

## ADV PART 2A AND APPENDIX 1

### ITEM 1 – COVER PAGE

#### **Cetera Advisor Networks LLC**

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December 6, 2013

This Brochure provides important information about Cetera Advisor Networks LLC (Firm, us, our, or we). You should use this Brochure to understand the relationship between 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).



## 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 will provide a summary of material changes the Firm has made to this brochure since the last annual update or the last material change.

On September 1, 2013, the firm finalized the transaction to acquire the assets of Tower Square Securities and Walnut Street Securities. As a result, on September 1, 2013, the firm launched Fund Select Premier as an exclusive offering to clients of Advisors who were formerly with Tower Square Securities or Walnut Street Securities. The firm also began supporting Advisor Select, a legacy program formerly offered by Tower Square Securities and Walnut Street Securities.

For Mutual Fund/Exchange Traded Funds Advisory Program, effective April 17, 2013, a related registered investment adviser, Cetera Investment Management LLC, may offer as a Model Provider and Strategist.

The Firm receives additional compensation from certain mutual fund sponsors under its Supporting Mutual Fund Program, which it launched in 2013. More information is provided within the Form ADV Part 2A.

### **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.

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## ITEM 4 – ADVISORY BUSINESS

### Who We Are

Cetera Advisor Networks LLC is a full-service, independent 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.

We manage over \$7 billion discretionary and \$6 billion non-discretionary assets. In a discretionary account, you authorize your Advisor to purchase or sell securities without discussing the specific transaction with you in advance. Your Advisor does not have the ability to withdraw cash from your account without your express authorization. A non-discretionary account requires your Advisor to obtain permission from you prior to executing each and every transaction on your behalf.

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. We are wholly owned by Cetera Financial Group, Inc. Please refer to Item 10 of this brochure for more information on our corporate structure.

### Getting to Know You Better

All advisory relationships begin with an initial client meeting. Typical 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.

Depending on your specific situation and the program that you select, your Advisor may have you complete a questionnaire or other fact-finding documentation. The answers that you provide will assist your Advisor in creating an Investment Policy Statement (IPS). Your Advisor uses your completed IPS, which includes information such as your goals, objectives, income, etc., to assist you and your Advisor in the management of your account. If your financial situation changes, including your goals and objectives, it is important that you let your Advisor know as soon as possible.

### Important Considerations Prior to Opening an Account

We believe that it is important to operate in good faith with our clients. We want you to have the necessary information about our Firm so that you can make an informed decision when deciding who to do business with.

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 will 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.

## **Firm-Sponsored Programs**

The Firm has developed several advisory services and programs to give you as much flexibility as possible. We specialize in the following advisory programs:

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

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

We sponsor two asset management programs: Preferred Asset Management (Preferred) and Prime Portfolio Services (Prime). In both of 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. For both Preferred and Prime programs, other brokerage account charges will be charged when applicable.

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. Additionally, the Firm monitors the trading activity that occurs within Preferred and Prime accounts. The areas that we review during our transaction review includes, but is not limited to, low trading activity, suitability of transactions and account holdings.

### *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. To help mitigate this conflict of interest, we monitor the sales

activities of our Advisors to ensure that products and services they offer to you are appropriate. 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 Loan Advance account is an account held through Pershing LLC where you may borrow money from Pershing LLC by pledging the securities in the account. Unlike a margin account, these borrowed funds cannot be utilized to purchase additional securities. If you decide to open a Loan Advance account, please carefully consider the following:

- You are borrowing money that you will be required to pay back.
- Loan Advance is only available for non-qualified accounts.
- You are using the securities that you own in the account as collateral.
- You are charged an interest rate that is subject to change.
- The firm or Pershing can force the sale of securities or other assets in any of your accounts held at the firm or Pershing at any time and without notice, to cover any deficiency in the value of the securities pledged for the loan. The firm or Pershing can decide which securities to sell without consulting with you.
- The firm has a conflict of interest when a Loan Advance account is recommended. This conflict occurs because the firm may receive a portion of the interest charged on your loan. We reduce this conflict by reviewing your accounts to determine whether or not the use of Loan Advance is appropriate and in line with your goals and objectives. The firm may request additional information such as, but not limited to a credit check in order to complete our suitability review of your account(s).

Please also carefully review the Loan Advance Lending Agreement, Loan Advance Disclosure Statement and Restricted Control Stock Disclosure and Interest Rate Acknowledgement, for additional risks involved in opening a Loan Advance account.

