Authorization*

A Preferred or Prime account can be managed either on a discretionary or non-discretionary basis.

### *Types of Securities*

Your Advisor will purchase securities on your behalf based on your goals and objectives. In order to meet your needs, we provide a wide range of investment choices for you to consider. Some of the securities we may offer to you include, but are not limited to:

- General securities
- Covered call options and purchasing put options
- Fixed income securities
- Mutual funds
- Structured products
- Exchange traded funds
- Unit investment trusts

### *Borrowing Money (Margin Accounts)*

A margin account is an account where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider the following:

- If you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account or withdraw funds.
- You are using the securities that you own as collateral.
- Money borrowed is charged an interest rate that is subject to change over time.
- Your Advisor has a conflict of interest when recommending that you purchase or sell securities using borrowed money. This conflict occurs because your advisory fee is based on the total market value of the securities in your account. If you have a margin debit balance (in other words you have borrowed and owe money to the Firm), your margin debit balance does not reduce the total market value. In fact, since you have borrowed money to purchase additional shares, the total market value of your account will be higher, which results in a higher advisory fee.

We reduce this conflict by requiring all margin accounts to be pre-approved by the home office. We also review accounts to determine whether or not the use of margin is appropriate and in line with your goals and objectives.

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

## *Loan Advance Accounts*

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

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

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

## **Premier Portfolio Management**

We sponsor a wrap fee program called Premier Portfolio Management (Premier). In this program, your Advisor will create a mix of investments that are appropriate for your investment goals. The benefit of opening these types of accounts includes:

- Individualized management of your account
- Annual reviews of your account
- Quarterly performance reports

## *Minimum Account Opening Balance*

In general, we require a minimum deposit of \$25,000 to open a Premier account. Your opening balance may include both cash and securities. Depending on a number of factors, we may waive the minimum required balance, including whether or not you have other accounts with us.

## *Trade Confirmations*

You will receive trade confirmation from Pershing for each securities transaction placed in your account.

## *Quarterly Performance Reports*

On a calendar quarter basis, you may receive a performance report that indicates how your account has performed over time. If you have any questions regarding the performance within your account, please contact your Advisor.

## *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. In the Premier program, any transaction costs associated with your account are included or wrapped into your advisory fee.

In addition to the transaction costs, IRA maintenance fees, trade confirmations fees, paper surcharge fees, SEC 31 fees, inactivity fees, dividend reinvestment fees, FundVest short-term redemption fees, and real estate investment trust (REIT) holding fees are also covered by your advisory fees. Other brokerage account charges will be charged to your account when applicable.

We describe the Preferred and Prime Programs above. Your Advisor may have an incentive to open a Preferred or Prime account versus a Premier account based on expected or anticipated trading volume. To help mitigate this conflict of interest, the Firm allows a lower maximum fee schedule for Preferred accounts.

It may cost the Advisor more to place certain accounts (for example, accounts with lower balances) in Premier than in Prime due to differences in the administrative costs covered by the each program. Similarly, it may cost certain clients more to have accounts in Prime rather than Premier.

## *FundVest Mutual Funds*

We offer a wide range of mutual funds, including mutual funds in the FundVest mutual fund program. This program is maintained by our clearing/custodial firm, Pershing. Pershing, at their sole discretion, may add or remove mutual funds from the FundVest program without prior notice. In the FundVest program, transaction costs are waived on purchases that would normally carry a transaction charge, which may provide your Advisor with an incentive to recommend a FundVest mutual fund. This incentive is increased if you have a Premier account due to the fact that your Advisor pays for the transaction costs.

Mutual funds that participate in Pershing's FundVest program will be assessed by Pershing a short-term redemption fee if sold within three months. Similar short term redemptions fees may be charged by mutual funds that are part of or outside of the FundVest program. Pershing's FundVest short-term redemption fees are covered by your advisory fee for Premier accounts. Any FundVest short-term redemption fees will not be charged to you, the client if you have a Premier account.

## *Trading Authorization*

A Premier account can be managed either on a discretionary or non-discretionary basis.

## *Types of Securities*

Your Advisor will purchase securities on your behalf based on your goals and objectives. In order to meet your needs, we provide a wide range of investment choices for you to consider. Some of the securities we may offer to you include, but are not limited to:

- General securities
- Covered call options and purchasing put options
- Fixed income securities
- Mutual funds
- Structured products
- Exchange traded funds
- Unit investment trusts

## *Borrowing Money (Margin Accounts)*

A margin account is an account where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider the following:

- If you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account or withdraw funds.
- You are using the securities that you own as collateral.
- Money borrowed is charged an interest rate that is subject to change over time.
- Your Advisor has a conflict of interest when recommending that you purchase or sell securities using borrowed money. This conflict occurs because your advisory fee is based on the total market value of the securities in your account. If you have a margin debit balance (in other words you have borrowed and owe money to the Firm), your margin debit balance does not reduce the total market value. In fact, since you have borrowed money to purchase additional shares, the total market value of your account will be higher, which results in a higher advisory fee.

We reduce this conflict by requiring all margin accounts to be pre-approved by the home office. We also review accounts to determine whether or not the use of margin is appropriate and in line with your goals and objectives.

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

## *Loan Advance Accounts*

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

- You are borrowing money that will have to be repaid to the bank.
- Pledge arrangement arrangements are only available for non-qualified accounts.
- You, as the borrower, are using the cash and securities that you own in the account as collateral.
- You will be charged an interest rate that is subject to change.
- Tri State can force the sale of securities or other assets in the pledged account at any time and without notice to cover any deficiency in the value of the securities pledged for the loan. Tri State can decide which securities to sell without consulting you.
- The Firm and our representatives have a conflict of interest when you obtain a loan from Tri State. This conflict occurs because the Firm and the representative will receive a portion of the interest charged on the loan. The Firm reduces this conflict by reviewing



the borrower's accounts to determine whether or not the use of Tri State is appropriate and in line with the borrower's goals and objectives.

- Tri State is responsible for reviewing the loan application and any other documents that Tri State may require to obtain the loan. Tri State, in its sole discretion, will determine the credit worthiness of the applicant, including the amount of the loan.
- Prior to establishing a loan with Tri State, you should carefully review the loan agreement, loan application and any other forms required by the bank in order to process your loan.

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

### **Mutual Fund/Exchange Traded Funds Advisory Program**

We offer a portfolio management service known as the Mutual Fund/Exchange Traded Funds Advisory Program (MF/ETF Program). As of April 17, 2013, Tower Square Investment Management LLC (Model Provider), an investment adviser affiliated with us, is responsible for making a set of tactical model portfolios of securities (Strategic PLUS Portfolios) and a set of passive model portfolios of securities (Strategic Portfolios) (the Strategic PLUS and the Strategic Portfolios collectively referred to as the "Portfolios") available to you through the program. Model Provider may add or remove one or more Strategic PLUS Portfolios or Strategic Portfolios from the program from time to time. Once you have determined your preference for either Strategic PLUS Portfolios or Strategic Portfolios for the program, we will recommend a Portfolio that is consistent with your risk tolerance, choosing from the applicable set of Portfolios made available by Model Provider for the program. With respect to your portfolio, Model Provider will independently select the mutual funds and/or exchange traded funds (ETFs) as a provider (Strategist) of model portfolio design services to the program or, in its sole discretion, it may authorize a third-party money manager to provide such services as a Strategist to the program. In either case, the program fee payable to us and/or our affiliates with respect to the applicable set of Portfolios will be the same and levelized, and the cost for any third-party money manager's services as a Strategist shall be incurred by and charged to us and/or its affiliates. Wilshire, Sage, and UBS currently serve as Strategists for the MF/ETF Program in addition to Model Provider.

We, and not Model Provider or any other Strategist, make the investment decisions for client accounts under the MF/ETF Program. Model Provider is a related entity and, in its discretion, may authorize non-affiliated Strategists to provide certain services to the program. Since the costs for any non-affiliated Strategist's services would be incurred by us and/or our affiliates, reducing our and/or our affiliates' net compensation, we and/or our affiliates may have a financial incentive to limit the use of non-affiliated Strategists. Depending on the Strategist used, the compensation to the Firm, its affiliates, and/or the IAR may change. Model Provider mitigates this risk by supervising the suitability of the Strategic PLUS Portfolios and Strategic Portfolios made available under the program.

Clients who wish Tower Square Investment Management (TSIM) to act as Model Provider and/or Strategist for their accounts must sign advisory agreements that include TSIM's services.

#### *MF/ETF Program Profile and Proposal Process*

Your relationship generally begins with you completing an Investor Profile Questionnaire (IPQ). The purpose of the IPQ is to assist your Advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. The information that we gather will also be used to propose an appropriate MF/ETF Program asset allocation strategy. Once you receive the proposal and meet with your Advisor, you will determine whether to adopt, modify or reject the recommended asset allocation strategy.

#### *Investment Management Philosophy*

Our Mutual Fund/Exchange Traded Funds Advisory Program provides you with the opportunity to participate in an asset allocation program using a tactical model, a strategic model, or a combination of tactical and strategic models.

