



## **FORM ADV PART 2A FIRM BROCHURE**

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This brochure provides information about the qualifications and business practices of First Allied Advisory Services, Inc. If you have any questions about the contents of this brochure, please contact us at 800-223-0989. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

First Allied Advisory Services, Inc. is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

This brochure details important disclosure information about certain programs that we offer. We do offer other programs that are not discussed in this brochure.

Additional information about First Allied Advisory Services, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2- Summary of Material Changes

The following items explain material changes that you should be aware of as a current or prospective client of First Allied Advisory Services, Inc. advisory programs or services. Each year you will receive either a summary of material changes that were made to our Form ADV disclosure brochures over the previous year or an updated brochure. You can always request a full copy of any of our current disclosure brochures by calling 800-223-0989.

The material changes that have been made to our Form ADV disclosure brochures since our annual amendment in March 2016 are summarized below:

- ***Ownership Change –RCS Capital Corporation***

On May 23, 2016, the parent company of First Allied Holdings, Inc., RCS Capital Corporation (“RCS”), had a change in ownership and a name change. As a result of this change, RCS is no longer a publicly held corporation. Instead, RCS is a privately held corporation owned by a group of companies. The RCS name has changed to Aretec Group, Inc.



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## Item 4- Advisory Business

### *Background*

First Allied Advisory Services, Inc. ("FAAS"), a Delaware corporation, is an investment adviser registered with the Securities and Exchange Commission ("SEC"). Being registered does not mean that FAAS is endorsed by any regulatory authority; it simply means that FAAS is required to follow the rules established by the SEC. Representatives of FAAS' investment adviser are required to be registered for advisory business only in the state of their principal place of business. For advisory business in Texas, the investment adviser representative would also be required to be properly registered in that state prior to the solicitation of any advisory business in that state. Throughout the remainder of this text, "we," "us," and "our" refers to FAAS.

Most representatives of FAAS are also registered as independent contractor registered representatives with First Allied Securities, Inc. ("First Allied"), an affiliated registered broker-dealer, registered municipal advisor with the SEC, and member FINRA/SIPC, which allows them to offer brokerage products and services to clients. Compensation for brokerage products and services is a commission based on each transaction executed. Representatives of First Allied are registered to conduct brokerage business in each state where clients reside. Some representatives of FAAS are also registered with affiliated broker-dealers or registered investment advisers, or unaffiliated registered investment advisers. Please see the representative's Form ADV Part 2B for specific information about the companies each individual is registered with.

FAAS was founded in 2007 and is owned by First Allied Holdings, Inc. ("Holdings"). On September 25, 2013, a majority interest in Holdings, was purchased by RCS Capital Holdings, LLC, a member of the American Realty Capital group of companies, from several private equity funds controlled by Lovell Minnick Partners, LLC. On May 23, 2016, RCS Capital Corporation ("RCS"), had a change in ownership and a name change. As a result of this change, RCS is no longer a publicly held corporation. Instead, RCS is a privately held corporation owned by a group of companies. The RCS name has changed to Aretec Group, Inc. Holdings is also the parent company of First Allied Securities, Inc., FASI Insurance Services, Inc., First Allied Retirement Services, Inc., and other affiliated entities that offer financial products and services (see Item 10- Other Financial Industry Activities and Affiliations).

FAAS is not a custodian of any accounts. Accounts are custodied at Pershing, LLC ("Pershing"), Fidelity Investments ("Fidelity") or other approved custodians. The use of other custodians is limited, and may be allowed on a case by case basis with the approval of our management team and may only be approved for certain representatives. The majority of FAAS' advisory accounts are introduced to custodians through First Allied.

### *Our Corporate Structure*

FAAS has approximately 593 producing investment adviser representatives ("IARs") as of December 31, 2016. Our producing IARs are independent contractors and business owners. Each IAR is responsible for maintaining his own client relationships. The IARs contract with us to utilize our advisory programs in an effort to help their clients meet financial goals and needs. We provide services to you through these advisory programs.

You pay us fees for our programs and services. We pay a portion of these fees to your IAR. The IAR's share of the fee may vary from one advisory program to another. This presents a conflict of interest for our IARs because they may have an incentive to recommend advisory programs that may be more profitable to them. Additional information about this conflict of interest is included on page 10. The fees we retain may also be different between IARs, depending on their agreement with us.

Our back office operations are split between San Diego, CA, El Segundo, CA, Des Moines, IA, and St. Cloud, MN. Our IARs have branch offices across the United States. Each of our IARs is supervised by another individual registered with our firm. The supervisor is called a designated registered principal ("DRP") or designated supervisory principal ("DSP"). DRPs are registered individuals that have contracted to work with us, and are often producing IARs and representatives themselves. DSPs are our employees and are generally located in our San Diego office.

### *Our Principal Officers*

Adam Antoniadis is the Chief Executive Officer of FAS Holdings, Inc. He formerly served as First Allied's Chief Executive Officer from 2011 to 2014, as President from 2009 to 2011, and as President, Chief Executive Officer, and Corporate Secretary from 1994 until 2004. Mr. Antoniadis served as President of Advanced Equities Financial Corp from 2004 to 2009. Prior to his employment at First Allied, Mr. Antoniadis was employed by Bishop Saxony Corporation as Corporate Secretary and with Berkeley Safe Deposit as Head Currency Trader.

Kevin M. Keefe is the President and Chief Executive Officer of First Allied. Prior to joining First Allied, Mr. Keefe served as Executive Vice President and head of Wealth Management for AIG Advisor Group, where he also served as the Chief Executive Officer of their corporate registered investment adviser. Mr. Keefe also spent five years at LPL Financial where he was responsible for a variety of advisor-facing areas of the firm including wealth management, financial planning, sponsor relations, and investment research. Mr. Keefe earned the Chartered Financial Analyst (CFA®) designation in 1997.

Luanne Graham has been the RIA Chief Compliance Officer of First Allied Securities since February 2007. Since July 2010, Ms. Graham has also been the Chief Compliance Officer of First Allied Advisory Services. She serves as Chief Compliance Officer for Cetera Investment Management LLC (formerly Tower Square Investment Management LLC) since December 2015. Ms. Graham



previously served as RIA Chief Compliance Officer for Girard Securities, a broker-dealer and registered investment adviser, and Chief Compliance Officer of First Allied Asset Management, a registered investment adviser, Asset Planning Solutions, a broker-dealer, and Ken Stern & Associates, a registered investment adviser.

#### *Devotion of Resources*

Most FAAS IARs are independent contractor registered representatives with First Allied. If your IAR is a registered representative, he may divide his time between broker-dealer activities and advisory activities and have responsibilities to both FAAS advisory clients and First Allied brokerage clients. Depending on your IAR's individual business mix and client base, he may spend more or less time devoted to broker-dealer activities than other IARs. In addition to broker-dealer activities and responsibilities, your IAR may also be engaged in one or more outside business activities. These outside activities may or may not be related to the financial industry. Your IAR will provide you with a copy of his Form ADV Part 2B brochure supplement, which describes his business background and material outside business activities.

#### *Our Advisory Activities*

Through our IARs, we offer a variety of investment advisory programs and services for a fee. The following list includes some of our more common offerings:

- Assistance in selecting a portfolio manager
- Ongoing evaluation and review of portfolio managers
- Evaluation and review of portfolio composition
- Management of accounts
- Financial planning
- Consultation on client assets
- Active portfolio management

Portfolio management includes designing and implementing a portfolio through buying and selling stocks, bonds, mutual funds, options, managed futures, insurance products, private placements, and other securities. Our representatives, including your IAR, may personally buy and sell the same securities that you buy and sell. This conflict of interest is discussed fully in Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Our IARs are permitted to offer you advisory programs that are managed by the IAR, other FAAS IARs, or by unrelated third-party managers. IARs may rely on research or model portfolios provided by an affiliated third-party manager, Cetera Investment Management LLC ("CIM").

We consider your investment goals and needs when recommending any advisory program or service. Your IAR will collect information from you regarding your risk tolerance, investment objective(s), and investment time horizon and other factors that will assist us in determining your investment objective for each account. You may have multiple accounts with us, with differing investment objectives, particularly if you intend to use certain accounts for specific purposes (such as transferring assets to a young child, many years in the future). If you would like multiple accounts to be managed under one investment objective, please ask your IAR to discuss the advisory programs we offer on the Guided Portfolio Solutions platform, which are described in other brochures.