## 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 LLC 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, confirm 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. Additionally, the Firm monitors the trading activity that occurs within Preferred, Prime and Premier accounts. The areas that we review during our transaction review includes, but is not limited to, low trading activity, suitability of transactions and account holdings.

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. We mitigate the conflict of interests by monitoring account opening activity.

### *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 Premier account due to the fact that your Advisor pays for the transaction costs. To help mitigate this conflict of interest, we monitor the sales activities of our Advisors to ensure that products and services they offer to you are appropriate.

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 Loan Advance account is an account held through Pershing LLC where you may borrow money from Pershing LLC by pledging the securities in the account. Unlike a margin account, these borrowed funds cannot be utilized to purchase additional securities. If you decide to open a Loan Advance account, please carefully consider the following:

- You are borrowing money that you will be required to pay back.
- Loan Advance is only available for non-qualified accounts.
- You are using the securities that you own in the account as collateral.
- You are charged an interest rate that is subject to change.
- The firm or Pershing can force the sale of securities or other assets in any of your accounts held at the firm or Pershing at any time and without notice, to cover any deficiency in the value of the securities pledged for the loan. The firm or Pershing can decide which securities to sell without consulting with you.
- The firm has a conflict of interest when a Loan Advance account is recommended. This conflict occurs because the firm may receive a portion of the interest charged on your loan. We reduce this conflict by reviewing your accounts to determine whether or not the use of Loan Advance is appropriate and in line with your goals and objectives. The firm may request additional information such as, but not limited to a credit check in order to complete our suitability review of your account(s).

Please also carefully review the Loan Advance Lending Agreement, Loan Advance Disclosure Statement and Restricted Control Stock Disclosure and Interest Rate Acknowledgement, for additional risks involved in opening a Loan Advance account.

## **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, Cetera Investment Management LLC (Model Provider), an investment adviser affiliated with us, is responsible for making a set of tactical model portfolios of securities (Tactical Portfolios) and a set of passive model portfolios of securities (Passive Portfolios) (the Tactical Portfolios and the Passive Portfolios collectively referred to as the (Portfolios)) available to you through the Program. Model Provider may add or remove one or more Tactical Portfolios or Passive Portfolios from the Program from time to time. Once you have determined your preference for either Tactical Portfolios or Passive Portfolios for the Program, we will recommend a Portfolio that is consistent with your Asset Allocation Model, 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 investment adviser 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 investment adviser'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 and the IAR may change. Model Provider mitigates this risk by supervising the suitability of the Tactical Portfolios and Passive Portfolios made available under the Program and we mitigate this risk by supervising the suitability of the selected Portfolios against the client's goals and objectives.

Clients that wish Cetera Investment Management LLC (CIM) to act as Model Provider and/or Strategist for their accounts must execute a new advisory agreement if they signed agreements that did not include CIM'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.

Clients that wish Cetera Investment Management LLC (CIM) to act as Model Provider and/or Strategist for their accounts must execute a new advisory agreement if they signed agreements that did not include CIM's services.

#### *Investment Management Philosophy*

Our Mutual Fund / Exchange Traded Funds Advisory Program provides you with the opportunity to participate in an asset allocation program using either 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 execute transactions on a discretionary basis. We, in turn, are utilizing FDX Advisors, Inc. (Folio), an independent investment adviser, to execute the transactions on your behalf. FDX Advisors (Folio) will use discretionary authority to execute securities transactions that are recommended by the models developed by CIM, Sage, Wilshire and UBS.

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

#### *Minimum Account Opening Balance*

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 confirmation from Pershing LLC 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 will 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. 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 within. Your Advisor will have discretion as it relates to the xMA manager being utilized.

#### *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. The securities that comprise the model will be sent to us for trade execution. We utilize Pershing LLC for clearing and trade execution services.

#### *Fixed Income Models*

Your Advisor may recommend models designed by FDX Advisors, Inc. (Folio) to invest in fixed income securities. If a Folio model is selected, Folio will utilize Pershing LLC. for trade clearing and execution services.

### *Minimum Account Opening Balance*

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 execute as part of your model portfolio. Pershing LLC 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 LLC on a quarterly basis. If you wish to receive a confirmation for any individual transaction, please contact your Advisor.