#### *Strategic Asset Allocation*

Strategic asset allocation is a portfolio strategy that involves the periodic rebalancing of your portfolio in order to maintain a long-term goal of a chosen asset allocation mix. The initial investments are chosen based on expected returns and within your risk tolerance. Because the value of the assets can change based on market conditions, the portfolio constantly needs to be re-adjusted to meet the policy. This is often called rebalancing and may be done at regular intervals.

The Strategist does not purposely deviate from the original determined asset allocation percentages. The emphasis is on preserving this initial chosen asset allocation mix because the mix ultimately relates to a larger performance objective based on historical data.

#### *Tactical Asset Allocation*

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

The investment philosophy is usually based on the belief that investor psychology and market forces can lead to periods of misevaluation. A tactical allocation process attempts to capture these misevaluations. It is not a fixed asset weight mix and the allocation and risk level of the portfolio may change quite dramatically.

#### *Trading Authorization*

Your Advisor will assist you in determining an appropriate investment strategy to follow. By completing the account opening documentation, you authorize us to act as your agent and attorney-in-fact to direct the investment and reinvestment of the assets in your account. We, in turn, authorize FDX Advisors, Inc. (Folio), an independent investment adviser, to have full trading discretionary trading authority to place orders for the purchase and sale of securities transactions recommended by the models developed by TSIM, Sage, Wilshire and UBS. Pershing is currently utilized for clearing and trade execution services.

Folio will rebalance your account whenever the account moves up or down 25% from the target allocation designed by the Strategists: TSIM, Sage, Wilshire and UBS.

In general, the MF/ETF Program requires a minimum deposit of \$25,000 for accounts consisting of mutual funds or \$50,000 for accounts utilizing ETF securities.

If you establish a new account and deposit funds less than the minimum opening balance requirement, your funds will not be managed until the minimum dollar amount is met. Your cash will be placed into a money market fund until the minimum opening balance requirements are met.

#### *Restrictions on the Management of Your Account*

By sending us a written request, you may impose reasonable restrictions on the management of your account. We may refuse to accept or manage your account if we determine such restrictions are unreasonable. In the event that we are unable to accept your restriction, we will give you the opportunity to modify or withdraw the restriction.

#### *Trade Confirmations*

You will receive trade confirmations from Pershing for each securities transaction placed in your account. If you do not wish to receive trade confirmations, you may indicate this wish by contacting your Advisor, and he/she will assist you with completing the paperwork required to suppress these confirmations.

#### *Quarterly Performance Reports*

On a calendar quarter basis, you may receive a performance report that indicates how your account has performed over time. If you have any questions regarding the performance within your account, please contact your Advisor.

#### *Transaction Costs*

The client fee that you are charged includes a fee for both the professional advice received as well as any transaction costs associated with purchasing or selling securities within your portfolio. Item 5 of this brochure discusses additional costs for which you may be responsible.

#### *In-Kind Transfers*

The MF/ETF Program allows for in-kind transfers to fund accounts. For in-kind transfers, your Advisor may be charged a nominal fee. This creates a conflict of interest for the Advisor as he or she bears the cost if this option is used.

#### **xMA® Program**

We offer a portfolio management service known as Next Generation Managed Account (xMA). xMA provides access to independent investment manager(s) to design models based on investment styles. The styles may consist of multiple types of securities but typically utilize some or all of the following: fixed income, open-end mutual funds, exchange-traded funds, and general securities.

#### *xMA Proposal and Investment Policy Statement Process*

Your xMA relationship generally begins with completing an Investor Profile Questionnaire (IPQ). The purpose of this questionnaire is to assist your Advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. The information that we gather will also be used to recommend an appropriate xMA manager.

Based on the answers provided to the firm, an Investment Policy Statement (IPS) will be generated. The IPS will present to you one of several investment styles for consideration.

## *Trading Authorization and Discretionary Management*

This program is a discretionary program. The type of discretionary authority exercised depends on the model portfolio that you invest in. Your Advisor will have discretion as it relates to the xMA manager being utilized.

By completing the account opening documentation, you authorize us, or as applicable, the manager of a fixed income model (Fixed Income Model), to act as your agent and attorney-in-fact to direct the investment and reinvestment of the assets in your account. For accounts that do not utilize a Fixed Income Model, we, in turn, authorize Folio, an independent investment adviser, to have full discretionary trading authority to place orders for the purchase and sale of securities recommended by the models developed by such xMA managers.

## *Use of Independent Investment Managers*

Your Advisor may recommend models designed by one or more independent investment managers. The xMA manager will independently select the securities for the model selected. With the exception of Fixed Income Models, the securities that comprise the model will be sent to Folio for trading. Pershing is currently utilized for clearing and trade execution services.

## *Fixed Income Models*

Your Advisor may recommend models designed by managers to invest in fixed income securities. If a Fixed Income Model is selected, the fixed income manager will have investment and trading discretion over the trades for that account.

In general, we require a minimum deposit of:

1. \$100,000 for a portfolio that consists of equities
2. \$100,000 for a portfolio that consists of fixed income securities (ETFs)
3. \$250,000 for a portfolio that consists of fixed income securities (individual bonds)

The minimum deposit may consist of both cash and securities. In the event that you deposit an amount less than the required minimum opening balance, the assets will not be managed until the minimum opening balance is met. Any cash deposited during this interim period will be deposited into a money market fund. Managers may have different account minimums, restrictions on the types of investments they manage, and other pertinent details. Please refer to the manager's Form ADV Part 2A for additional information.

## *Transaction Costs*

The client fee that you are charged includes a fee for both the professional advice received as well as any transaction costs associated with purchasing or selling securities within your portfolio. Item 5 of this brochure will also discuss the standard fee schedule that may be applied to your account.

## *Trade Confirmation Statements*

You will not receive individual trade confirmation statements for each trade that either we or Folio or the manager of a fixed income manager place as part of your model portfolio, unless you have requested to receive trade confirmations. Pershing will send you a monthly statement indicating the trading activity that occurred in your account during the prior month. If no trading activity has occurred, you will receive a statement from Pershing on a quarterly basis. If you wish to receive a confirmation for any individual transaction, please contact your Advisor.

## **Managed Wealth ADVANTAGE®**

Managed Wealth ADVANTAGE (MWA) offers asset allocation models that have been developed for the Firm by Tower Square Investment Management LLC (Model Provider), a related investment adviser. Model Provider will also independently select and add or remove the mutual funds and/or exchange traded funds that the Firm will make available through the program (Available Funds). We, and not the Model Provider, make the investment allocation decisions for client accounts under the MWA Program.

## *MWA Program Profile and Proposal Process*

The process with the Firm begins with you completing an Investment Profile Questionnaire (IPQ). The purpose of the IPQ is to assist your advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon, and other pertinent information. The information we gather will also be used to determine your suitability for the Program and to assist you in setting an appropriate investment objective and selecting an asset allocation model.

You and/or your Advisor will build an investment portfolio (Portfolio) consistent with your asset allocation model, using available funds. Your Advisor will provide ongoing advice on the selection or replacement of mutual funds and/or ETFs in your account based on your individual needs and the investment choices available in the program.

## *Investment Management Philosophy*

MWA provides you with the opportunity to participate in an asset allocation program using selected mutual funds and/or exchange traded funds.

## *Trading Authorization*

By completing the account opening documentation, you authorize us to implement transactions on a discretionary basis. You also authorize us to act as overlay manager and to delegate this authority to Folio, an independent investment adviser. Folio, as the overlay manager, will have full discretion to place orders for the purchase and sales of securities in accordance with your selected Portfolio and to rebalance your account whenever it moves up or down 25% from the target allocation.

## *Minimum Account Opening Balance*

MWA generally requires a minimum deposit of \$25,000. If you establish a new account and deposit funds less than the minimum opening balance requirement, your funds will not be managed until the minimum dollar amount is met. Your cash will be placed into a money market fund until the minimum opening balance requirements are met. Your balance in the money market fund is not insured or guaranteed against loss.

## *Trade Confirmations*

You will receive trade confirmation from Pershing for each security transaction placed in your account. Trade confirmation suppression is available upon client request.

## *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. In the MWA program, any transaction costs associated with your account are included or wrapped into your advisory fee. Other brokerage account charges will be charged to your account when applicable.

## **Third-Party Money Manager Programs**

Our third-party money manager (TPMM) programs provide you with the opportunity to have your portfolio professionally managed by outside money managers. TPMM programs offers advisors' clients access to a variety of model portfolios with varying levels of risk from which they may choose. TPMM program accounts are not managed by Cetera Advisors; rather, they are managed by one or more third-party portfolio managers on a discretionary basis, and they may consist of a variety of different securities types, including stocks, bonds, and mutual funds. Cetera Advisors is not the sponsor of these TPMM programs.