Our intention is to provide you with programs and services that will help you to meet your goals and needs. We will gather personal information when helping you choose a program or service. This information may include:

- Your investing experience
- How soon you need the money
- Your retirement goals
- Your current financial situation and future needs
- Your annual income
- Your ability to lose money
- Your ability to withstand market fluctuation
- Your personal instructions on how to invest

**Please contact your IAR if this information changes so that your IAR can review your existing accounts to see if any changes need to be made.** We encourage you to meet with your IAR annually to review your portfolio(s). You may impose reasonable investment restrictions in any of our advisory programs by written notification to and acceptance of both us and the third-party manager (if applicable).

We offer both wrap and non-wrap programs. A wrap program is one in which you pay a single "wrapped" fee for both investment advisory and brokerage execution services. This wrap fee is not based on the number of transactions made in your account. It is based on the size of the account(s) we manage for you. If you invest in a non-wrap program, you may be subject to charges for each transaction in addition to the advisory fee. Because wrap programs do not have fees or charges associated with each transaction, wrap fees may be greater for similar services than non-wrap fees. Clients paying wrap fees may pay a higher percentage of the account value on an ongoing basis for similar services as non-wrap clients. Non-wrap clients may pay a higher or lower overall fee for the same services, depending on the number of trades in their account during a billing period. Clients may request fee information on similar programs from their IAR.

Our IARs may also host or offer education seminars to clients and prospective clients. In certain cases, these seminars may be "sponsored" by unaffiliated or affiliated companies who reimburse our IARs for the cost of these events. For more information about these reimbursements, please reference Item 14- Client Referrals and Other Compensation. Clients and prospective clients are not charged fees for attending educational seminars hosted by our IARs.



### *Information on All Advisory Programs*

Regardless of which advisory program or service you choose, your IAR will work with you to collect suitability information that will aid in the creation of recommendations. This suitability information is maintained on internal systems and documents. Your IAR is required to submit the completed suitability information to his supervisor for review and approval. It is your responsibility to notify your IAR if your financial circumstances change so that your IAR may work with you to determine if a change in your investment(s) may benefit you. Regardless of the program chosen, your IAR is responsible for ongoing review of your account(s), regular communication with you, and determining that the portfolio selected is appropriate for you based on your investment objective(s). Our IARs provide investment advice only with respect to limited types of investments.

Custody of all accounts will be at Pershing, Fidelity or another approved custodian. The custodian will provide you with confirmations of all transactions and monthly or quarterly account statements. You may have the option of directing the custodian to not send you trade confirmations. This suppression will not impact the delivery of account statements.

Certain of the non-wrap programs that we offer are described below. Other non-wrap programs and wrap fee programs that we offer are described in separate brochures that your IAR can provide to you upon your request. Some non-wrap programs that we offer are similar to the wrap programs that we offer. Your IAR will work with you to decide which program will best serve your needs.

### **My Advice Architect Program**

FAAS is a co-adviser to the My Advice Architect Program (Program) and is responsible for supervising the activities of the investment adviser representatives who use the Program for clients. For a more detailed description of the Program and the role of FAAS and its investment adviser representatives, please see our affiliate's and Cetera Advisory Services' Form ADV Part 2A.

### **Prime Asset Management ("PAM") Program**

The PAM program allows your IAR to manage your assets with limited or full trading authorization. This trading authorization may be limited to investment company securities (limited trading authorization) or extend to any security traded on a national or regional exchange (full trading authorization). IARs who wish to have full trading authorization in your account must receive your written permission on the management agreement.

Since PAM program accounts are managed by our IARs, we require that an investor profile be completed prior to the opening of any PAM program account. In addition to the responsibilities listed above, when you invest in the PAM program, your IAR will be responsible for selecting the investments in the account as necessary.

The minimum account size for the PAM program is \$25,000. Under certain circumstances, this minimum can be waived by us. You should know that we offer a wrap version of the PAM program as well. Your IAR should consider which version of the PAM program would suit you better.

### **Planning/Consulting Program**

Our Planning/Consulting program allows your IAR to offer you financial planning and/or investment consulting services for a flat or hourly fee. For certain consulting services, your IAR may receive an asset-based fee, or a percentage of a given account value, instead of a flat or hourly fee. The amount and type of fee you will pay as well as the type of services to be provided in the Planning/Consulting program will be detailed on the investment advisory agreement you sign.

Financial plans are generated by planning software created by third-party vendors. Certain vendors are contracted through us. Your IAR is compensated at the same rate regardless of which planning software is used. Depending on which planning software is utilized, your IAR may be responsible for manual collection of various financial data from you in order to input the information into the software. Other planning software allows you to set up a download of your account information. Your IAR is only permitted to consider the purchase or sale of securities that are approved by us, with the exception of recommendations on allocations related to your employer-sponsored retirement plan. As a result, your financial plan may not be comprehensive. You may choose to retain your IAR to provide updates to the financial plan. In this case, you and your IAR would enter into a new advisory agreement.

Consulting services include providing recommendations to you for your employer-sponsored retirement plan, written allocation recommendations, estate distribution, and initial consultation services. These consulting services are typically offered outside of the scope of the management of specific accounts. All consulting services offered in the Planning/Consulting program must be related to the financial industry.

### **Plan Advice and Consulting Services**

Retirement plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) may retain an investment adviser representative of the Firm to provide advisory and consulting services to your retirement plan. In providing these services, First Allied Advisory Services may act as a fiduciary, as defined under Section 3(21)(A)(ii) of ERISA, and as a fiduciary will adhere to the provisions outlined by ERISA to provide the highest standard of care to qualified retirement plans.

Fiduciary services available under the program include:





- Reviewing and assisting in the establishment of investment policies and objectives on behalf of the plan and its related trust, which may reasonably include restrictions on the plan's investments
- Preparation of an investment policy statement that is consistent with the requirements of ERISA
- Investment recommendations on designated investment alternatives to be offered by plan participants consistent with the plan's investment policy statement or other relevant guidelines and ERISA, and replacement investments, as needed
- Investment manager recommendations and replacement managers, as needed
- Fiduciary investment adviser recommendations
- Investment monitoring
- Recommendation of an investment fund product or model portfolio meeting the definition of a Qualified Default Investment Alternative, as defined in DOL Regulation §2550.404c-5(e)(3)

The firm cannot guarantee that a plan's investments will achieve the objectives in an investment policy statement.

Non-fiduciary consulting services may consist of:

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

In performing consulting services, your investment adviser representative and FAAS are acting solely as an agent and at the plan's direction and not as a fiduciary of the plan in performing non-fiduciary consulting services.

Services not offered as part of the Plan Advice and Consulting Program include:

- Custody and trade execution – Taking custody or possession of any plan assets, ensuring that contributions by the plan or from participants are deposited timely 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 funds and brokerage windows – 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 FAAS to individuals, including but not limited to individuals who are plan participants, will be unrelated to the services.

Regulatory Notices and 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.

#### **Advisor Choice Management ("ACM") Program**

The ACM program is used on a very limited basis. The ACM program allows approved IARs to utilize third-party managers to select the investments in client accounts. If your IAR is approved to use the ACM program, it will be disclosed in the Part 2B disclosure document that your IAR will give you upon offering you advisory programs or services.

In the ACM program, we are responsible for trade execution. These accounts are custodied at either Pershing or another approved custodian. We create performance reports on behalf of the third-party manager. These performance reports contain statistical reviews and analyses of the accounts. The IAR is responsible for managing the client relationship in the ACM program. This includes collecting and maintaining suitability information, analyzing the client's investment objective(s), and choosing the appropriate model or strategy for the third-party manager.

Currently, the only approved third-party manager is Coe Capital Management. The minimum account size for the ACM Program is \$25,000. However, this minimum can be waived by acceptance from both us and the third-party manager.



### *Managed Assets*

Every year we calculate the amount of assets that we manage. As of December 31, 2016, we managed:

- \$4,538,019,181 in discretionary assets
- \$4,939,694 in non-discretionary assets

Discretionary assets are the assets with which we have the authority to determine whether to buy or sell securities. This authority is called a trading authorization and is described in more detail in Item 16- Investment Discretion. Non-discretionary assets are assets in accounts that we provide recommendations on, as to the purchase or sale of specific securities. We do not place orders to buy or sell non-discretionary assets without first receiving the client's authorization.