### **Fund Select Premier**

The Fund Select Premier is an asset allocation program that invests in mutual funds and exchange traded funds (ETFs). The Firm is a co-Advisor and co-sponsor of Fund Select Premier with Lockwood Advisors, Inc. ("Lockwood"). Fund Select Premier is a program exclusively offered by Advisors formerly affiliated with Tower Square Securities and Walnut Street Securities' registered investment advisory firms.

Lockwood has assembled and maintains various asset class and investment style allocation mixes ("Portfolios") representing different expected risk tolerances and investment objectives. Each Model Portfolio is comprised of a unique asset class mix; some consist of multiple investment styles. Fund Select Premier limits investments to pre-selected and pre-screened mutual funds and ETFs.

### *Investment Questionnaire and Proposal Process*

Your relationship generally begins with you completing an Investment Questionnaire. The purpose of the Questionnaire is to assist your Advisor in understanding your investment objectives, risk tolerance, investment time horizon and other pertinent information.

Gathered information will be entered into Lockwood's proposal software in order to generate a proposal. The proposal will include a Portfolio recommendation and suggest mutual funds and/or ETFs selected by your Advisor that correspond to the Portfolio's asset classes and investment style. Your Advisor may also recommend adjustments to Lockwood's standard investment style allocation. However, the final investment decisions rests with you.

### *Trading Authorization*

Your Advisor may recommend you modify your targeted allocation and investment choices. Your Advisor's recommendations are non-discretionary and must be approved by you before they can be implemented.

You authorize Lockwood, in its sole discretion, to execute remove an investment from your account if it fails to continue to meet Lockwood's screening criteria and replace it with another investment. You also authorize Lockwood, in its sole discretion, to change the investment style and allocations in your account when Lockwood deems it advisable due to financial and economic events and makes similar changes to the Portfolio linked to your account. Finally, you authorize Lockwood to periodically review your account and to automatically rebalance your account back toward the target allocation when the account's current weighting causes the investment style to vary by a certain percentage threshold and when rebalancing trades exceed a certain dollar threshold.

Trades executed by Lockwood based on its discretionary authority may result in taxable events to which capital gains or other taxes apply. You will be notified of such changes via confirmations and/or account statements from the Custodian.

### *Minimum Account Opening Balance*

In general, the Fund Select Premier Program requires a minimum deposit of \$50,000. 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.

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

By sending us a written request, you may impose reasonable restrictions on the management of your account. Investment restrictions will be observed by Lockwood. Lockwood may refuse to accept or manage your account if such restrictions are determined unreasonable. In the event that Lockwood is unable to accept your restriction, you will have the opportunity to modify or withdraw the restriction.

### *Trade Confirmations*

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

### *Quarterly Performance Reports*

On a calendar quarter basis, you will receive a Performance Report that indicates how your account has performed over time. Lockwood calculates the investment performance and provides the economic commentary included with the Performance Report. 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.

### **Advisor Select**

On September 1, 2013, Cetera Advisor Networks LLC finalized the transaction to acquire the assets of Tower Square Securities and Walnut Street Securities. Advisor Select, a legacy program of Tower Square Securities and Walnut Street Securities will be supported for 12 months from the date of the transaction. Clients with assets maintained in Advisor Select are able to stay in their current programs until the end of the support period or move into one of our core programs at any time. Your financial advisor will contact you to discuss our programs and services and assist you in determining which program will meet your goals and objectives. Advisor Select is not available to new clients.

Advisor Select is an asset management program. With Advisor Select, your Advisor creates a mix of investments that are appropriate for your investment goals.

### *Minimum Account Opening Balance*

The firm is not accepting new clients into the program. The minimum initial contribution to open an account is \$25,000.

### *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. Advisor Select has two different options for clients to fees and charges: AdvisoryOne and AdvisoryPlus. With AdvisoryOne, your fee for Advisor Select also covers any transaction costs associated with your account. With AdvisoryPlus, 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. For both Advisor Select AdvisoryOne and AdvisoryPlus programs, other brokerage account charges will be charged when applicable.