Cetera Advisors may act in either a "solicitor" or "subadviser" capacity when it offers TPMM programs to advisors' clients, as described below:

**Solicitor:** When acting as a solicitor for the TPMM program, Cetera Advisors and your advisor do not provide advisory services in relation to the TPMM program. Instead, your advisor will assist you in selecting one or more TPMM programs believed to be suitable for you based on your stated financial situation, investment objectives, and financial goals. The TPMM will be responsible for assessing the suitability of their products against your risk profile. Cetera Advisors and your advisor are compensated for referring you to the TPMM program. This compensation generally takes the form of the TPMM sharing a percentage of the advisory fee you pay to the TPMM with Cetera Advisors and your advisor. When we act as a solicitor for a TPMM program, you will receive a written solicitor disclosure statement describing the nature of our relationship with the TPMM program, if any; the terms of our compensation arrangement with the TPMM program, including a description of the compensation that we will receive for referring you to the TPMM program; and the amount, if any, that you will be charged in addition to the advisory fee that you will pay to the TPMM as a result of our referral of you to the TPMM program.

**Adviser or Subadviser:** Under an adviser or subadviser relationship between Cetera Advisors and the sponsor of the TPMM program, we are jointly responsible for the ongoing management of the account. Your advisor is responsible for assisting you with completing the investor profile questionnaire. While each TPMM may have a different name for their questionnaire, your responses will assist your advisor with understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other personal information. Based on the answers that you provide to your advisor, he or she will assist you in determining which TPMM model or portfolio strategy is appropriate for you. As part of establishing a new account, you will receive both our disclosure brochure as well as the TPMM's disclosure brochure.

Since each TPMM is uniquely structured with different investment products, please ensure that you carefully review all documents provided to you on behalf of the TPMM. These include, but are not limited to:

- The TPMM's Form ADV Part 2A or Disclosure Brochure for specific program descriptions.
- The TPMM's Client Agreement as well as any other agreement entered into regarding a TPMM program, for specific contractual terms (including fees, billing methods, administrative and other fees, etc.).
- Any additional disclosure or offering documents provided by the TPMM in connection with investment products.

## Financial Plans

Financial planning typically involves providing a variety of services to individuals or entities regarding the management of their financial resources based upon an analysis of their individual needs. Generally, financial planning services involve preparing a financial program for a client based on the client's financial circumstances and objectives. The information provided as part of this service would normally cover present and anticipated assets and liabilities, including insurance, savings, investments, and anticipated retirement or other employee benefits.

The advice that is provided to you by your Advisor may include general recommendations for a course of activity, or specific actions, to be taken by you.

Traditional financial planning involves meeting with you to determine your financial goals and objectives. We then develop and deliver to you a written financial plan. At that point, our advisory relationship is typically concluded.

### *Initial Client Meeting*

The purpose of this meeting is to discuss with you specific areas of concern and potential planning areas. During this meeting, your Advisor will work with you to determine whether or not a financial plan is appropriate for your specific circumstance.

As part of your initial meeting, or as a separate meeting, your Advisor will review all necessary documents for him/her to develop a financial plan for you. These documents may include, among other things, brokerage statements, income tax statements, a current will, other financial plans, business agreements, retirement information, etc.

### *Developing a Financial Plan*

Based on the information that your Advisor gathers about your specific circumstance, a financial plan will be developed for you. Your Advisor may use various computer software tools to assist them in creating the financial plan. While our Advisors will not provide tax or legal advice, with written permission from you, they may speak with your attorney and/or tax professional.

Financial plans may consist of:

**Financial Position** – Financial position review encompasses a review of your current financial position, including a review of your current cash flow. This type of review typically involves reviewing your net worth, cash flow, budget, debt, and investment accounts.

**Retirement Planning** – Retirement planning typically consists of analyzing your current or expected future retirement needs. Based on your current level of retirement savings, additional retirement accounts (such as an IRA or Roth IRA) may be recommended, or additional contributions to your existing company retirement plan may be recommended.

If you have an account in a company retirement plan that falls under ERISA (such as a 401(k), defined benefit plan, etc.), your Advisor may provide education on your company retirement account but not specific investment advice. The education that they provide to you will be limited to:

- General principles for investing, overall asset allocation strategies, and general information about the options currently available in your plan.
- Your Advisor may consider the amount of assets you hold in your company retirement plan in order to determine and recommend an overall investment strategy for you.
- Your Advisor may not provide you with specific investment advice regarding investments held within your company retirement plan. This includes recommending that you invest a certain percentage into an investment option held within your company plan.

**Insurance Analysis** – Insurance analysis typically consists of analyzing your current or expected insurance needs. Based on your specific circumstances, such as, number of dependents and the age of the members in your household, your Advisor may suggest the need to increase or decrease the amount of insurance you currently have. Certain states do not allow us to charge you a separate management fee to review your insurance needs.

**Education Planning** – Your Advisor may review your current or future needs as it relates to paying for education expenses for you or your dependents. This type of review typically analyzes the amount of money you are saving for education expenses.

**Tax Efficient Investing Strategies** – As part of the consulting services, your Advisor may not provide you with tax advice. However, your Advisor may assist you in designing an investment strategy to maximize the tax efficiency of your portfolio.

### *Advice Provided*

The financial plan will provide you with recommendations and advice tailored to your specific financial goals, objectives, and situation. You are under no obligation to act on the advice that is given to you. If you choose to act on any of the advice given to you, you are under no obligation to open any accounts with us, and you may, in fact, open accounts with firms that are not affiliated with us.

## *Delivering the Plan*

Your Advisor will deliver and explain the financial plan or a letter recapping the advice that is being provided to you.

## **Consulting Services**

Consulting services, while similar to traditional financial planning, provide you with several distinct services. These include the ability for your Advisor to provide a broader range of financial advice and services, including the ability to provide specific security recommendations. The services are offered to you over a longer period of time (up to three years).

### *Consulting Services Term*

Consulting services allow our Advisors to provide continuous advice to you for the duration of the consulting service contract. The contract is in effect for three years from the time you initially sign the contract. The contract may be terminated earlier at the request of you or us. If you wish to continue the consulting arrangement after the contract expires, you will need to execute a new contract with another three year term.

### *Initial Client Meeting*

The purpose of this meeting is to discuss your current and future goals and objectives. During this meeting, your Advisor will explain the consulting process, set reasonable expectations with you, and discuss any initial concerns that you may have.

As part of your initial meeting, or as a separate meeting, your Advisor will review all necessary documents for him/her to develop a course of action for you. These documents may include, among others, brokerage statements, income tax statements, current will, other financial plans, businesses agreements, retirement information, etc.

### *Subsequent Review Meetings*

Based on the services provided to you, your Advisor will schedule subsequent meetings to discuss the status of recommended actions. These meetings may occur in a number of ways, including over the telephone, in person, or via email.

### *Advice Provided*

The consulting services your Advisor provides will include recommendations and advice tailored to your specific financial goals, objectives and situation. You are under no obligation to act on the advice that is given to you. If you choose to act on any of the advice given to you, you are under no obligation to open any accounts with us, and you may, in fact, open accounts with firms that are not affiliated with us.

### *Fee Invoice*

On a quarterly, semi-annual or annual basis, you receive an invoice from your advisor describing the services provided to you and the cost of the services or advice. Your consulting fee is paid for in arrears. This means that your fees pay for advisory services that you received in the prior quarter, six months or 12 months.

## **Plan Advice and Consulting Services**

Retirement plans subject to the Employee Retirement Income Security Act of 1974 may retain a qualified Advisor of the Firm to provide advisory and consulting services to your retirement plan. In providing these services, the Firm may act as a fiduciary as defined under Section 3(21)(A)(ii) of ERISA, but will serve in such capacity only with respect to the provision ERISA-defined investment advice.

### *Plan Participant Advice Program*

The Plan Participant Advice Program allows qualified investment adviser representatives (IARs) to provide fee-based advisory services to ERISA accounts (e.g., employer-sponsored 401(k) plan) that are held away from the Cetera broker-dealer. When providing advisory services under this program, the IAR acts as a 3(21) ERISA fiduciary. By making this acknowledgement, your IAR is required to be prudent and act in your best interest when making recommendations and providing advice. For more information, refer to the Plan Participant Advisory Agreement for ERISA Assets Held Away from Cetera.

Advisory services may consist of:

- Non-discretionary investment advice
- Asset allocation model
- Strategic investment allocations
- Investment performance reporting

The decision to implement any recommendation rests exclusively with the plan participant and there is no obligation to implement any such recommendations through the Firm or Advisor.

Excluded services not offered as part of the Plan Participant Advice Program:

- Providing investment advice with respect to those assets in your plan that are invested in a particular investment option or security as a result of an investment restriction imposed by the plan, the company sponsoring the plan, or you
- Providing advice with respect to those assets in your plan held in any self-directed brokerage account or window available under your plan, unless you expressly engaged the Firm to provide advice with respect to such brokerage account as indicated in your agreement
- Providing advice regarding the prudence of company stock in the participant's account.
- Exercising any discretionary authority or control over the management or disposition of any investments in the participant's account.
- Providing legal or tax advice or any advice on the voting of proxies solicited on behalf of any securities in the participant's account

#### *Plan Advice and Consulting Program*

Consulting services may consist of:

- Charter for fiduciary committee
- Education services to fiduciary committee
- Performance reports
- Fee monitoring
- Participant education services
- Service provider recommendations

In performing consulting services, Advisor and the Firm are acting solely as an agent and at the plan's direction and not as a fiduciary of the plan.