## Item 5- Fees and Compensation

### *Overview*

The fees and other charges that you pay for advisory programs or services that we offer will depend on several different factors. The fees for advisory programs are generally based on the "Assets Under Management." This means that the account is charged a fee based on the account balance as of a certain date. The Planning/Consulting program allows for the charging of flat or hourly fees, or the percentage of assets under management (dollar value of assets in the account). These fees are negotiable between you and the IAR offering the service.

Most of our programs that require an account charge an advisory fee, paid quarterly, based on the account's balance on the last day of each calendar quarter (March 31, June 30, September 30, and December 31). If the last day of the calendar quarter falls on a day that the New York Stock Exchange is closed, we use the account balance on the last business day of the calendar quarter to calculate the advisory fee. This fee is generally charged in advance (or pre-paid) for the management to be provided over the next calendar quarter. We will only charge you an advisory fee for the portion of a quarter that the account is under management. For new accounts, we will bill the account when it is opened for the remaining days in the quarter. For accounts that are terminating management during a quarter, we will automatically credit you back for remaining pre-paid fees for the portion of the quarter remaining after management has terminated.

Advisory fees are generally deducted from the account. The account statements you receive from the custodian will reflect the deduction of these fees. Fees are deducted from the client account in the month following quarter end. For some programs, fees may be paid to us by check, as outlined in the advisory agreement. In this case, we will send an invoice to you for the fees owed. Some clients may choose to pay their fees via credit card.

In the PAM and ACM programs, a deposit of \$5,000 or more on a single day or withdrawal of \$5,000 or more on a single day will cause a re-calculation of the fee owed or refund due and an adjustment of the normal fee charged at the end of the calendar quarter.

Some assets in your managed account may not be included in the calculation of your advisory fee. For example, assets that you recently paid a commission on may be exempt from this advisory fee. With approval from our management, we allow you to "hold" the asset in your advisory account, but this asset would not be charged an advisory fee. If your account is billed based on assets under management, the advisory fee is generally split between a program (or platform) fee and a management fee.

### *Program Fees*

The program fee varies depending on which program or service you select. The program fee is an annual percentage of assets under management, billed quarterly. The program fee is paid either to FAAS entirely, or is split between us and a third-party manager. A portion of the program fee is also paid to service providers that we hire to help us administer the advisory program selected, including First Allied. This program fee is not negotiable. However, the program fee may be different based upon your IAR's relationship with us. For example, we may allow your IAR to have a lower program fee because his clients' combined accounts exceed a certain amount of assets under management. If your IAR has a lower program fee, this will not change the total advisory fee you pay, but it may present a conflict of interest (we address this conflict of interest and others in this item). Program fees are subject to change without notice, but these changes do not affect the fee that you pay to us.

### *Management Fee*

The management fee is paid to the IAR servicing the account. You and your IAR will negotiate this fee for each program account and it may not be the same for each account. It may also be different than the fees your IAR has negotiated with other clients, or the fees other IARs have negotiated with other clients for similar services. We retain a portion of the management fee as compensation for various services that we provide to your IAR and to you.

Once negotiated with you, your IAR's management fee is fixed. However, your IAR's costs associated with managing your account may vary depending on the investment choices that he decides are appropriate for your account. This creates a conflict of interest because your IAR has an incentive to manage the account in a manner that will maximize his compensation rather than manage the account without regard to compensation payable to him. This difference in your IAR's compensation will not affect the advisory fee that you pay to us. We help mitigate this conflict of interest by requiring that your IAR adheres to his fiduciary obligation of managing accounts solely based on the best interests of clients and by establishing a maximum advisory fee for each advisory program.





### *Total Advisory Fee*

You and your IAR will agree on your total advisory fee for each account prior to establishing the account. The total advisory fee is the sum of the program fee and the management fee. At any time, you and your IAR may agree to amend the original fee and submit a new advisory agreement with a different fee schedule. There are maximum allowable advisory fees for each program and we will not allow you to be charged more than this amount. The maximum allowable advisory fee will differ between programs, but is consistent for all IARs and all clients in each program. This maximum advisory fee is noted on the investment advisory agreement and in this section.

### *Fee Schedules*

Each advisory program that requires an investment account has its own fee schedule. The fee schedule will outline the program fee and the management fee. Generally, the management fee is negotiable with your IAR. The program fee is paid to us and is non-negotiable. The amount of your advisory fee, as a percentage, may remain the same regardless of the size of your account, or the percentage may decrease as your account balance increases. Your advisory fee will not increase, as a percentage, as your account balance increases.

### *Ticket Charges*

You may pay us ticket charges for transactions in programs described in this brochure. A portion of the ticket charge is paid to the custodian of your account.

### **Prime Asset Management (“PAM”) Program**

PAM program accounts are charged an advisory fee, which includes the program fee and the management fee. PAM program accounts are also charged transaction fees to cover brokerage execution services. These transaction fees are outlined below and on the Service Fee Schedule provided to you with your new account paperwork. The transaction fees can be paid by you or by your IAR. The transaction fee is charged to defray the costs associated with trade execution.

Although the transaction fee may be listed as a commission on the trade confirmation, it represents a reimbursement of transaction costs and not a commission. Your IAR will not receive any portion of transaction fees. Your IAR will provide you with this fee schedule before you open your account. Your IAR may charge lower transaction fees than stated on the service schedule. When this happens, your IAR will pay the difference, if applicable. Your IAR may have a different service schedule than other IARs, but you are not disadvantaged if your IAR has a different service schedule than our standard service schedule.

| <b>Prime Asset Management (PAM) Transaction Fees</b> |                                   |
|--|-----------------------------------|
| Listed Equities (<10,000 shares)                     | \$24.00 + \$0.02/share per trade  |
| Listed Equities (>=10,000 shares)                    | \$24.00 + \$0.015/share per trade |
| OTC Equities   | \$24.00 per trade                 |
| Options  | \$24.00 + \$1.65 per contract     |
| Corporate Bonds - Listed                             | \$35.00 + \$1.00 per bond         |
| Corporate Bonds - Other                              | \$35.00 per trade                 |
| No-load Funds, Load Funds at NAV                     | \$24.00 per trade                 |

The following table details the advisory fee schedule for the PAM program. The management fee may be discounted upon agreement with your IAR. Your IAR may have an agreement with us whereby the program fee is less than the amounts listed below.

| Account Size            | Program Fee (annually) | Management Fee (annually) | Total Advisory Fee (annually) |
|-------------------------|------------------------|---------------------------|-------------------------------|
| Up to \$250,000         | 0.18%                  | 1.82%                     | 2.00%                         |
| \$250,000 - \$750,000   | 0.13%                  | 1.62%                     | 1.75%                         |
| \$750,000 - \$2,000,000 | 0.09%                  | 1.16%                     | 1.25%                         |
| Over \$2,000,000        | 0.05%                  | Negotiable                | Negotiable                    |

### **Planning/Consulting Program**

Fees charged by your IAR may be more or less than fees charged by another IAR. Fees are generally based on the complexity of the planning and/or consulting services provided, the qualifications of your IAR, and the area of the country where your IAR is located. Flat fees generally range from \$200 to \$10,000. Hourly fees generally range from \$100 to \$500 per hour. There are situations where a higher or lower fee is charged. All planning and consulting fees are shared between us and your IAR. Fees for planning and/or consulting are negotiable between you and your IAR.

Up to \$1,200 of this fee can be paid in advance of planning and/or consultation services being delivered to you. You will not be permitted to pay in excess of \$1,200 more than six months before the services are provided. For certain services provided, we may allow your IAR to charge an asset-based, or percentage, fee. This may be allowed for consultation services provided to you in relation to an account that your IAR cannot manage. Fees of this nature require our approval.

Commissions resulting from the sale of products recommended during this engagement are in addition to the fee paid for the planning and/or consulting services. We and your IAR may have a conflict of interest with respect to which securities are recommended during



the consultation. We and your IAR may receive securities and/or insurance commissions or other compensation as a result of the implementation of the advice. You are under no obligation to implement the advice with your IAR or with anyone else. If you choose to implement the recommendations with anyone, including your IAR, you will likely incur additional costs to implement.