### *Trading Authorization*

An Advisor Select 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:

- No-Load Mutual Funds available through Pershing LLC
- Load Mutual Funds available through Pershing LLC (Load-Waived)
- Exchange (NYSE, AMEX) Listed Stocks
- Exchange Traded Funds (ETFs)
- American Depositary Receipts (ADRs)
- NASDAQ Listed Securities
- U.S. Government Bonds
- Mortgage-backed Bonds
- Corporate Bonds
- Municipal Bonds
- Unit Investment Trusts
- Exchange Traded REITs/Limited Partnerships
- Closed End Funds (Secondary Market)
- Certificates of Deposit (Secondary Market with no sales credit)

## ***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.

## **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. Your Advisor will assist you with finding the right TPMM for you. TPMM services typically include portfolio analysis, asset allocation modeling and analysis, trading execution, performance monitoring and reporting and other services. In most cases, the TPMM you choose will have discretion to execute transactions on your behalf.

TPMMs can be characterized as either a sub-advised program or solicitor program. In a sub-advised TPMM program, we are a co-fiduciary with the TPMM. What this means is that we, along with the TPMM, 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.

In a solicitor TPMM program, your Advisor will introduce you to a TPMM that will handle all aspects of managing your account. In a solicitor TPMM program, we are simply recommending you to the TPMM. Our recommendation is based on your investment objectives, goals and financial situation. We do not serve as an investment Advisor who manages your assets in the particular program. Therefore, we do not provide investment advice on solicitor TPMMs. All fees paid to us and your Advisor are in the form of a solicitor fee (or cash referral fee). The TPMM will be responsible for assessing the suitability of their products against your risk profile.

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 disclosure document will describe their method of analysis, investment strategies, fee deduction method, fee schedules, refund policies, minimum account sizes, custody of your assets, termination procedures, and proxy voting policies.
- 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 families 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 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.

In addition to general consulting services, you may also receive education and advice on your retirement accounts that fall under the Employee Retirement Income Security Act (ERISA) and that are held with other firms. An example of this type of account is an employer sponsored 401(k) plan. In this scenario, your Advisor will act as a 3(21) Fiduciary. This means that your Advisor is required to be prudent and act in your best interest when making recommendations and providing advice.

## *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 will receive an invoice from your Advisor. The invoice will describe the services that were provided to you and the cost of the service or advice. Fees will be invoiced in arrears.

## **ERISA Fee-Based Plan Sponsor Program**

Retirement plans subject to the Employee Retirement Income Security Act of 1974 may retain an Advisor of the Firm to provide advisory and consulting services to your retirement plan. For more information, please refer to the ERISA Fee-Based Plan Sponsor Program Agreement. 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.

Advisory services may consist of:

- Reviewing or Assisting Establishing Investment Policies and Objectives
- Preparation of Investment Policy Statement
- Investment Recommendations
- Investment Manager Recommendations
- Investment Monitoring
- Selection of Qualified Default Investment Alternative

Your Advisor can assist in coordinating the implementation of any advisory recommendations, including referral to other professionals. However, the decision to implement any recommendation rests exclusively with the Plan and its fiduciaries, and there is no obligation to implement any such recommendations through the Firm or Advisor.

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 Plan's direction and not as a fiduciary of the Plan.

Excluded services not offered as part of the ERISA Fee Based Plan Sponsor Program:

- 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 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 otherwise would 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.

### *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) 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. To help mitigate this conflict of interest, we monitor the sales activity of our Advisors to ensure that products and services they offer to you are appropriate for your specific situation. The firm may have an incentive to promote the Premier program over other advisory programs based on the 12(b)-1 fee retention. We mitigate this potential conflict of interest by reviewing the suitability of each new account as well as all transactions placed within Preferred, Prime and Premier.

#### *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 will 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. To help mitigate this conflict, we monitor our advisory accounts. 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 a xMA account within the first year, you will pay a separate administration fee of \$200.

Fund Select Premier	
Account Size	Maximum Annual Fee
\$0 – \$250,000	2.00%
\$250,001 – \$500,000	2.00%
\$500,001 – \$1,000,000	2.00%
\$100,000,001 – Over	2.00%

Advisor Select AdvisoryPlus	
Account Size	Maximum Annual Fee
\$0 – \$249,999	2.00%
\$250,000 – \$499,999	2.00%
\$500,000 – \$999,999	2.00%
\$100,000,000 – Over	2.00%

Advisor Select AdvisoryOne	
Account Size	Maximum Annual Fee
\$0 – \$249,999	2.25%
\$250,000 – \$499,999	2.25%
\$500,000 – \$999,999	2.25%
\$100,000,000 – Over	2.25%

### 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.

### 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.

Additionally, for ERISA Consulting, you may elect an asset-based fee.

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

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.