Excluded services not offered as part of the Plan Advice and Consulting Services:

- Custody, Trade Execution – Taking custody or possession of any plan assets, ensuring that contributions by the plan or from participants are timely deposited with the trustee or custodian for the plan, or executing orders for trades or securities transactions with respect to the plan's assets.
- Employer Stock Fund, Brokerage Window – Providing advice regarding the prudence of plan investments in any employer stock, or providing guidance to participants concerning investments through any brokerage account window under the plan.
- Proxies – Rendering advice on, or taking action with respect to, the voting of proxies solicited on behalf of securities held in trust by the plan, or the exercise of similar shareholder rights regarding such securities
- Discretionary Plan Administration – Interpreting the plan, determining eligibility under the plan, distributing plan assets to pay benefits or expenses, determining benefit claim, or making any other discretionary decisions with respect to the administration of the plan.
- Legal or Tax Advice – Reviewing or amending plan documents for compliance with changes in tax qualification requirements or providing legal or tax advice on matters relating to the plan, including advising on whether plan investments will result in unrelated business taxable income.
- Participant Advice – Furnishing any fiduciary "investment advice" within the meaning of ERISA to participants relating to any participant-directed investments under the plan. Any personal investment-related services provided by the Firm to individuals, including but not limited to individuals who are plan participants, will be unrelated to the services.
- Regulatory Notices, Reports – Distributing summary plan descriptions, elections, and any other notices required by law to participants, or filing any governmental reports for the plan or client.

## ITEM 5 – FEES AND COMPENSATION

The Firm and/or your Advisor are compensated in several ways. We want to ensure that you understand how we, as a Firm, and our Advisors are compensated, as well as the other costs associated with your account. Here are a few important facts about the fees and costs associated with your account:

#### *Assets Under Management (AUM)*

Your Advisor will earn compensation for managing these accounts by charging you an advisory fee. This fee is called an assets under management (AUM) fee. Essentially, this means that on a quarterly basis, we will charge you a fee that is calculated as a percentage of the market value of the assets held within your advisory account.

#### *Consolidated Billing*

If you have multiple accounts, you may be offered the option to have a consolidated management fee deducted from one primary account, instead of having management fees deducted from each account, provided this primary account is not a retirement account and that the accounts have the same fee schedules and Advisors. The primary account will have lower performance returns than it would otherwise have, and your other accounts will have higher returns than they would otherwise have.

### *Negotiable Fees*

While we have a maximum fee that can be charged to manage your account, you and your Advisor may negotiate a lower fee. Because our fees are negotiated between you and your Advisor, individual clients will pay different fees for receiving the same or similar advisory services.

### *You Pay Your Advisory Fees in Advance*

Unless specifically stated below, our AUM fees are assessed on a quarterly basis in advance. This means that you are charged for the following calendar quarter's advice and not for past advice. Fees are generally automatically deducted from your advisory account. You may also pay your advisory fees by check. If you terminate your account prior to the end of a quarter, we will refund any advisory fees owed to you on a prorated basis. The prorated fee is based on the number of days remaining in the quarter.

### *Advisory Programs May Be More Expensive*

The advisory fees you pay to us are for the investment advisory services that we provide to assist you with selecting the right mix of investments. Because most advisory programs purchase investments that have their own internal or management fees (such as mutual funds), the total cost of the program may be more than if you were to buy the securities individually.

You may purchase investment products that we recommend through other brokers or agents that are not affiliated with Cetera.

### *Additional Compensation*

These programs may invest in companies, such as our Strategic Partners, that also provide us with additional revenue. Regardless of this additional compensation, these products do not cost you more by purchasing them from us versus another firm. Our Strategic Partner program is described in more detail on page 19.

Accounts may invest in load and no-load mutual funds that may pay the Firm annual distribution charges, sometimes referred to as 12(b)-1 fees. The Firm will credit retirement accounts (i.e., ERISA and IRA accounts) and Managed Wealth ADVANTAGE® accounts for any 12(b)-1 fees received because of mutual fund investments by these accounts. When 12(b)-1 fees are paid to us, for investments made in Preferred and Prime non-retirement accounts, a portion is passed to your Advisor. The Firm will retain 12(b)-1 fees received for Premier non-retirement accounts. Because of the additional compensation that these payments represent, there is a financial incentive for your Advisor to recommend funds that pay 12(b)-1 fees over funds that have no fees or lower fees.

### *Fee Schedules May Change*

In general, we may change our standard fee schedules at any time by providing you with 30 days advance notice.

### *Quarterly Performance Reports*

As we mentioned in Item 4 of this brochure, you may be sent a quarterly report listing the performance of your account as well as any advisory fee that was deducted from your account for the quarter.

### *Tiered Fee Schedules*

In general, and unless specifically stated below, we charge fees on a tiered fee structure. This means that your advisory account can be charged multiple percentages depending on the amount of assets held within the account. For example, if you have a Prime account with \$750,000, and assuming you were being charged the maximum fee schedule, your annual fee would be calculated as follows:

- First \$250,000 would be charged at 2.75%
- From \$250,001 – \$500,000 would be charged at 2.50%
- From \$500,001 – \$750,000 would be charged at 2.00%

### *Additional Fees and/or Expenses*

Products such as certain mutual funds and variable annuities are required to be held by you for a period of time. If you sell a security prior to the required holding period, the issuer will assess a fee. These fees commonly referred to as contingent deferred sales charges (CDSCs) or surrender charges are described in detail within the product's prospectus. Please read the prospectus or statement of additional information carefully so that you fully understand any fees you may incur when selling a security.

In addition to your advisory fee, your accounts may include additional costs. These costs may include, but are not limited to, account maintenance fees, transaction costs, wire transfer fees, costs associated with exchanging currencies, and return check fees.



## Additions and Withdrawals

Client may make additions to or withdrawals from an account in any of the Firm's sponsored programs at any time, subject to the Firm's right to terminate the account if it falls below the minimum account value as determined by the Firm from time to time or as otherwise provided in the client's advisory agreement. Additions may be in cash or securities, provided that the Firm reserves the right to decline to accept particular securities into the account or to impose a waiting period before certain securities may be deposited. If cash or securities are accepted for management in the account during the quarter, a prorated asset-based fee based on the value of the assets may be charged upon deposit. Client may request periodic withdrawals; and alternatively, may withdraw account assets subject to the usual and customary securities settlement procedures. Client acknowledges that account is responsible for any charges, including contingent deferred sales charges, surrender charges, or redemption fees, that apply to redemptions or liquidations of securities held in the account. No asset-based fee adjustment will be made during any quarter for appreciation or depreciation in account asset value during that period, nor shall any adjustment or refund be made with respect to partial additions or withdrawals which, when aggregated, total less than \$10,000 per day.

## Advisory Fee Schedules

Prime Fee Schedule	
Account Size	Maximum Annual Fee
\$0 – \$250,000	2.75%
\$250,001 – \$500,000	2.50%
\$500,001 – \$1,000,000	2.00%
\$1,000,001 – \$2,500,000	1.75%
\$2,500,001 – \$5,000,000	1.50%
\$5,000,001 – Over	1.25%

In addition to the asset under management (AUM) fee, if you close a Prime account within the first year, you will pay a separate administration fee of \$200.

Preferred Fee Schedule	
Account Size	Maximum Annual Fee
\$0 – \$250,000	2.50%
\$250,001 – \$500,000	2.25%
\$500,001 – \$1,000,000	1.75%
\$1,000,001 – \$2,500,000	1.50%
\$2,500,001 – \$5,000,000	1.25%
\$5,000,001 – Over	1.00%

You will also be responsible for any transaction costs associated with purchasing securities in a Preferred account. With the exception of ERISA accounts, we mark up the transaction costs that our clearing firm charges us. This additional revenue represents a potential conflict of interest due to the fact that we have an incentive to establish a Preferred account. Please refer to your executed advisory services agreement for the transaction costs associated with your account.

In addition to the AUM fee, if you close a Preferred account within the first year, you will pay a separate administration fee of \$200.

Premier Fee Schedule	
Account Size	Maximum Annual Fee
\$0 – \$250,000	2.75%
\$250,001 – \$500,000	2.50%
\$500,001 – \$1,000,000	2.00%
\$1,000,001 – \$2,500,000	1.75%
\$2,500,001 – \$5,000,000	1.50%
\$5,000,001 – Over	1.25%

In addition to the AUM fee, if you close a Premier account within the first year, you will pay a separate administration fee of \$200.