Advice given to you in the Planning/Consulting program may differ from advice that your IAR gives other clients in this program or clients of our other programs. Your IAR may provide you with advice that may differ from what another IAR would give you, or that another IAR may present to another client in a similar situation. You may receive the same advice elsewhere for lower fees. Neither your IAR nor we are responsible for the implementation of consulting advice unless you retain your IAR to implement the advice.

### **Plan Advice and Consulting Services**

We do not have a standard fee schedule for the Plan Advice and Consulting Program. However, the maximum annual fee that may be charged for asset-based fees is 1.5%. In meetings with your Advisor, an appropriate fee for the advisory and/or consulting services to be provided to the Plan will be discussed. Some of the factors used to determine the appropriate fee are the nature of the services being provided, the time related to providing such services, and the complexity of the Plan. Your fee may be either a one-time project fee; an hourly rate fee payable quarterly in arrears; an annual flat fee payable in equal quarterly payments; an annual asset-based fee payable on a quarterly basis; or an annual asset-based tiered schedule fee payable on a quarterly basis. A flat fee is a specific dollar amount that you will pay for services. Tiered fees refer to fee schedules where, as the value of Plan assets reaches a new threshold, the assets above that threshold are charged successively lower percentages.

Fees are paid for in arrears. This means that a Plan's fees pay for services that the Plan received in the Plan Advice and Consulting Program in the prior quarter. Fees may be paid directly from Plan assets or by the client remitting a check from company assets. If fees will be paid from Plan assets, the Plan authorizes the Plan Custodian to calculate the fee appropriate under the executed Agreement and debit the fee from Plan assets and forward the fees to the Firm for payment to the Advisor. It is the Plan's responsibility to verify the accuracy of fee calculations maybe by the Plan Custodian. The value of Plan assets for fee calculations purposes will be reported by the Plan Custodian. The option to pay by check is available with the Plan selects to pay an annual flat fee, hourly rate or one-time project fee.

### **Advisor Choice Management ("ACM") Program**

For managing the account, the third-party manager is compensated 0.30% to 0.52% annually. The total advisory fee for ACM ranges from 1.70% annually to 2.00% annually, depending on the type of model or strategy chosen and account size. Fees are negotiable. Depending on the securities purchased and sold in the account, it may be less expensive to obtain the third-party manager's management services through an avenue other than the ACM program.

| Account Size           | Program Fee (annually) | Management fee (annually) | Total Advisory Fee (annually) |
|------------------------|------------------------|---------------------------|-------------------------------|
| First \$250,000        | 0.36% -0.62%           | 1.38% -1.64%              | 2.00%                         |
| \$250,000 to \$750,000 | 0.36% - 0.62%          | 1.23% - 1.49%             | 1.85%                         |
| Over \$750,000         | 0.36% - 0.62%          | 1.08% - 1.34%             | 1.70%                         |

### **Other Fees**

In addition to the fee schedules listed above, there are additional trade related and account maintenance related fees that may apply to your account. The trade related fees are detailed below. For more information relating to account maintenance fees, please refer to the Service Fee Schedule provided to you with your new account paperwork.

| Trade Related Fees  |                                 |
|---|---------------------------------|
| <b>Service Charge</b>   | \$7.50 per trade                |
| <b>Paper Surcharge Fee</b> - Trade Confirmations (Not applicable for eDelivery of trade confirmations)  | \$0.75 per printed confirmation |
| <b>Mutual Fund Systematic Purchases, Redemptions &amp; Exchanges</b>  | \$1.50 per transaction          |
| <b>Mutual Fund Exchanges</b>  | \$1.50 per round trip           |
| <b>Mutual Fund Surcharge</b><br>*Be advised that certain mutual fund families will charge a "mutual fund surcharge" of \$10 and/or \$18 for the operational processing of funds not in network. Please check with your advisors for a list of fund families that will incur this fee. Fund families subject to this charge may change without notice. | Up to \$28.00                   |

## Mutual Fund Transaction Fee

*\*Applies to liquidations, no-load purchases and intra family exchanges. Some funds may also charge sales or redemption fees - read prospectus for full details. Oftentimes, you can transact directly with the fund company or its principal distributor without paying First Allied's mutual fund transaction fee.*

*\*Ticket charge will be waived for the purchase of mutual fund transactions meeting the Strategic Partners Mutual Fund Ticket Rebate Program's eligibility requirements. Please contact your advisor for information regarding the Strategic Partners Program.*

\$30.00

All Accounts may invest in mutual funds that make a distribution payment referred to as a 12b-1 fee. The clearing/custodial firm has been instructed to credit any 12b-1 fees received to the client's Account. As a result, neither First Allied nor the Advisor shall receive 12b-1 fees from mutual funds purchased in the Accounts.

We and/or our custodians have agreements in place with certain mutual fund companies to allow for transactions in certain funds to be executed without transaction fees. In some cases, the transaction must meet certain dollar thresholds to qualify for a waiver of the transaction fee. Some mutual fund companies have not entered into these agreements, and as a result, clients may pay a fee for transactions in these fund families. Unless otherwise stated, transactions are effected net of, meaning without, commission. Either you or your IAR may designate certain holdings as **not** eligible to be included in the calculation of the advisory fee. Typically, this occurs when your IAR has recently received a commission on the holding.

In addition, your account will be subject to other fees charged by the custodian of your account. Electronic funds and wire transfer fees, transfer taxes, account maintenance fees, margin fees, transaction charges, exchange fees, and odd lot differentials are examples of fees that may be charged by the custodian. These fees are charged by the custodian and are not included in the advisory fee that you pay to us for management of your account. In some cases, certain of these custodian fees may be paid by your IAR, on an account by account basis. Your IAR is not required to pay these fees on your behalf and your IAR may elect to not pay for any or all fees for each of his clients' accounts. First Allied may receive a portion of these fees in its capacity as introducing broker-dealer. An account service schedule detailing all these fees will be provided to you upon account opening.

Based on the activity in your account, you may pay more or less for a managed account than if you had a brokerage account or an account directly with a mutual fund company or annuity company. Your IAR should be able to discuss with you the benefits of opening a managed account versus a brokerage or mutual fund account. If you purchase a variable insurance product through your IAR, he will most likely receive a commission. The commission is earned as compensation for selling the variable insurance product in your IAR's capacity as a registered representative of First Allied.

First Allied has enrolled in Pershing's Fundvest® program, which gives our IARs the ability to purchase more than 4,600 mutual funds on either a no-load basis or a load-waived at net asset value basis. This program is maintained by our clearing/custodial firm, Pershing. Pershing, at their sole discretion, may add or remove mutual funds from the FundVest Program without prior notice. In the FundVest Program, transaction costs are waived on purchases that would normally carry a transaction charge, which may provide your Advisor with an incentive to recommend a FundVest Mutual Fund. This incentive is increased if you have a PAM Account due to the fact that your Advisor may pay the transaction cost.

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, whether or not they participate in the FundVest Program. These fees are in addition to any Pershing short-term redemption fee. This fee is only applicable for certain Pershing accounts. Your IAR may have the option of paying all or some of these short-term redemption fees on your behalf, as outlined above.

Fixed income transactions may include a commission in the price of the security. This is a principal transaction. We will obtain your signed consent prior to settlement for a principal transaction and disclose to you any compensation we receive for the transaction.

FlexInsured – FDIC Insured Sweep Account permits available cash balances in eligible accounts (including those derived from the sale of securities, dividend payments, interest credited from bonds and cash deposits) to be automatically deposited (swept) into interest bearing deposit accounts at one of more participating banks. Deposits made through the FlexInsured Account® are FDIC insured up to \$250,000 at each participating bank and up to \$2,500,000 for combined program deposits. First Allied will earn additional compensation for its role in offering the FlexInsured Account. Qualified advisory accounts are not eligible for investment in a FlexInsured Account. For advisory retirement accounts, including those subject to ERISA regulations, the Federated Treasury Obligation Money Market Fund will be the default options. All other accounts will default to the FlexInsured Account. If your default option is the FlexInsured Account, you may choose a sweep option other than the default option. For detailed information regarding the terms and conditions of the products, including balance limitations, see the applicable prospectus or FDIC sweep disclosure document. We may change the products available for your selection.