## **ERISA Fee-Based Plan Sponsor Program**

We do not have a standard fee schedule for the ERISA Fee-Based Plan Sponsor Program. However, 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 an annual flat fee payable in equal quarterly payments; or an annual asset-based fee equal to a percentage of assets, payable on a quarterly basis; or an annual, blended asset-based fee based on a tiered fee schedule, payable on a quarterly basis. A flat fee is a specific dollar amount that you will pay for consulting 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 ERISA Fee-Based Plan Sponsor Program in the prior quarter. Fee may be paid from Plan assets or by check. If fees will be paid from Plan assets, the Plan authorizes the Plan Custodian to calculate the fee appropriate under the executed Advisory 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.

### **Strategic Partners**

Although we make a large number of products available to you, we concentrate our marketing and training efforts on investments offered by a number of companies (Strategic Partners). Strategic Partners are selected, in part, based on whether they offer competitive products, their technology, their customer service and their training capabilities. Strategic Partners may attend or sponsor education and training meetings for our Advisors. Strategic Partners have more opportunities than other companies to market and educate our representatives on investments and the products they offer. Our Strategic Partners are categorized into two tiers: Elite and Participating. Elite Strategic Partners have more opportunities than Participating Strategic Partners to market and to educate our representatives about their products. For a current list of our Strategic Partners, broken down by Elite and Participating, please go to our public website at [www.ceteraadvisornetworks.com](http://www.ceteraadvisornetworks.com). We may, from time to time, update our list of Strategic Partners.

#### *What Strategic Partners Pay to the Firm*

It is important to know that although Strategic Partners pay extra compensation to the Firm and our affiliated firms, you do not pay more to purchase Strategic Partner products through us than you would pay to purchase those products through another firm and your Advisor does not receive additional compensation for selling a Strategic Partner product. Nevertheless, this additional compensation to the Firm does create an incentive for us to promote Strategic Partner products over other products.

The additional amounts Strategic Partners pay us will vary from one Strategic Partner to another. In general, Strategic Partners compensate us in the following ways:

1. As a fixed dollar amount;
2. As a percentage of product sales (up to a maximum of 30 basis points – which would be \$30 on a \$10,000 investment);
3. As a percentage of our customer assets invested in the products (up to a maximum of one-tenth of one percent - which would be \$10 on a \$10,000 investment); or
4. As some combination of these.

#### *Benefits to Your Advisor*

Your Advisor does not receive additional compensation for selling a Strategic Partner product, they may receive additional benefits from our Strategic Partner program. 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 up to \$30, which would normally be paid by your registered representative. Generally, the mutual fund families that participate in the Strategic Partner program subsidize some of these ticket charges. The type of transaction and dollar amount required 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 of: an Elite Strategic Partner in an amount of \$2,500 or more; and a Participating Strategic Partner in the amount of \$15,000 or more (or \$5,000 in the case of American Funds' purchases). 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.

Additionally, your Advisor indirectly benefits when Strategic Partner payments are used to support costs relating to product review, marketing or training.

## List of Strategic Partners

### Mutual Funds

Our mutual fund Strategic Partners are categorized into two tiers:

- Mutual Fund Elite: Ticket charges are waived for purchases of \$2,500 or more
- Mutual Fund Participating: Ticket charges are waived for purchases of \$15,000 or more

Elite Strategic Partners generally pay us a higher level of compensation, based on the criteria above, than Participating Partners.

The following table lists our Strategic Partners in both tiers.

Mutual Fund Elite	Mutual Fund Participating
Eaton Vance Distributors, Inc.	American Funds Distributors, Inc.*
Fidelity Investments	BlackRock Investments, LLC
Franklin Templeton Distributors, Inc.	Columbia Management Investment Distributors, Inc.
ING Investment Management	DWS Investments Distributors, Inc.
Invesco	Goldman Sachs Asset Management L.P.
OppenheimerFunds Distributor, Inc.	Hartford affiliated entities offering life insurance and funds, including: <ul style="list-style-type: none"> <li>• Hartford Investment Financial Services Company, LLC</li> <li>• Hartford Life Insurance Company</li> </ul>
Pacific Life affiliated entities offering life insurance, annuities and funds, including: <ul style="list-style-type: none"> <li>• Pacific Life &amp; Annuity Company</li> <li>• Pacific Life Insurance Company</li> <li>• Pacific Select Distributors, Inc.</li> </ul>	John Hancock affiliated entities, including: <ul style="list-style-type: none"> <li>• John Hancock Life Insurance Company (USA)</li> <li>• John Hancock Life Insurance Company (NY)</li> <li>• John Hancock Distributors, LLC</li> <li>• John Hancock Funds, LLC</li> </ul>
Pioneer Fund Distributors, Inc.	JP Morgan Investment Management, Inc. & Security Capital Research and Management, Inc.
Prudential Financial Companies: <ul style="list-style-type: none"> <li>• Prudential Annuities Distributors, Inc.</li> <li>• Prudential Mutual Fund Services, LLC</li> </ul>	Lord, Abbett & Co. LLC
Putnam Investments	Natixis Global Asset Management
	PIMCO
	Principal Funds