MF/ETF Program	
Account Size	Maximum Annual Fee
\$0 – \$250,000	2.75%
\$250,001 – \$500,000	2.50%
\$500,001 – \$750,000	2.00%
\$750,001 – \$1,000,000	1.75%
\$1,000,001 – Over	1.50%

In addition to the AUM fee, if you close a MF/ETF account within the first year, you will pay a separate administration fee of \$200.

xMA Program	
Account Size	Maximum Annual Fee
\$0 – \$250,000	2.90%
\$250,001 – \$500,000	2.90%
\$500,001 – \$1,000,000	2.70%
\$1,000,001 – \$2,000,000	2.00%
\$2,000,001 – Over	1.50%

In addition to the AUM fee, if you close an xMA account within the first year, you will pay a separate administration fee of \$200.

Managed Wealth ADVANTAGE	
Account Size	Maximum Annual Fee
\$0 - \$250,000	2.75%
\$250,001 - \$500,000	2.50%
\$500,001 - \$750,000	2.00%
\$750,001 - \$1,000,000	1.75%
\$1,000,001 - \$2,000,000	1.50%
\$2,000,001 - Over	1.25%

In addition to the Annual Fee, if you close a MWA account within the first year, you will pay a separate administration fee of \$200.

## Financial Planning Fees

Because financial planning can range in complexity, we do not have a fee schedule for financial planning services. During your initial or subsequent meetings with your Advisor, you will discuss an appropriate fee for the services provided to you. Some of the factors used to determine the appropriate fee are the time needed to create a customized plan as well as the complexity of the plan. Your Advisor will charge you either a flat fee or an hourly fee for financial planning work done on your behalf. A flat fee is a specific dollar amount that you will pay for financial planning services. An hourly fee is a fee that is based on an hourly rate (as negotiated between you and your Advisor) multiplied by the number of hours that your Advisor needs to create your plan.

The fee may be collected by your Advisor either at the time that the financial planning contract is signed or when he or she delivers the final plan to you. In either case, all checks should be made payable to the Firm and not your Advisor. You pay your financial planning fee when you sign the financial planning agreement either 100 percent of the total fee up-front, or half of the fee at the time the financial planning agreement is signed, and then pay the remaining half of the total fee when your financial plan is provided to you by your Advisor.

We do not take prepayment of more than \$1,200 in fees, six months or more in advance.

## Consulting Service Fees

As with financial planning, we do not have a standard fee schedule for consulting services. During your initial or subsequent meetings with your Advisor, you will discuss an appropriate fee for the service. Some of the factors used to determine the appropriate fee are the time needed to review your situation as well as the complexity of your situation. Your fee may be either a flat amount or based on an hourly rate. A flat fee is a specific dollar amount that you will pay for consulting services. An hourly fee is a fee that is based on an hourly rate (as negotiated between you and your Advisor) multiplied by the number of hours that your Advisor needs to spend on your situation.

We do not take prepayment of more than \$1,200 in fees, six months or more in advance.

## Plan Participant Advice Program

IARs may charge either an hourly rate payable quarterly in arrears; annual flat dollar fee payable quarterly in arrears; or an annual asset-based fee payable quarterly in arrears.

You may elect an asset-based fee according to the following tiered schedule.

Plan Participant Advice Program Service Fees	
Plan Account Assets	Maximum Annual Fee
\$0 – \$250,000	2.25%
\$250,001 – \$500,000	2.00%
\$500,000 – over	1.50%

This means that your fees pay for advisory services that you received in the prior quarter. The method for remitting payment may include:

- Invoice
- ACH debit payment
- Journal from another account

The consulting fee may be paid for you by check, or in limited circumstances, by deducting the fee from your bank account by completing an ACH Request form. In either case, the fee should be made payable to the Firm and not your advisor.

## Plan Advice and Consulting Program

The maximum annual fee that may be charged is 1.5%. In meetings with your Advisor, an appropriate fee for the advisory and consulting services to be provided to the plan will be discussed. Some of the factors used to determine the appropriate fee are the nature of the services being provided, the time related to providing such services, and the complexity of the plan. Your fee may be either a one-time project fee; an hourly rate fee payable quarterly in arrears; an annual flat fee payable in equal quarterly payments; an annual asset-based fee, payable on a quarterly basis; or an annual, asset-based fee on a tiered fee schedule, payable on a quarterly basis. A flat fee is a specific dollar amount that you will pay for services. Tiered fees refer to fee schedules where, as the value of plan assets reaches a new threshold, the assets above that threshold are charged successively lower percentages.

Fees are paid for in arrears. This means that a plan's fees pay for services that the plan received in the Plan Advice and Consulting Program in the prior quarter. Fee may be paid directly from plan assets or by check from the client. If fees will be paid from plan assets, the plan authorizes the plan custodian to calculate the fee appropriate under the executed Agreement and debit the fee from plan assets and forward the fees to the Firm for payment to the Advisor. It is the plan's responsibility to verify the accuracy of fee calculations made by the plan custodian. The value of plan assets for fee calculation purposes will be as reported by the plan custodian. The option to pay by check is available when the plan selects to pay an annual flat fee, hourly rate or one-time project fee. Contracts executed for one time project fees will terminate within six (6) months and allow for fees to be charged 50% in advance with the balance due and payable upon completion of the project.

## Strategic Partners

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

Our Strategic Partners pay extra compensation to us and/or our affiliates in addition to the usual product compensation described in the prospectus. The additional amounts Strategic Partners pay us vary from one Strategic Partner to another and from year to year. Some Strategic Partners pay up to 45 basis points (0.45%), of your total purchase amount of a mutual fund or variable insurance product. So, for example, if you invest \$10,000 in a mutual fund, we could be paid up to \$45. Additionally, some Strategic Partners make a quarterly payment or additional quarterly payment based on the assets you hold in the fund or variable insurance product over a period of time of up to 15 basis points (0.15%) per year. For example, on a holding of \$10,000, we could receive up to \$15. Alternatively, we may receive compensation from the mutual fund or insurance company as: (1) a flat fee regardless of the amount of new sales or assets held in client accounts; or (2) the greater of such flat fee or amount based on assets and/or new sales as referenced above and any ticket charge payments referenced below. These payments are designed to compensate us for ongoing marketing and administration and education of its employees and representatives. You do not make these payments. They are paid by the mutual fund and insurance companies and/or their affiliates out of the assets or earnings of the funds or insurance companies or their affiliates.

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

"Basis point" is a common term used to describe compensation and other costs relating to securities. A basis point is one one-hundredth of a percentage point.

We also may receive revenue sharing payments from companies that are not Strategic Partners.

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

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

#### *Mutual Fund Ticket Charges*

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

#### *Pershing Relationship*

Pershing is the clearing firm for our brokerage business. Due to this business relationship, Pershing shares with us a portion of the commissions and fees you pay to Pershing. Also, Pershing may provide consulting and other assistance to us. We may also participate in other revenue Pershing is paid on the assets held in your account. The following is a brief description of some of the revenue items received from Pershing.

Pershing receives revenue from money market funds, and may share that revenue with us for money market funds made available to you for cash sweeps in your brokerage account. We may share some of the revenue received from Pershing with your registered representative.

Additionally, Pershing may also pay us a share of the service fees it receives from mutual fund companies that participate in Pershing's FUNDVEST® no-transaction-fee program. Under the FUNDVEST® program, many no-load mutual funds may be purchased subject to program requirements and other restrictions.

#### *Training and Education Compensation*

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

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

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

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

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

## Retirement Strategic Partners Program

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

Retirement Partners currently include:

- Lincoln Financial Group
- Nationwide
- Principal Financial Group

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

## 529 Plans

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

## Direct Participation Programs and Other Alternative Investments

We, through our representatives, offer our clients a wide variety of direct participation programs and alternative products including: non-listed real estate investment trusts; limited partnerships; 1031 exchange programs; business development companies; and oil and gas programs. In addition to commissions we receive from the sale of these products, we receive due diligence and/or marketing allowance payments from certain sponsors. While the additional compensation we receive as well as the arrangements we have varies with each sponsor, some product sponsors may pay a due diligence or marketing allowance fee of (i) up to 20 basis points (0.20%) annually on assets held at the sponsor, (ii) up to 150 basis points (1.50%) on the gross amount of each sale, depending on the product, or (iii) a flat fee from certain sponsors regardless of the amount of new sales or assets held in client accounts. These payments are designed to compensate us for ongoing marketing and administration as well as education of our employees and representatives regarding these types of products. You do not make these payments. They are paid by the product sponsor out of the assets or earnings of the product sponsor.

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

A potential conflict of interest exists in that we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product from one particular sponsor instead of another. Your representative also indirectly benefits from these sponsor payments when the money is used to support costs relating to product review, marketing or training. If you have any questions about any portion of this document, please feel free to discuss them with your registered representative or call 800.879.8100.

The following is the list of revenue sharing partners in alphabetical order.

