



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

**First Allied Advisory Services, Inc.  
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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 our advisory programs or services. Each year you will receive either a summary of material changes that were made to the brochure 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 changes that have been made to this document since our annual amendment in March 2011 are summarized below:

- *Consolidation Announcement*  
First Allied Securities, Inc., a registered investment adviser and broker-dealer, will be transferring its investment advisory business to its affiliate First Allied Advisory Services, Inc., on June 30, 2012. Both firms are wholly owned subsidiaries under the ultimate ownership of First Allied Holdings. Clients that are affected by this consolidation will receive notice of this transfer on or around April 30, 2012, sixty (60) days prior to the consolidation date. Clients that are affected by this consolidation will receive notice regarding how they are impacted and what their options are. After the consolidation, First Allied Securities will continue its business as a registered broker/dealer and remain a wholly-owned subsidiary of First Allied Holdings and affiliated with First Allied Advisory Services.
- *Ownership Change*  
On November 1, 2011, First Allied Advisory Services, Inc. was acquired by First Allied Holdings, Inc. ("Holdings"). Holdings is controlled by Lovell Minnick Partners, LLC, an independent private equity firm providing equity capital for leveraged buyouts and private company recapitalizations and growth capital for developing companies. In the same transaction, Holdings also acquired affiliates First Allied Securities, Inc., First Allied Asset Management, Inc., and First Allied Wealth Management, which itself owns First Allied Retirement Services, Inc. and FASI Insurance Services, Inc. While the ultimate ownership has changed for each of these firms, the management structure for each of these firms remains the same.
- *New Advisory Programs*  
We have created new advisory programs since our last annual update. Detailed information about each of our advisory programs is included in the appropriate disclosure brochure. We have multiple non-wrap brochures and multiple wrap brochures. If you would like information about an advisory program that is not included in this brochure, please speak to your financial advisor.



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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 registered to conduct advisory business in each state where clients reside, according to each state's requirements. Most representatives of FAAS are also registered as independent contractor registered representatives with First Allied Securities, Inc. ("First Allied"), an affiliated registered broker/dealer and member FINRA/SIPC, which allows them to offer brokerage products to clients. Compensation for brokerage products is a commission based on each transaction executed. Representatives of First Allied are registered to conduct brokerage business in each state where clients reside. Throughout the remainder of this text, "we," "us," and "our" refers to FAAS.

FAAS was founded in 2007. On November 1, 2011, First Allied Holdings, Inc. ("Holdings") purchased FAAS from Advanced Equities Financial Corp. ("AEFC"), who had owned FAAS since its founding. In the same transaction, Holdings acquired several affiliated companies that offer financial products and services (see Item 10- Other Financial Industry Activities and Affiliations on page 11 for more information). Holdings is controlled by Lovell Minnick Partners, LLC ("Lovell Minnick"), an independent private equity firm providing equity capital for leveraged buyouts and private company recapitalizations and growth capital for developing companies.

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. The majority of FAAS' advisory accounts are introduced to custodians through First Allied.

### *Our Corporate Structure*

FAAS has approximately 175 investment adviser representatives ("IARs"). Our 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 may be found in Item 5- Fees and Compensation, starting 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 Chesterfield, MO and San Diego, CA. In addition First Allied provides account services to us. First Allied is a broker/dealer registered with the Financial Industry Regulatory Authority ("FINRA").

Our IARs have branch offices across the United States. Each of our IARs is supervised by another individual registered either with our firm or with our affiliate, First Allied. 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 IARs themselves. DSPs are our employees and located in our home office in San Diego.

### *Our Principal Officers*

Craig A. Junkins is Senior Managing Director of FAAS and has served as the senior executive of FAAS since its inception in 2007. Prior to that, Mr. Junkins served as the CEO for First Financial Planners, Inc., FFP Securities, Inc. and FFP Advisory Services, Inc. and worked for those two firms since February 2002. Prior to joining First Financial Planners, Inc. and FFP Advisory Services, Inc., Mr. Junkins was an Executive Vice President for AXA Advisors from 1998 to 2001.

Robin H. Rodermund currently serves as the Chief Operating Officer of FAAS. Ms. Rodermund has served in that position since September 2008. Ms. Rodermund began working for FFP Securities, Inc. and FFP Advisory Services, Inc. in 1990.

Adam Antoniadis is the Chief Executive Officer of First Allied Securities. He was formerly employed with First Allied Securities as President, CEO and Corporate Secretary from 1994 until 2004. Mr. Antoniadis also 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.

Joel Marks is Chairman of First Allied Securities and has served in an executive leadership position since 2005. Joel previously served as Vice Chairman and Chief Operating Officer of Advanced Equities Financial Corp. and was a co-founder of JWGenesis Financial Corp. where he served as its Vice Chairman and Chief Operating Officer until it was acquired by Wachovia Securities in January 2001. Following the Wachovia acquisition, Mr. Marks served as Senior Vice President and Managing Director of Wachovia Securities through May 2002.