## Verification of Fees

You are always responsible for verifying that the fee you are charged is accurate. The custodian will not determine whether the fee is



properly calculated. Should you find an error, please contact your IAR immediately. If you are not satisfied with the action your IAR takes, you may contact us at the number on the cover of this document.

#### *Conflicts of Interest*

Your IAR will receive compensation as a result of your participation in the programs described in this brochure. The amount of this compensation may be more or less than the amount of compensation your IAR would receive if you were to pay separately for investment advice, brokerage, and other services. However, we attempt to design all of our advisory programs with pricing competitive with what a client might pay for investment advice, brokerage, and other services separately.

Your IAR may receive a higher percentage of management fees for certain programs. This presents a conflict of interest in that your IAR may benefit from recommending certain programs based on the difference in compensation he receives rather than selecting investments without regard to compensation payable to him. If your IAR qualifies for reductions in the program fee paid to us, this results in additional compensation to your IAR. To mitigate this conflict of interest, we require that any program you invest in must be suitable for your investment goals and financial needs. If your IAR qualifies for reductions in the program fee paid to us, which results in additional compensation to your IAR, your total advisory fee will not exceed the stated maximum for the programs.

In certain cases, we may be compensated by unaffiliated third-parties based on the amount of assets our IARs may place with them. This represents a conflict of interest in that your IAR may be incentivized to recommend the services of the third-party from which additional compensation may be received. In other cases, your IAR may incur fewer expenses from the third-party as a result of the amount of assets the IAR has placed with the third-party. Generally, the fees that the third-party charges will be lower as the amount of assets that is placed with them increase. Therefore, your IAR may be incentivized to recommend the services of the third-party.

Your IAR may also be registered as an independent contractor registered representative with First Allied. This may create a conflict in that your IAR may be able to choose between offering you advisory programs or services and brokerage products or services. The amount and manner of compensation that your IAR receives in either of these capacities presents a conflict of interest. To mitigate this conflict of interest, we require that any advisory program or advisory service that you are offered is suitable for your investment goals and financial needs. First Allied conducts suitability reviews for brokerage product solicitations.

Furthermore, your IAR may also be registered with other affiliated investment advisers and/or broker-dealers that are part of Cetera Financial Group's network of investment advisers and broker-dealers. This may represent a conflict of interest since your IAR may be incentivized to offer certain services through one entity over another. However, as a fiduciary, your IAR is required to act in your best interest. For more information on Cetera Financial Group, please see Item 10- Other Financial Industry Activities and Affiliations.

Your IAR may have a financial interest in certain securities. We do not permit our IARs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest. Your IAR may purchase or sell the same security he solicits for or uses discretionary trading authority for his client accounts as long as he does not have a material financial interest in the security. This presents a conflict of interest. Our Code of Ethics mitigates this conflict by detailing policies designed to ensure that clients are not disadvantaged by an IAR's trading activity.

You may be eligible to receive breakpoints, or discounts, on the fees that you pay to purchase or hold mutual funds in your account if your total investment in one or more particular mutual fund sponsors reaches certain levels. In certain cases, you can aggregate your investments in different accounts to reach these levels. We have established surveillance systems designed to help us monitor your total investments in each mutual fund sponsor. However, the person granted trading authorization over your account may select mutual funds that prevent you from reaching a breakpoint level and taking advantage of a price break. In addition, if your account is managed by a third-party, we do not have the ability to ensure that your breakpoint levels will be a consideration in their investment decisions. For more information about breakpoints for the specific mutual funds you may hold in your account, please reference the mutual fund prospectus.

Pershing allows clients to enroll in the Fully Paid Securities Lending program, which allows clients to lend certain securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with the clients and their financial advisors. If you elect to participate in this program, your IAR will receive compensation from Pershing. The receipt of this extra compensation creates a conflict in certain advisory programs in which your IAR acts as the portfolio manager. The conflict surrounds whether this extra compensation to your IAR would cause him to hold a security in your account that he otherwise would have liquidated if he was not receiving this extra compensation. This conflict is mitigated by our requirement that investment decisions made by your IAR are always in your best interests, as well as the fact that if your account holds these positions, your IAR's compensation will increase nominally, but the security will also generate income for your account. Not all accounts or client will qualify for this program.

Though our advisory programs are generally only available through our IARs, similar programs or investment advice may be available from other investment advisers. In addition, you have the option to obtain similar investment products through investment advisers that are not affiliated with us. These services may cost you more or less if obtained elsewhere.

Certain of our IARs and employees have an ownership interest in Holdings, which presents a conflict of interest with respect to their selection of advisory programs and services in that certain programs and services are more profitable to Holdings and its subsidiaries than other programs and services. As owners of Holdings, these individuals have an interest in its highest profitability. We help





mitigate this conflict by requiring that all IARs and employees abide by our Code of Ethics, which is described more fully in Item 11-Code of Ethics.

One of our IARs, Michael Wegner, is part owner of the holding company that owns Howard Capital Management. This presents a conflict of interest for Mr. Wegner, other IARs in his office, and other IARs at FAAS because the selection of Howard Capital Management as the manager of an account would financially benefit Mr. Wegner. We help mitigate this conflict by ensuring that all our IARs have the option to select managers other than Howard Capital Management and by reviewing each management agreement prior to engagement to confirm that the selection of Howard Capital Management is suitable.

## Item 6- Performance-Based Fees

Performance-based fees are fees that are based on a share of capital gains on or capital appreciation of the assets in an account. Your IAR is not permitted to charge performance-based fees.

## Item 7- Types of Clients

Our IARs open accounts for individuals, high net worth individuals, banking institutions, pension plans, profit sharing plans, charitable organizations, and other corporations and businesses. The majority of these accounts are opened for individuals not considered high net worth individuals.

Certain account registration types prohibit investments in securities other than mutual funds. Should your account registration type restrict the kinds of securities that are purchased in your account, the performance of the account may not match the performance of the investment model selected. Should your account have one of these account registration types, your IAR will consider which investment models are best for you. Our clients may have both advisory accounts and brokerage accounts. Our representatives may offer you advisory services, brokerage services, or both, depending on your needs.

### *Account Minimums*

Most programs we offer have account minimums (if the program requires an account). Some of our IARs impose minimums above those that we set. Please discuss your level of investable assets with your IAR to determine which programs are best suited for you.

## Item 8- Methods of Analysis, Investment Strategies and Risk of Loss

### *Types of Risk*

Various types of risk are involved when investing in securities. Economic risk, market risk, currency risk, inflation risk, liquidity risk, and credit risk are examples of the types of risks to which your account may be subject.

### *Assessing Risk*

While some types of risk can be mitigated by investment strategies, these risks cannot be eliminated completely. Your IAR will work with you to make sure that you are comfortable with the risks associated with the type of investments that are in your account.

### *Risk of Loss*

You should know that all types of securities investing involve risk, sometimes substantial risk. Your account value can both increase and decrease over time. You should not invest in any product if you are not prepared to bear a potential loss. Past performance does not guarantee future results.

### *Liquidity Risk*

Liquidity is a financial institution's capacity to meet its cash and collateral obligations without incurring unacceptable losses. Liquidity risk is the risk to an institution's financial condition or safety and soundness arising from its inability to meet its contractual obligations. Some investments used in FAAS programs have limited liquidity, including REITs and interval funds. Some illiquid investments periodically offer to repurchase shares from shareholders. These repurchase offers may have limitations on the total number of shares being repurchased, so an individual investor may not be able to sell shares. You should read the prospectus for any investments.

### *Our IARs*

If your account is managed by one of our IARs, his specific management style is not discussed in this document. You can find information about your IAR's management style and method(s) of analysis in his Form ADV Part 2B disclosure document, which he will provide to you with this brochure. Generally, our IARs use various securities to allocate your portfolio according to a strategy's investment objective. These securities may include stocks, bonds, mutual funds, exchange-traded funds, unit investment trusts, certificates of deposit, Treasury securities, insurance products and alternative investments.