### Mutual Fund Companies:

- |   |                                   |
|---|-----------------------------------|
| • Allianz Global Investors                | • Lord Abbett                     |
| • American Funds                          | • Mainstay Investments            |
| • BlackRock Investments                   | • Natixis                         |
| • BMO                                     | • Neuberger Berman                |
| • Columbia Management Investment Services | • Oppenheimer Funds               |
| • Deutsche Asset Management               | • Pacific Life                    |
| • Eaton Vance                             | • PIMCO                           |
| • Federated                               | • Pioneer Investments             |
| • Fidelity Investments                    | • Principal Financial Group       |
| • Franklin Templeton                      | • Prudential Mutual Fund Services |
| • Goldman Sachs Asset Management          | • Putnam Investments              |
| • Invesco                                 | • Transamerica Capital,           |
| • Ivy                                     | • Virtus Investment Partners      |
| • John Hancock                            | • Voya Investment Management      |
| • JPMorgan Investment Management          |                                   |

#### Annuity Carriers:

- AIG Annuities
- Allianz Life Financial Services
- AXA Distributors
- Forethought Life Insurance Company
- Hartford Life
- Jackson National Life
- Lincoln Financial Distributors
- MetLife
- Nationwide Financial
- Pacific Life Insurance Company
- Prudential Annuities Distributors
- Sammons Financial Group and Midland National Life Insurance Company
- Securian Financial Group
- Transamerica Capital
- Voya

#### *Compensation from Third-Party Money Managers*

We also receive compensation from certain third-party money managers (TPMM) that are not Strategic Partners. These TPMMs compensate us in the same manner as described above. Similar to our Strategic Partner program, our Advisors do not receive additional compensation for recommending a TPMM that provides us with this additional payment. Nevertheless, this additional compensation creates a possible conflict of interest because it creates an incentive for us to promote these TPMMs over other TPMMs. Your representative also indirectly benefits from these payments when the money is used to support costs relating to product review, marketing or training.

AssetMark  
Curian  
Loring  
SEI  
WBI Investments

You do not pay more to purchase these products through us than you would pay to purchase those products through firm, and your representative does not receive additional compensation for selling products from TPMMs that pay us such additional compensation. They are paid by the TPMM out of the assets or earnings of the TPMM. Your advisor does not receive additional compensation for recommending a TPMM's product.

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

The Firm's advisors may receive reimbursements from third-party money manager program sponsors for the costs of marketing expenses and costs incurred by the advisor. Such reimbursements will be paid to the advisor from the program sponsor's own resources and not from client funds or assets. Such arrangements will have no impact on the fees being charged to clients by the Firm, the advisor, or the program sponsor.

Vicus Capital, Inc. is a third-party money manager. Vicus Capital, Inc. management persons and IARs may be dually registered with Cetera Advisor Networks as registered representatives. Cetera Advisor Networks and Vicus Capital, Inc. are not affiliated.

There is a potential conflict of interest for IARs or Solicitors who are dually registered with Cetera Advisor Networks to recommend Vicus Capital, Inc. over other third-party money manager firms, because Cetera Advisor Networks may receive higher compensation for Vicus Capital, Inc. solicitor referrals.

Certain investments used in Vicus Capital, Inc. client accounts may be investment products offered by an affiliate of Cetera Advisor Networks and therefore increase the financial profit to Cetera Advisor Networks' affiliates and/or parent company.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not participate in any programs that charge performance-based fees.

## ITEM 7 – TYPES OF CLIENTS

The Firm generally provides advisory services to individuals, tax-qualified retirement plans, and other institutions.

Our advisory accounts all require a minimum opening deposit. Depending on the specific program, the opening deposit may vary between \$25,000 and \$250,000. The minimum account opening balance required for each program is described in more detail in Item 4 of this brochure.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Most of the advisory services we provide involve the purchase (or liquidation) of securities. All investing involves some level of risk. In many cases, the risk may include the potential to lose your entire principal value. All securities sold have disclosure documents that

discuss these risks. This disclosure document is commonly referred to as a prospectus, but may be called something else depending on the type of security you have purchased. In any case, it is extremely important that you read these documents in their entirety. If you have any additional questions regarding your investments, please speak with your Advisor immediately.

Our Advisors may use various methods to determine an appropriate investment strategy for your portfolio. During your initial and subsequent meetings with your Advisor, they will discuss the methods they used. The analysis performed may include the following:

#### *Technical Analysis*

This type of analysis utilizes statistics to determine trends in security prices. Technical analysis tends to focus on factors such as trading volume, demand, and security price fluctuations. This type of analysis is also commonly referred to as chart analysis due to the fact that this analysis tends to review various historical charts and graphs.

#### *Fundamental Analysis*

This type of analysis concentrates on earnings, a company's financial statements, and the quality of a company's management. These quantitative factors are then used to attempt to determine the financial strength of a company.

#### *Asset Allocation*

Asset allocation investment strategies attempt to optimize the risk and reward of your portfolio by investing among several asset classes.

#### *Timing Service*

While not a standard analysis method used by our Advisors, some Advisors may offer advisory services that attempt to time mutual funds and variable annuities. This essentially means they try to purchase or sell immediately preceding an increase or decrease in the securities price. This type of investing can substantially increase the amount of your brokerage transaction costs due to the frequency that transactions are occurring. Also, many mutual funds or variable annuities specifically prohibit excessive buying and selling within their fund in a short period of time. We monitor our accounts for excessive trading activity to ensure that you are aware of and comfortable with the level of trading as well as to ensure that the investments are appropriate for you.

#### *Concentrated Investment Strategies*

Certain investment strategies may be concentrated in a specific sector or industry. If you invest in a portfolio or strategy that is made up of a concentrated position, sector or industry, your portfolio will be more likely to sharply increase or decrease in value with changes in the markets. Concentrated strategies are more volatile because the risk associated with each company represents a large percentage of your overall portfolio value.

#### *Third-Party Money Manager Programs (TPMM)*

Clients should review Form ADV 2A of the investment advisers who provide TPMM programs for information on the investment strategies used.

#### *Alternative Investments*

Non-traded REITS, non-traded business development companies (BDCs), limited partnerships, and direct alternatives (Alternative Investments) are subject to various risks such as limitations on liquidity, pricing mechanisms, and specific risk factors associated with the particular product, which for products associated with real estate, would include, but not be limited to, and property devaluation based on adverse economic and real estate market conditions. Alternative Investments may not be suitable for all investors. A prospectus that discloses all risks, fees and expenses, and risk factors associated with a particular Alternative Investment may be obtained from your Advisor. Read the prospectus carefully before investing. This is not a solicitation or offering which can only be made in conjunction with a copy of the prospectus.

Investors considering an investment strategy utilizing Alternative Investments should understand that Alternative Investments are generally considered speculative in nature and may involve a high degree of risk, particularly if concentrating investments in one or few Alternative Investments or within a particular industry. The risks associated with Alternative Investments are potentially greater and substantially different than those associated with traditional equity or fixed income investments.

## **ITEM 9 – DISCIPLINARY INFORMATION**

On December 3, 2012, the Firm, without admitting or denying the findings, executed an Acceptance, Waiver and Consent in which FINRA found that, for over two and half years, the Firm failed to promptly advise FINRA of changes to the information regarding the Firm's branch offices by failing to promptly file amendments to its Form BR (or Uniform Branch Office Registration Form) filings. During the same period, FINRA found that the Firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to FINRA By-laws Article IV, Section 8, FINRA 2010, and NASD Rules 3010(A) and 3010(B) because the Firm did not have a

system in place to periodically review the Form BR filings to ensure that the Firm promptly and timely advised FINRA regarding changes to the information for each registered branch office. The Firm was censured, fined \$40,000, and required to review its written supervisory procedures with respect to Form BR and determine whether any changes are necessary. Also, the Firm was required to review not less than 25% of Forms BR on file with FINRA to determine their accuracy and report to FINRA of the results of its review.

On November 23, 2010, the Firm, without admitting or denying the findings, entered into a settlement with the State of Missouri, which alleged that in August and November of 2010, two representatives of the Firm contacted persons within the securities division and offered to sell them securities. The securities division also alleged that neither representative was registered or granted an exemption from registration to transact business as agents in Missouri. As a result of these solicitations, the securities division alleged that the Firm employed unregistered agents who transacted business in Missouri. The Firm's registration was censured. The Firm was also fined \$40,000 (of which \$20,000 was suspended in recognition of the Firm's cooperation in Missouri's investigation). Further, the Firm was ordered to pay \$40,000 (of which \$20,000 was suspended in recognition of the Firm's cooperation in Missouri's investigation) to the Missouri Secretary of State's Investor Education and Protection Fund. The Firm also paid \$2,260 as the cost of Missouri's investigation.

On September 21, 2007, the Firm, without admitting or denying the findings, executed an Acceptance, Waiver and Consent in which FINRA found that the Firm failed to report trace transactions in trace-eligible securities executed on a business day during trace system hours within 45 minutes following the time of execution and the Firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws, regulation and FINRA Rules 2110, 3010, and 6230(A) concerning reporting of transactions in trace-eligible securities. Additionally, the Firm was censured, fined \$10,000, and required to revise its written supervisory procedures with respect to reporting of transactions in trace-eligible securities within 30 business days of acceptance of this Acceptance, Waiver and Consent by the NAC.