\*For American Funds, ticket charges are waived for purchases of \$5,000 or more.

## Variable Annuities

Our variable annuity Strategic Partners are categorized into two tiers:

Variable Annuity Elite	Variable Annuity Participating
Allianz Global Investors Distributors, LLC • Allianz Life Financial Services	AXA Distributors, LLC
Jackson National Life Distributors, LLC	Hartford affiliated entities offering life insurance and funds, including: • Hartford Investment Financial Services Company, LLC • Hartford Life Insurance Company
Pacific Life affiliated entities offering life insurance, annuities and funds, including: • Pacific Life & Annuity Company • Pacific Life Insurance Company • Pacific Select Distributors, Inc.	Lincoln Financial Distributors
Prudential Financial Companies • Prudential Annuities Distributors, Inc. • Prudential Mutual Fund Services, LLC	MetLife, Inc.
SunAmerica Retirement Markets, Inc. • SunAmerica Annuity and Life Assurance Company • First SunAmerica Life Insurance Company (NY Entity)	Nationwide Financial
	Sammons Financial Group, including: • Midland National Life Insurance Company • Sammons Securities Company, LLC
	Transamerica Capital, Inc.

Note that only a certain number of variable annuities are available for purchase through an advisory account. For a list of variable annuities available for purchase through an advisory account, consult your Advisor.

## Supporting Mutual Fund Program

Certain sponsors of mutual funds (Supporting MF Sponsors) have entered into agreements with the Firm whereby the Firm provides those sponsors with enhanced marketing opportunities:

- ICON
- Mirae
- T. Rowe Price
- Altegris
- Sammons

The Firm enters into relationships with Supporting MF Sponsors based, in part, on the competitiveness of their products as well as their customer service and training capabilities. Supporting MF Sponsors are then afforded more opportunities than other companies (although less opportunities than Strategic Partner) to market our representatives on the investments and products they offer. For a current list of our Supporting MF Sponsors, please go to the firm's affiliated broker-dealer's public website at [www.ceteraadvisornetworks.com](http://www.ceteraadvisornetworks.com).

Supporting MF Sponsors, in addition to the usual product compensation described in their product's prospectus, pay the Firm and/or its affiliates a flat fee. These payments are designed to compensate Cetera Advisor Networks for ongoing marketing and administration of its employees and representatives. You do not make these payments. They are paid by the mutual fund and/or their affiliates out of the assets or earnings of the funds or their affiliates. It is important to note that you do not pay more to purchase the products offered by a Supporting MF Sponsor through the Firm than you would pay to purchase those products through another broker-dealer, and your representative does not receive additional compensation for selling a Supporting MF Sponsor product. A potential conflict of interest exists in that the Firm is paid more 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 Supporting MF Sponsor payments when the money is used to support costs relating to product review or marketing.

## Other Compensation and Reimbursements

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.

These TPMMs are categorized into two tiers:

- Leading Partners
- Supporting Partners

Leading partners generally pay us a higher level of compensation than supporting partners.

The following table lists our TPMM partners in both tiers.

Leading Partners

AssetMark  
Curian  
Loring Ward  
WBI Investments

Supporting Partners

*Training and Education Compensation*

The Firm and our Advisors may receive additional compensation from mutual fund, insurance companies and TPMMs that are not related to the amount of assets held in accounts. This money is paid to offset up to 100 percent of the cost of training and education of our Advisors and employees. In some instances, mutual fund and insurance companies may pay a flat fee in order to participate in our training and educational meetings. These meetings or events provide our Advisors with comprehensive information on products, sales materials, customer support services, industry trends and sales techniques.

Some of the training and educational meetings may include seminars that you are invited to attend. If you attend a training or educational meeting with your Advisor 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.