Each of our IARs is permitted to use his own method(s) of analysis. Many of them use asset allocation software to help them determine objectives and risk tolerance. This software seeks to optimize your portfolio and diversify risk across asset classes appropriately. Some asset allocation software can even aid in selecting specific securities. IARs are not obligated to use the same asset allocation software as other IARs use. Some IARs analyze securities individually to determine if those securities should be included in



your account.

Our IARs may create investment models based on investment advice provided by Cetera Investment Management LLC, an affiliated registered investment adviser. This advice could include basic asset allocation advice, or advice regarding specific securities.

#### *Third-Party Managers*

Certain third-party managers are affiliated or related to us or our IARs. If your account is managed by a third-party manager, the third-party manager is responsible for its own methodology and investment strategy. Information about each third-party manager's method of analysis and investment strategies is available in the third-party manager's disclosure brochure, which will be provided to you by your IAR.

## Item 9- Disciplinary Information

FAAS and its IARs have been the subject of various regulatory and disciplinary findings by various states and regulatory bodies. The information in this section may impact your decision to do business with us.

In 2011, FAAS entered into a Consent Agreement with the Securities Division of the State of Indiana, whereby FAAS resolved allegations regarding violations of the Indiana Uniform Securities Act, Ind. Code 23-19-1, concerning the registration of certain investment adviser representatives in the State of Indiana. Without admission or finding of a violation, FAAS paid a fine in the amount \$9,000, and a reimbursement payment of the cost of the investigation in the amount of \$1,000.

In addition to the incidents above, certain FAAS IARs have been censured or censured and suspended by non-SEC regulators for violations related to suitability deficiencies, supervision deficiencies, marketing approval deficiencies, improper disclosure of outside business activities, continuing education deficiencies, delinquency of payment of state taxes, insurance deficiencies, sales of unregistered securities. In one case, a FAAS IAR's insurance application was denied by a state.

#### *Affiliated Broker-Dealer*

In October 2015, First Allied Securities, without admitting or denying the allegations, entered into an Acceptance, Waiver and Consent that was accepted by FINRA, whereby First Allied Securities accepted FINRA's findings that First Allied Securities failed to identify and apply sales charge discounts to certain customers' eligible purchases of unit investment trusts (UITs). First Allied Securities had no written supervisory procedures regarding sales charges on UITs and the firm relied primarily on its registered representatives to ensure that customers received the appropriate UIT sales charge discounts, despite the fact that the firm did not effectively train representatives and their supervisors to identify and apply such sales charges. First Allied Securities agreed to accept a censure, a fine of \$325,000, and was ordered to \$689,647.34 in restitution to customers.

In March 2015, First Allied Securities consented to a civil penalty in the amount of \$6,690.80 by the State of Nevada Securities Division for operating unregistered branch office locations.

In January 2013, First Allied Securities, without admitting or denying the allegations, entered into an Acceptance, Waiver and Consent that was accepted by FINRA, whereby First Allied Securities accepted FINRA's findings that First Allied Securities had inadequate supervisory systems and procedures designed to ensure that it delivered the appropriate disclosure documents to clients purchasing unit investment trusts and/or exchange-traded funds. First Allied Securities had engaged a vendor to deliver the written prospectuses to clients, however, First Allied Securities retained ultimate responsibility to ensure the clients received the appropriate documents. First Allied Securities agreed to accept a censure and fine of \$40,000.

In late 2009, the SEC filed an enforcement action against a former First Allied Securities representative. The SEC alleged that the representative engaged in unauthorized and fraudulent trading in two customer accounts. The SEC also issued a "Wells Notice" to First Allied Securities which alleged that First Allied Securities violated certain SEC rules and that it failed to reasonably supervise this registered representative. After considering the surrounding circumstances, First Allied Securities determined that it was in its best interests to settle the matter. The alleged rule violations were in connection with First Allied Securities' supervision of the representative and deficiencies in its e-mail retention system. As part of the settlement, First Allied Securities agreed to accept a censure and pay disgorgement and interest (approximately \$1.46 million) and a fine (\$500,000). In addition, the SEC's order required First Allied Securities to cease and desist from committing or causing any future violations of certain books and records provisions. First Allied Securities also agreed to hire an independent consultant to review its policies and procedures and its system for implementing policies and procedures. First Allied Securities consented to the issuance of the order without admitting or denying the SEC's findings. A copy of the SEC order is available online at <http://www.sec.gov/litigation/admin/2010/34-61655.pdf>.

#### *Additional Information*

More information on all of these items, and other items not summarized above, can be found on FINRA's BrokerCheck® (<http://brokercheck.finra.org>). The Form ADV Part 2B brochure supplement that your IAR will provide to you along with this document contains information regarding any disciplinary items that we deem material to your decision to select your IAR to provide you with advisory services. Additional information about your IAR's disciplinary history can also be viewed on BrokerCheck®.





## Item 10- Other Financial Industry Activities and Affiliations

### *Broker-Dealer Affiliation*

First Allied is an affiliated a broker-dealer that we use to introduce accounts to custodians. First Allied, a New York corporation, is a broker-dealer registered with the Financial Industry Reporting Authority (“FINRA”), a registered municipal advisor and a registered investment adviser registered with the Securities and Exchange Commission (“SEC”). Being registered does not mean that First Allied is endorsed by any regulatory authority; it simply means that First Allied is required to follow the rules established by FINRA for brokerage business, the SEC for advisory business, and the Municipal Securities Rulemaking Board (“MSRB”) for advisory business on municipal bond proceeds and debt reserve accounts. For municipal advisors, the rules are created through the MSRB and registration is required through the SEC, though FINRA enforces these rules. First Allied, headquartered in San Diego, CA, was founded in 1994. On November 1, 2011, First Allied Holdings, Inc. (“Holdings”) purchased First Allied from Advanced Equities Financial Corp. (“AEFC”), who owned First Allied since 2005. Because First Allied is owned by Holdings, many of its officers and principals are engaged in business both with First Allied and us. Some of our officers spend up to 90% of their time on First Allied activities, and the remaining 10% on FAAS activities. Other officers devote 100% of their time to FAAS activities. Holdings is currently owned by RCS Capital Holdings, LLC., which is wholly owned by Aretec Group, Inc., a privately held corporation owned by a group of companies.

As a broker-dealer, First Allied places trades for clients for the purchase and sale of stocks, bonds, options, mutual funds, variable insurance products, and private placements. Since the majority of our IARs are registered with First Allied, these services may be available to you if your IAR is a registered representative. Because most of our IARs are registered to offer you both advisory programs and services and brokerage products and services, a conflict of interest exists. The conflict involves the determination of whether advisory business (fee-based) or brokerage business (commission) is more suitable for the client. Because most of our IARs can offer both, your IAR could be conflicted about which business to recommend to you. We attempt to mitigate this risk by reviewing the suitability of the advisory program selected by each client. Ultimately, our IARs will discuss with you which type of business will best help you meet your goals.

You may have brokerage accounts with First Allied. The main differences between an advisory account and a brokerage account are the form of payment, the use of discretionary authority, and our level of responsibility to ensure that each transaction is appropriate for you. In an advisory account, you will pay an advisory fee based on the amount of assets in the account; in a brokerage account, you will pay a commission for each transaction. In an advisory account, you may grant us, your IAR, or a third-party discretionary trading authorization that allows us to place securities transactions on your behalf without notifying you prior to placing the transaction; in a brokerage account, we will discuss each transaction with you prior to placing the transaction. Having discretionary trading authorization allows us, your IAR, or the third-party to act quickly on your behalf should there be an opportunity that would benefit you. With a brokerage account, you have the opportunity to approve each trade before it is placed on your behalf.

As a broker-dealer, First Allied buys and sells securities in its own accounts in order to facilitate the trading activities of its clients. First Allied also buys and sells securities on behalf of other clients. First Allied’s main activities include retail and institutional client services. First Allied generally uses its own execution services for advisory clients and brokerage clients, for accounts custodied at Pershing, though for certain advisory programs, third-party execution services are used.

### *Other Related Financial Industry Entities*

One of the affiliates to Holdings, Cetera Financial Holdings Inc., also owns multiple other investment advisers, Cetera Investment Management LLC (“CIM”). We use research and model portfolios provide by CIM in many of our programs. A conflict of interest exists due to these affiliations. We attempt to mitigate this risk by ensuring that policies and procedures are in place requiring our IARs to exercise their fiduciary responsibilities when recommending investments to clients. Client fees are not increased if IARs use CIM research or model portfolios, and CIM receives no compensation when their services are used by FAAS IARs. Our IARs’ recommendations must only take into account what programs or services are best for each client.