On July 27, 2006, the Firm, without admitting or denying the NASD's findings, executed an Acceptance, Waiver and Consent in which the NASD found the Firm, along with three of its then affiliated firms, maintained a strategic partners program (the SP Program) where each firm received directed brokerage commissions from mutual funds to pay for participation in the program, which violated NASD Rules 2830(K)(1) and 2110. The NASD, in the Acceptance, Waiver and Consent, censured the Firm and required it pay a fine in the amount of \$3,415,000.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### *Corporate Structure*

Cetera Advisor Networks is part of Cetera Financial Group, Inc., a network of independent broker-dealers and investment advisers. We are registered as an investment adviser with the SEC. We are also a broker-dealer with the SEC, FINRA, and with all 50 states, the District of Columbia and Puerto Rico. We are also an investment adviser registered with the SEC. Some of our affiliated companies are also general insurance agencies.

On or about December 31, 2012, Financial Network Investment Corporation converted to a California limited liability company under the name Cetera Advisor Networks LLC. Immediately thereafter, it converted to a Delaware limited liability company under the same name of Cetera Advisor Networks LLC, and will continue under the name of Cetera Advisor Networks LLC. The reorganization did not result in a change of actual control or management of the investment adviser. Cetera Advisor Networks is wholly owned by Cetera Financial Group, Inc., which is wholly owned by Cetera Financial Holdings, Inc. Cetera Financial Holdings, Inc. is principally owned by RCS Capital Corporation (RCAP). For a more detailed description of RCS Capital, please visit [www.rcscapital.com](http://www.rcscapital.com).

On January 16, 2014, RCAP announced that it entered into an agreement to acquire Cetera Financial Group, Inc., the parent company of Cetera Advisor Networks. The transaction closed on April 29, 2014 and resulted in a change of ownership. Under the Investment Advisers Act, the change of ownership may have been considered an assignment of the firm's advisory agreements. As a result, clients were asked to consent to the assignment of their advisory agreement from the change of ownership. The transaction did not affect the services provided by your investment adviser representative.

We may use, suggest or recommend our own services or those of affiliated entities. We may manage advisory accounts on behalf of such affiliated entities, which may create potential conflicts of interest related to our determination to use, suggest or recommend the services of such entities. The particular services involved will depend on the types of services offered by the affiliate. The arrangements may involve sharing or joint compensation, or separate compensation, subject to the requirements of applicable law. Particular relationships may include, but are not limited to, those discussed below. Our affiliates will retain any compensation when providing investment services to, or in connection with investment activities of, advisory accounts. Compensation may take the form of commissions, markups, markdowns, service fees or other commission equivalents. Advisory accounts will not be entitled to any such compensation retained by our affiliates.

Your advisor may also be associated with us or a related broker-dealer as registered representatives. Your advisor may recommend the purchase of securities offered by us or a related broker-dealer. If you purchase these products through them, they will receive normal commissions which may be in addition to customary advisory fees. As such, your advisor may have an incentive to sell you commissionable products in addition to providing you with advisory services when such commissionable products may not be suitable. Alternatively, they may have an incentive to forego providing you with advisory services when appropriate, and instead recommend the purchase of commissionable investments, if they deem that the payout for recommending the purchase of these investments would be higher than providing management advice on these products for an advisory fee. Therefore, a conflict of interest may exist between their



interests and your interests. While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented. Please be aware that you are under no obligation to purchase products or services recommended by us, members of our firm, or a related entity in connection with providing you with any advisory services.

#### *Affiliated Products*

If assets in a firm-sponsored program are invested in shares of one or more mutual funds or variable contract products or similar pooled products (Affiliated Products) for which an affiliate of Firm serves as investment adviser or other service provider (Affiliated Service Provider), then the Affiliated Service Provider will generally receive a management fee from the Affiliated Product as set forth in the Affiliated Product's prospectus or other offering documents, and it or its affiliates may receive other compensation in connection with the operation and/or sale of the Affiliated Product, to the extent permitted by applicable law. Assets invested in Affiliated Products may be included in the advisory fee assessed by the Firm. If an Affiliated Product is used in a firm-sponsored program, and the assets invested in the Affiliated Product are subject to Title I of ERISA or is an IRA, Firm will waive the advisory fees for the assets invested in the Affiliated Product. A potential conflict of interest exists in that the Firm and its Affiliated Service Provider may be paid more compensation if you invest in an Affiliated Product instead of a non-Affiliated Product.

#### *Broker-Dealer Affiliation*

Most of our advisors are also registered with a related broker-dealer as registered representatives, which allows them to perform brokerage services for you by executing specific security transactions. Our Advisors may also be licensed insurance agents appointed with various insurance companies. In their capacity as registered representatives and/or licensed insurance agents, they may offer securities and insurance products and receive normal and customary commissions as a result of such transactions, which presents a conflict of interest because they have an interest in making commissions on sales that may be adverse to your interests.

Due to the fact that your Advisor has the ability to offer advisory and brokerage services, your Advisor may be conflicted as to the investment options they recommend. In a brokerage account, your Advisor is paid based on a transactional basis. In an advisory account, your Advisor is compensated based on an advisory fee that may be flat, fixed, or a percentage of the assets under management. Your investment needs should influence your decision whether to open an advisory or a brokerage account. An advisory account is likely more suitable if you are looking for a long-term investment strategy, quarterly performance reporting, and an ongoing relationship with your Advisor.

#### *Other Affiliations*

We have an agreement with Advisors Asset Management, Inc. whereby we receive a payment based on the number of fixed income trades placed through them. These payments may pose a conflict of interest for Cetera Advisor Networks to have fixed income trades placed with Advisors Asset Management, Inc. We mitigate this conflict of interest by allowing our Advisors to place fixed income trades through several vendors.

We may also enter into certain arrangements to offer brokerage and advisory services to the clients of independent unaffiliated financial institutions (credit unions, credit union service organizations, banks and savings banks). A portion of the client advisory fee will be paid by us to the financial institution pursuant to a fee sharing arrangement as long as the client agreement is in effect. The financial institution does not provide any advisory services to the client.

Our Advisors may operate their own independent companies outside of Cetera Advisor Networks. These unaffiliated companies may include other investment advisory firms, accounting/tax practices, insurance services and legal services, among others.

## ITEM 11 – CODE OF ETHICS

We are committed to providing brokerage services and/or investment advice with the utmost professionalism and integrity.

To help us avoid potential conflicts we have developed a Code of Ethics designed to protect our professional reputation and comply with federal or other applicable securities laws. This Code of Ethics sets forth guidelines and restrictions for personal securities trading, including an absolute prohibition of trading on the basis of "inside" (i.e., material, non-public) information. Adherence to our code of ethics is a condition of employment or affiliation with the Firm. Our Code of Ethics may be summarized as follows:

#### *Personal Investing by Your Advisor*

Your Advisor may purchase or sell the same security as you. This type of trading activity creates a conflict between your Advisor and you because your Advisor's transaction may receive a better price than your transaction. Our Code of Ethics places restrictions on your Advisor's personal trading activities. These restrictions include a prohibition on trading based on non-public information, pre-clearance requirements for certain personnel transactions with advance knowledge of model transactions and a requirement that any personal securities transactions do not disadvantage clients or otherwise raise fiduciary or antifraud issues.

Also, your Advisor may not purchase securities in an initial public offering or participate in a private placement without our written approval.

We receive information of the security transactions purchased and/or sold by your Advisor in their personal accounts. We also receive information listing all securities that they currently own in their personal securities accounts. Certain investments are not required to be reported to us by your Advisor, such as mutual funds holdings and securities issued by the Government of the United States.

You may request our Code of Ethics at any time by contacting your Advisor.

## ITEM 12 – BROKERAGE PRACTICES

### *Selection of Brokers*

Cetera Advisor Networks is also a broker-dealer and provides brokerage services for the advisory accounts in the firm-sponsored programs. During the account opening process, you authorize Cetera Advisor Networks to open a custodial account with Pershing, a subsidiary of The Bank of New York Mellon Corporation, One Pershing Plaza, 4th Flr., Jersey City, NJ 07399, and to transfer your account to such other clearing firm as Cetera Advisor Networks may determine, including a clearing broker affiliated with the Firm and Cetera Advisor Networks.

We have negotiated competitive pricing and services with Pershing for the benefit of our clients. Pershing offers their broker-dealer clients substantial financial strength and stability, economies of scale, and reliable, state-of-the-art technology.

We do not receive research or other products or services other than execution from Pershing in connection with client securities transactions (soft dollar benefits). We do not consider, in selecting or recommending broker-dealers, whether we or a related person receives client referrals from a broker-dealer or third party.

In addition, clients do not generally have the option to direct securities brokerage transactions to other broker-dealers or other account custodians. If, however, a client should request, and we approve, the use of a broker-dealer other than Pershing for securities transaction execution, the client should be aware that we will generally be unable to negotiate commissions or other fees and charges for the client's account, and we would not be able to combine the client's transactions with those of other clients purchasing or selling the same securities. As a result, we would be unable to ensure that the client receives "best execution" with respect to such directed trades. By directing brokerage to a broker, clients may be unable to achieve the most favorable execution of client transactions and may pay more in transaction charges than other broker-dealer firms. Therefore, directed brokerage may cost clients more money. For more information about the brokerage practices of a third-party money manager program, clients should refer to the disclosure brochure for the applicable third-party money manager program.