## 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 – \$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.

### *Alternative Investments*

Non-traded REITS, business development companies (BDCs), limited partnerships, and direct alternatives are subject to various risks such as illiquidity and property devaluation based on adverse economic and real estate market conditions and may not be suitable for all investors. A prospectus that discloses all risks, fees and expenses 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. These risks 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 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)(I) 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.

On November 30, 2004, the Firm, without admitting or denying the NASD's findings, executed an Acceptance, Waiver and Consent in which the NASD found that the Firm in violation of NASD Conduct Rules 2110, 3070, and 3010: (i) failed to timely file, as required by the

NASD's By-Laws, certain amendments Forms U4 and U5 as well as certain Rule 3070 Reports (the Reporting Obligations); and (ii) that its supervisory system and procedures were not reasonably designed to achieve compliance with its Reporting Obligations. Additionally, the Firm was censured, required to pay a fine of \$185,000 (on December 3, 2004) and, within certain time periods, required to undertake audits and complete officer certifications with respect to its Reporting Obligations as well as officer certifications with respect to its system and procedures for complying with its Reporting Obligations.

## 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. We are registered as 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.

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 Lightyear Fund II, L.P., a private equity investment fund advised by Lightyear Capital LLC.

Lightyear Capital is a New York-based private equity firm, formed in 2000, that specializes in investing in financial service companies. For a more detailed description of Lightyear Capital, please visit [www.lycap.com](http://www.lycap.com).

### *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.

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.

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.

## 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. 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. To help mitigate this potential conflict, we routinely review our Advisor's personal trading activity. Our Code of Ethics also places restrictions on your Advisor's personal trading activities. This prohibition includes a prohibition on trading based on non-public information. We also prohibit your Advisor from purchasing or selling securities in his/her own account prior to placing your order to purchase or sell a security for your account.

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

### *Personal Holdings and Transaction Reporting*

The firm receives quarterly reports of the security transactions purchased and/or sold in your Advisor's personal accounts during the prior quarter. On an annual basis, your Advisor submits a report to us with all securities that he or she currently owns. 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. A list of securities and investments that are not required to be reported is located within our complete Code of Ethics.

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

## ITEM 12 – BROKERAGE PRACTICES

### *Selection of Brokers*

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.

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.

To mitigate this conflict of interest, we routinely review our client accounts to ensure that the services and products being recommended are consistent with your stated goals and objectives.

We offer a Net New Assets incentive program for our Advisors, which rewards Advisors a percentage of our administrative fees 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 percentage of administrative fees based upon sales that may be adverse to your interests. To mitigate this conflict of interest, we routinely review our advisory accounts to ensure that the advisory services and products being recommended are consistent with your stated goals and objectives.

### *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 a 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 bunched or blocked to attempt to achieve the best execution for large orders for an individual account or to obtain a uniform execution price for identical securities across several accounts. Trades with advisory clients may be aggregated with those of other clients, the personal trades of supervised persons and trades in proprietary accounts.

All block trades placed will be processed through an average price account to ensure fair and equitable execution prices, and Advisors cannot modify order allocations after the trade executes. This means that all execution prices for the security bought or sold in the same block will be averaged. Block trading does not reduce your transaction costs. Block trading is only available if your account is being managed on a discretionary basis and the account is held with Pershing LLC. 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 choose to block trade all, none or some of their client trades based upon a number of factors, including, but not limited to, discussions with their clients and discretionary trades versus non-discretionary trades. Clients that are not included in block trading 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 trading activity that occurs within client accounts.

### *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 orders are being sent to the markets in an efficient manner. We review reports that help us analyze the quality of the executions of the orders that we send to the market.

## ITEM 13 – REVIEW OF ACCOUNTS

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

**Annual Client Contacts** – 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. The purpose of this review is to determine what, if any, adjustments need to be made to your portfolio.

**Supervision** – Your Advisor's designated supervisor reviews the advisory services provided to 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** – We also conduct periodic reviews of your account at the home office and, if appropriate, we will contact the designated supervisor to determine if further action is needed or warranted.

## 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 LLC, 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 will 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

Pursuant to an adoption agreement for firm-sponsored advisory programs between Cetera Investment Services LLC (Cetera Investment Services), which operated as PrimeVest Financial Services, Inc. prior to December 1, 2012, an affiliate of Cetera Advisor Networks, 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 covered by the advisory fees you pay 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.

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.