Holdings also owns First Allied Retirement Services, Inc. (“Cetera Retirement Plan Specialists”) and FASI Insurance Services, Inc. (“FAIS”). Cetera Retirement Plan Specialists is a pension administration firm that provides pension services to pension plan sponsors. Our IARs do not receive any compensation for referring clients to Cetera Retirement Plan Specialists. Cetera Retirement Plan Specialists owns Associates in Excellence, which is another pension administration firm that provides pension services to pension plan sponsors.

FAIS is an insurance general agency that offers insurance products through licensed agents. Many agents offering insurance through FAIS are also First Allied registered representatives.

Holdings and all of its subsidiaries are part of Cetera Financial Group. Cetera Financial Group is the retail advice platform of Aretec Group, Inc. that delivers the benefits of scale to its family of independent broker-dealer firms and registered investment advisers. Cetera Financial Group includes the following companies: Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Financial Specialists LLC, Cetera Investment Advisers LLC, Cetera Investment Management LLC, Cetera Investment Services LLC, Summit Brokerage Services, Inc., Summit Financial Group Inc., First Allied Securities, Inc., First Allied Advisory Services, Inc., and Cetera Advisory Services LLC.



Our principals, employees and representatives may have responsibilities to any of these listed affiliates. Certain administrative and payroll expenses for employees of any affiliate may be allocated among some or all of the affiliates. Allocation of these expenses is not determined by assets referred to any affiliate.

#### *Other Financial Industry Activities*

In addition to the related entities noted above, we also conduct business with other investment advisers that are owned or operated by registered representatives of First Allied and investment advisers that are owned by other persons. These investment advisers may enter into an agreement with us to offer our programs or use our services. We are not responsible for supervising or managing these investment advisers beyond their representatives' activities with First Allied.

Some of our IARs may work in bank or credit union locations. We do not supervise any IAR's bank or credit union responsibilities. If the bank or credit union will receive any fees that you pay, our IARs are required to disclose this to you. Some of our IARs may be real estate agents. Activities related to real estate are not undertaken as part of the IAR's representation of us. In addition to being investment adviser representatives, some of our IARs are also accountants. We do not supervise their accounting activities. Any tax advice you receive from your IAR is part of an outside business activity and is totally separate from the IAR's affiliation with us.

Some of our IARs may be involved in other outside businesses. Activities related to these outside businesses are not undertaken as part of the IAR's representation of our investment advisers. The amount of time that IARs devote to outside business activities varies. Your IAR's material outside business activities are reported on the Form ADV Part 2B Brochure Supplement that your IAR will deliver to you when he starts discussing advisory programs and services with you. Your IAR's outside business activities, including without limitation, bank or credit union responsibilities, real estate, accounting, tax and legal activities, are not endorsed or supervised by, or the responsibility of, us or First Allied or any of our affiliates.

We are involved in several industry advocacy groups. These groups generally provide a forum for industry professionals to gather and discuss current and proposed regulations. Our membership in these groups helps us to better educate and supervise our IARs.

## Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### *Overview*

Pursuant to SEC rule 204A-1, we have adopted a Code of Ethics ("COE") to establish rules of conduct for all supervised persons. Supervised persons are individuals that are associated with our firm who are involved with offering or providing advisory services. Supervised persons may also include our home office employees. Your IAR is a supervised person. The COE recognizes our IARs' fiduciary responsibility to clients. The COE instructs our IARs to conduct their affairs in such a manner as to avoid:

- Serving their own interests ahead of clients' interests
- Engaging in unacceptable actual or potential conflicts of interest
- Taking inappropriate advantage of their position

A copy of our COE is available upon request by calling our Compliance department at 800-223-0989.

We do not permit our IARs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest. Our supervised persons may, however, invest in the same securities that the IAR or another supervised person recommends to clients. This presents a conflict of interest. This conflict is mitigated by the policies and procedures set forth in our COE and Compliance Manual. Our IARs are not permitted to disadvantage clients while trading their own accounts. We also have surveillances in place designed to enforce our policies and procedures.

Our supervised persons are not permitted to recommend or use discretionary trading authority on behalf of clients at or about the same time that the IAR or another supervised person in the IAR's branch office or responsible for supervising the IAR buys or sells the same securities for their own account(s). We have established surveillance systems that check trading patterns between supervised persons and clients. These surveillances are designed to ensure that even if a supervised person unintentionally trades in the same security as a client, the client will not be disadvantaged.

## Item 12- Brokerage Practices

### *Soft Dollar Benefits*

Some firms in the industry receive benefits in exchange for delivering business to a broker-dealer, mutual fund sponsor, insurance company, or other third-party. These benefits are known as "soft dollars." Soft dollar benefits are generally defined as benefits (besides normal fees) received from a firm in exchange for doing business with the firm. These benefits may include access to software, hardware, research, and/or office space. We do not receive any soft dollar benefits from choosing the broker-dealer through which we effect trades, nor from the mutual funds or insurance in which we invest.

### *Directed Brokerage*

In most of our advisory programs, we do not permit clients to direct us to execute transactions through a specified broker-dealer other than First Allied. We believe that First Allied allows us to achieve "best execution" because of their business relationships with



Pershing, our access to First Allied's trading department, our ability to rely on First Allied's financial stability, and First Allied's overall service to us and our IARs. "Best execution" factors include timeliness of execution, trader expertise, pricing, and responsiveness. In addition, certain advisory programs are only available through us and our affiliates and these programs allow your IAR to offer you a product or service that you cannot obtain elsewhere, although other investment advisers may offer similar programs.

#### *Aggregation of Client Trades*

In an effort to both obtain best execution and deliver the best possible service to you, we will aggregate client trades when appropriate. Aggregating trades is generally defined as "bunching" or combining trade orders for the same securities. Aggregating trades will not affect the transaction charges on such transactions. We try to average price our trades, which mean that all clients that purchased the same security at the same time receive the same price, regardless of the number of shares. It is not always possible to average price trades, and some clients may receive a better price than other clients based on execution.

When an aggregated trade order cannot be filled completely, we will generally attempt to distribute the shares received proportionately based on the number of shares that were meant for each account. In certain circumstances average pricing an order that has not been filled entirely may not be in the best interest of each client. In these instances, we will allocate the shares among the clients in a manner we believe to be fair to each client. We are under no obligation to aggregate trade orders or to average price transactions.

## Item 13- Review of Accounts

As mentioned previously, each of our IARs is supervised by another of our representatives or an employee. Advisory accounts are also reviewed by an IAR's supervisor. We have created several different surveillances to aid in this supervision. The surveillances include checks for:

- registration status of the IAR
- loss in equity of accounts
- inappropriate use of discretionary trading authority
- purchase of low-priced securities
- trading activity in personal accounts
- having an excessive margin balance
- being over-concentrated within the account
- trading volume
- correlation between account allocation and investment objective and risk tolerance

Many of these surveillances are run daily and others are run monthly or quarterly. The frequency of the surveillance is determined by the nature of the underlying event. Not all of the surveillances listed above are used on all advisory accounts. We take into account who is managing your advisory account. If one of our IARs is the manager, all of these surveillances will be used. If a third-party manager is managing your account, some of these surveillances will not be used.

After the end of each calendar quarter, we create and send performance reports to each client that is invested in our PAM and ACM programs. These reports have performance information about either one account or multiple accounts of the same investor. The advisory agreement that you sign will detail which party is responsible for delivering reporting information. The third-party manager may choose to not provide performance reports.

The reports we create will differ slightly based on which program you have purchased. Generally, we will list the beginning balance of the period, the ending balance of the period, the percentage change in asset level between the beginning and end of the period, and any deposits or withdrawals during the period. There is also information about your account's holdings as of the end of the period, a list of one or more comparable indexes and benchmarks, and important disclosure information.