Most of our Advisors are also registered with our broker-dealer as registered representatives, which allows them to perform brokerage services for you by executing specific security transactions. Our Advisors may also be licensed insurance agents appointed with various insurance companies. In their capacity as registered representatives and/or licensed insurance agents, they may offer securities and insurance products and receive normal and customary commissions as a result of such transactions, which presents a conflict of interest because they have an interest in making commissions on sales that may be adverse to your interests.

We offer an Advisory Asset Achievement incentive program for our advisors, which rewards advisors a rebate of 3 – 10 basis points based on the amount of new assets they bring into our firm-sponsored advisory programs. This presents a conflict of interest because they have an interest in receiving a basis point rebate based upon sales that may be adverse to your interests.

Due to the fact that your Advisor has the ability to offer advisory and brokerage services, your Advisor may be conflicted as to the investment options they recommend. In a brokerage account, your Advisor is paid based on a transactional basis. In an advisory account, your Advisor is compensated based on an advisory fee that may be flat, fixed, or a percentage of the assets under management. Your investment needs should influence your decision whether to open an advisory or a brokerage account. An advisory account is likely more suitable if you are looking for a long-term investment strategy, quarterly performance reporting, and an ongoing relationship with your Advisor.

### *Agency Cross or Principal Trades*

The Firm generally prohibits agency cross and/or principal transactions. If an exception is provided to execute an agency cross and/or principal transaction, the Firm will receive consent from the client prior to executing the transaction and the agency cross and/or principal transactions will be consistent with SEC guidelines. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlling, controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Principal transactions arise when the Firm acts as a registered investment adviser and broker in a transaction between an advisory client and the Firm on the other side of the transaction. This includes buying securities from or selling any security to an advisory client from the Firm's own account. The firm reviews every agency cross and principal transaction for suitability. Some of the items that the Firm reviews include, but are not limited to, security pricing and trade volume in order to determine if an agency cross or principal trade is in the client's best interest.

## *Block Trading*

Block trading refers to the aggregation of multiple orders from different clients, for the same securities for submission as a single order for execution. When the purchase or sale of a particular security is appropriate for more than one client account, trades for advisory clients may be aggregated. This is done principally to ensure that clients are treated fairly and that one client is not advantaged at the expense of another client. Trades with advisory clients may be aggregated with those of other clients of your advisor, the personal trades of supervised persons and trades in proprietary accounts.

Aggregate orders may be filled through multiple executions at different prices during the course of a trading day. If your order is aggregated with other orders, you will receive an average price. Aggregate orders will not reduce your transaction costs.

When an aggregated order is not fully filled (i.e., when an aggregated order is only partially filled), the firm's trading system will allocate to each account participating in the order the pro-rata amount of shares to each account in accordance with the account's proportion of the overall order.

Block trading in an adviser-directed advisory account is only available if the account is being managed on a discretionary basis. For accounts where Folio is the overlay manager, Folio will generally block trades when a transaction is appropriate for several client accounts. For accounts managed by your financial advisor (IAR-managed accounts), your advisor may aggregate all, none or some of his or her client trades in the PAM, Prime and Premier programs based on, among other things, a client's investment guidelines and restrictions (including those on the use of discretion by the advisor), the type of securities and the size of the order.

It is the Firm's policy that the order allocation between participating clients may not be changed after the order has been executed.

The Firm's policies do not require your IAR to block trade client orders. When an Advisor chooses not to aggregate client orders for the same security a conflict of interest exists. In such instances, the Advisor must decide which client order to place first which may result in one client receiving a better execution price over another client and could lead to certain client accounts receiving more favorable order executions over time. The Firm does not monitor advisors choosing not to aggregate orders to determine whether any one client or group of clients is systematically disadvantaged over time.

Clients that are not included in block trading of other client accounts may receive a higher or lower price than clients that have been included in a block trading order. In order to ensure that no client or group of clients is favored over another, the firm monitors the block trading activity with respect to clients that are not included in block trades with other clients of an Advisor.

## *Trading Errors*

Occasionally, a trading error may occur where either we, or our Advisors, are at fault. If this occurs in your account, the error will be corrected and your account will be restored to where it would have been had the error never occurred. However, in the process of restoring your account, we may realize a profit or suffer a loss in connection with correcting this error. Neither losses nor gains will be passed on to you.

## *Best Execution*

We have an obligation to ensure our equity, option and fixed income orders are efficiently sent to the markets. We, along with contracted independent auditors, regularly review the quality of our order executions and, where appropriate, employ execution process changes to assure we maintain this obligation.

# ITEM 13 – REVIEW OF ACCOUNTS

We review your account in several ways. Our account reviews include:

**Annual Client Contact** – On at least an annual basis, your Advisor will contact you to arrange a review of your advisory accounts with you. In general, this review includes any firm-sponsored programs and certain third-party money manager programs.

**Supervision** – Your Advisor's designated supervisor periodically reviews client accounts of any Advisor who he or she supervises. If this review raises any issues associated with your account, they will investigate the issue to determine if any further action is needed or warranted.

**Home Office Oversight** – Cetera Advisors utilizes a series of surveillance, exception, trade, and other transaction reports that are designed to help facilitate the ongoing review of Cetera Advisors managed accounts.

**Quarterly Performance Reports** – We may send you a written quarterly performance report, which among other things, lists your account holdings and performance.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

We may have individuals who are not affiliated with us introduce prospective clients to us. The individuals (called Solicitors) are paid a fee that is based on the advisory fee that you pay. If you are introduced to us through a Solicitor, we will provide you with a separate written disclosure statement indicating that a referral fee is being paid to an individual who is unaffiliated with our Firm. Please refer to Item 5 of this brochure for additional information on our sources of revenue.

## ITEM 15 – CUSTODY

For certain types of client accounts we are considered to have custody of your funds, and in certain instances, your securities, even though Pershing, our clearing firm, maintains those assets as the qualified custodian. Pershing will send you account statements, which you should carefully review. In addition to the account statements Pershing sends you, we may send you a quarterly performance report, which among other things, lists your account holdings and performance. You should compare our report to the account statements you receive from Pershing. In the event of any discrepancy between our report and any statement you receive from Pershing regarding the same investment, you should rely on the statement from Pershing. The Firm relies on the custodian to price and value assets and provide cost basis information for tax reporting of client assets. You should contact the custodian for the cost basis accounting method applicable to your account. Initial cost basis is the value at deposit. The Firm's quarterly report information should not be relied upon for tax purposes.

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

For IRA and other retirement accounts, Cetera Investment Services LLC (Cetera Investment Services), an affiliate of the Firm and a non-bank custodian, serves as directed trustee and IRA custodian for the accounts. The IRA accounts remain physically custodied at Pershing and are included in Pershing's required net worth calculation under the Internal Revenue Code. Pursuant to an adoption agreement for Firm sponsored advisory programs between Cetera Investment Services, which operated as PrimeVest Financial Services, Inc. prior to December 1, 2012 and is an affiliate of Cetera Advisor Networkss, and you, Cetera Investment Services may charge IRA or other retirement accounts maintenance or termination fees that Cetera Investment Services or its agent, in turn, distributes to Cetera Advisor Networks. Other costs that may be assessed to you that are not part of the Program Fee include, but are not limited to, electronic fund and wire transfers and IRA custodial fees.

## ITEM 16 – INVESTMENT DISCRETION

As discussed in more detail in Item 4 of this brochure, in certain programs you may authorize your Advisor to have investment discretion over your account. An Advisor must receive written approval from us prior to offering investment discretion services to you. If we approve an Advisor to offer investment discretion to clients, they must also obtain written authorization from you prior to exercising such discretionary authority over your account. As discussed in more detail in Item 4, you may place reasonable restrictions on the management of your account, whether it is discretionary or non-discretionary, including restrictions on the type of securities that can be purchased in your account.

Our Advisors are prohibited from having the ability to withdraw funds and/or securities from your account without your express permission.

## ITEM 17 – VOTING CLIENT SECURITIES (I.E., PROXY VOTING)

For all the advisory services and programs offered through our Firm, neither we, nor our Advisors, have any authority to vote proxies on your behalf. You are solely responsible for receiving and voting proxies for the securities that you maintain within your account. You will receive proxies or other solicitations directly from the custodian and/or transfer agent.

For TPMM Accounts – Depending on the TPMM's proxy voting policies and procedures, the TPMM may require that you appoint them as your agent and attorney-in-fact with discretion to vote proxies on your behalf. Please carefully review the TPMM's disclosure brochure to understand their proxy voting policies and procedures.

## ITEM 18 – FINANCIAL INFORMATION

We do not take prepayment of more than \$1,200 in fees, six months or more in advance or have a financial condition that could impair our ability to meet our contractual obligations. Therefore, we are not required to provide our audited balance sheets.