The following indexes and benchmarks will be listed on the performance reports we provide to PAM and ACM clients:

- S&P 500 Index- an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors), designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.
- MSCI EAFE Index- a free float-adjusted market capitalization index that is designed to measure equity market performance of developed markets, excluding the U.S. and Canada).
- Barclays Capital U.S. Aggregate Bond Index- an unmanaged index composed of the Barclays Government/Credit Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index and is generally representative of the U.S. bond market.
- Consumer Price Index- an index of prices used to measure the change in the cost of basic goods and services in comparison with a fixed-base period.

In the PAM program, your IAR also has the ability to select an additional index or a blended benchmark to which your account will be compared. This index or benchmark must be approved by us before your IAR is permitted to use it on your performance reports.

Your IAR may also provide you with reports created by Albridge Wealth Reporting Solutions ("Albridge"). Albridge is a reporting vendor we have contracted with to enable your IAR to create reports for your accounts. These reports may encompass different



information than the quarterly performance reports we deliver to you and may include information about brokerage accounts, variable annuities and alternative investments. There may be discrepancies in the pricing of securities between Albridge reports, the performance reports we prepare for you, and the statements you receive from your custodian. These discrepancies may be the result of different calculation and reporting methods between Albridge, our reporting vendors, and your custodian. If you have a question about a discrepancy or any other aspect of any of these reports, you should direct it to your IAR. If you are not satisfied with your IAR's explanation, please contact us at 800-223-0989.

The custodian of your account will also send account statements to you on a monthly or quarterly basis. Although the information we provide in the performance reports we deliver to you has been retrieved from sources believed to be reliable, we urge you to compare the holdings listed on the custodian's statement to those listed on reports we or our IARs may deliver to you. Should you note any discrepancies, please contact us at 800-223-0989. In addition, the reports that we deliver to you should not be relied upon for tax calculations or any other legal representation.

## Item 14- Client Referrals and Other Compensation

Solicitors are individuals who introduce clients to an investment adviser with which the solicitor is not affiliated. Solicitor's arrangements allow individuals to receive compensation for referring a client to us. The compensation paid to a solicitor is a portion of the advisory fee that you pay. All solicitation arrangements that our IARs are involved in must be approved by us.

### *Solicitors to FAAS*

We have solicitor's arrangements with persons who are not our IARs. If a solicitor is going to receive any portion of the advisory fee that you pay, the solicitor will provide you with disclosure when he refers you to an IAR. You will sign this disclosure, acknowledging that you know a payment is being made for the introduction. We conduct a background check on solicitors to ensure they have not been disqualified from the securities industry. We mitigate any conflicts of interest in relation to these arrangements by ensuring that you will not pay higher fees because of the solicitor's agreement.

### *FAAS Acting as a Solicitor*

Our IARs have the ability to refer, or "solicit," clients to other investment advisers. Our IARs can solicit advisory business for both affiliated investment advisers and unaffiliated investment advisers. Both affiliated and unaffiliated investment advisers must be approved by us before any of our IARs are permitted to refer clients to them. If our IARs are soliciting advisory business for any investment adviser, this will be disclosed to you through a disclosure statement and a written acknowledgement. The investment advisers that we solicit for provide a variety of management services, as outlined in each investment adviser's disclosure brochure. In general, they provide management strategies and investment models to advisory clients. The investment adviser will pay a portion of the advisory fee, as disclosed to you in the written acknowledgement, to us for soliciting clients. We will share a portion of this fee with your IAR. In exchange for this fee, the IAR is providing services including investor profiling, selection of managers, and ongoing account monitoring.

Certain investment advisers to whom we solicit may make donations to charitable organizations as an award to us or our IARs. The award criteria may vary between investment advisers, but this award may incent our IARs to solicit to investment advisers offering a donation rather than those that do not. This conflict is mitigated by our requirement that any advisory program or advisory service that you are offered is suitable for your investment goals and financial needs and by our restriction on any of our IARs financially benefiting directly from any donations made by investment advisers either on their behalf or as a result of any solicitations.

### *Other Compensation Payable to FAAS*

We and our affiliates offer a wide variety of approved products to our IARs to serve your needs. We have designated a subset of approved products as "Product Sponsors." Product Sponsors offer an assortment of approved products. They also train and educate our registered representatives on products and industry-related topics. Product Sponsors pay extra compensation to us and our affiliates; however, clients do not pay more to purchase these products through us than clients would pay to purchase them elsewhere. This extra compensation is based in part on the total amount of assets that our IARs refer to their products and services. There may be a financial incentive to promote certain products because of this extra compensation. Because IARs do not receive a direct financial benefit from recommending Product Sponsors to you, we believe that these relationships do not compromise the advice provided by our representatives.

Sometimes we and our affiliates receive payments from firms that are not Product Sponsors to recognize our sales efforts. All companies may pay us and our affiliates in connection with the sale of certain products. This compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. They may also pay for training, educational meetings or training events, conferences, and entertainment for our representatives and/or clients, as permitted by industry rules. In the cases where our IARs host seminars for clients or prospective clients, no fees are charged to attendees. Additional disclosure and a listing of companies who pay additional compensation to us may be obtained at [www.firstallied.com](http://www.firstallied.com) or by contacting us at 800-223-0989. Some investments pay higher commissions than others. Commissions on equities are usually greater than those on bonds. Investments in limited partnerships generally pay higher commissions than investments in equities.





## Item 15- Custody

As mentioned previously, we do not custody your account assets. Your account assets are custodied by Pershing, Fidelity, or another approved custodian. In addition to the reports that you will receive from us, the custodian will also send you account statements. These statements will be sent to you either quarterly or more frequently. You should review the account statements carefully and compare these account statements with the reports we or our IARs send to you. Should you note any discrepancies, please contact us at 800-223-0989.

Occasionally, IARs may accept stock certificates from clients and forward them to First Allied for delivery to the client's account with the custodian. In the course of business development, we may obtain custody in other forms that are not disclosed here but will be disclosed to our independent auditor. Because of these activities, we meet the regulatory definition of having custody of client securities and are required to hire an independent accounting firm to review our procedures. This audit is conducted each year. More information about the results of the audit can be found through the SEC's Investment Adviser Public Disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), by selecting "Investment Adviser Firm" and typing our name into the "Firm Name."

We ask that any checks you write for deposit into your accounts be made payable to the custodian and **not** made payable to FAAS, First Allied, or your IAR.

## Item 16- Investment Discretion

### *Overview*

We do not have discretion over your assets. However, when you invest in one of our advisory programs we may attain a trading authorization. Depending on which advisory program you choose, you will grant us one of three levels of trading authorization:

- Limited trading authorization
- Full trading authorization
- No trading authorization

### *Limited Trading Authorization*

Limited trading authorization is automatically granted to your IAR when you invest in the PAM program. Limited trading authorization allows your IAR to make decisions on your behalf regarding purchases and sales of approved investment company securities. Investment company securities include mutual funds, unit investment trusts, closed-end funds, and exchange-traded funds. By signing the account agreement for the PAM program, you are granting limited trading authorization to your IAR.

### *Full Trading Authorization*

Of the programs described in this brochure, our IARs can only have full trading authorization in the PAM and ACM programs. Full trading authorization allows your IAR to make decisions on your behalf regarding purchases and sales of equities, fixed income products including bonds and certificates of deposit, options, and any other security traded on a national exchange, including investment company securities. You must initial the account agreement appropriately to grant full trading authorization. While the portfolio manager you select to manage your account will recommend trades to us, it is our responsibility to ultimately determine that each trade conforms to the manager's model. The managers submit trading requests to us, which we then evaluate and process.

### *No Trading Authorization*

When you select the Planning/Consulting program, you do not grant us or your IAR any trading authority.

## Item 17- Voting Client Securities

We do not accept authority to vote client proxies. However, your IAR is permitted to aid you in the completion of the client proxies you receive. Generally, you will receive proxies directly from the custodian or transfer agent.

## Item 18- Financial Information

### *Prepayment of Fees*

We do not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Generally, advisory fees for account management are paid quarterly in advance. For consulting or financial planning, fees are occasionally prepaid more than six months from delivery of services. In these instances, the amount of prepayment will not exceed \$1,200 per client.

### *FAAS' Financial Condition*

We are required to inform you of any financial conditions that are reasonably likely to impair our ability to meet contractual commitments to you. Currently, there are no financial conditions that would impair our ability to meet our contractual commitments to you. Should any arise, we will notify you according to SEC guidelines.