Janice Doza is the Chief Financial Officer and has served in that position since June 2008. Ms. Doza previously served as Chief



Financial Officer and Controller for FFP Securities, Inc. until 2008. From April 2003 through March 2006 Ms. Doza served as Controller for First Financial Planners, Inc.

Luanne Borowski, Managing Director of Investment Advisory Compliance, has been the Chief Compliance Officer of First Allied Advisory Services, Inc. since July 2010. Ms. Borowski has also served as Chief Compliance Officer of First Allied Securities, Inc.'s investment adviser and First Allied Asset Management, Inc. since February 2007. Ms. Borowski first joined First Allied as an investment advisory compliance analyst in February 2002. Ms. Borowski previously served as Chief Compliance Officer of Asset Planning Associates, a broker/dealer, and Ken Stern & Associates, a registered investment adviser, from August 2000 until January 2002.

#### *Devotion of Resources*

Our employees working from the Chesterfield, MO office and certain First Allied employees in the San Diego, CA office devote a portion of their time to First Allied broker/dealer activities as well as the advisory activities of FAAS. Your IAR may also divide his time between broker/dealer activities and advisory activities and have responsibilities to both FAAS and First Allied. 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 services industry. Your IAR will provide you with a copy of his Form ADV Part 2B brochure supplement, which describes his business background and 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 a portfolio through buying and selling stocks, bonds, mutual funds, options, managed futures, insurance products, private placements, and other securities. Our employees, 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 on page 12.

Our IARs are permitted to offer you advisory programs that are managed by themselves or by a third-party manager. The third-party manager may be a related party or an unrelated party.

We take into account your investment goals and needs when recommending any advisory program or service. 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 any time this information changes so that your IAR can review your existing accounts to see if any changes need to be made.** 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 higher for similar services than non-wrap fees. Clients paying wrap fees 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.

#### *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).

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 confirmations. This suppression will not impact the delivery of account statements.

Some 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.

### **Short-Term and Long-Term Consulting Program**

You may engage your IAR to provide you with consulting services, other than account management, for a term of up to six (6) months (“short-term” consulting), or twelve (12) months (“long-term” consulting). As part of the consulting engagement, your IAR may offer to create a financial plan. Consulting may include providing recommendations to you for your employer-sponsored retirement plan, written allocation recommendations, valuation of securities, estate distribution, and initial consultation services. Consulting is generally offered outside of the scope of management of specific accounts. All consulting services must be related to the financial industry.

Consulting services are generally provided to you for a flat or hourly fee. For certain services, you can be charged a percentage of the value of the account that your IAR is consulting on.

Financial plans are generated by planning software created by third-party vendors. Certain vendors are affiliated with 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 financial products that are approved by us. As a result, your consulting engagement may not be comprehensive. You may choose to continue to retain your IAR to provide updates to your engagement. For each continuation, you and your IAR would enter into a new consulting agreement.

### **Variable Insurance Product (“VIP”) Program**

The VIP program provides a platform of subadvisers offering advisory services to variable insurance products. VIP provides model-based discretionary management among insurance product sub-accounts. The purchase of the underlying insurance product is not part of the VIP Program. However, your IAR may be involved in your purchase of the underlying insurance product. If so, your IAR was acting in his capacity as a registered representative of First Allied.

The available managers for your VIP program account are divided into two groups: the Prime Managers and the National Managers.

The Prime Managers are FAAS IARs that conduct research and choose the appropriate model allocations. You cannot hire a Prime Manager unless you are a client of the IAR acting as the Prime Manager or a client of an IAR that is associated with the Prime Manager. Each Prime Manager has developed his own models. With the help of your IAR, you will select the appropriate model for your investments. A description of your Prime Manager’s strategies is available on his investment advisory agreement and is included in his Form ADV Part 2B brochure supplement that he will provide to you when offering you this program. The available Prime Managers for the VIP program are:

- Advanced Capital Management (ACM) – advice provided by John Levee
- Advanced Capital Management Complete (ACMC) – advice provided by John Levee
- BesTrends Capital Management - advice provided by Ronald Hunter
- Bishop Financial Advisors Management - advice provided by Brian Bishop and Tom Breiter
- Compass Accumulation Trending Strategies (CATS) – advice provided by Donald Allenbrand
- FFMS Product & Service Management – advice provided by Charles Snyder, CLU®, ChFC® and Jeffrey Snyder, CFP®
- Golden Capital Management – advice provided by Terry Garland
- Kohan Management – advice provided by Davood Kohan
- Partners Management – advice provided by Tom Brady
- Pincore Management – advice provided by Jeff Forehand

The National Managers are third-party managers that have been hired to offer management services for the VIP program on our behalf. National managers are available to clients of each of our IARs. One of the National Managers, First Allied Asset Management (“FAAM”), is affiliated with us. The remainder of the National Managers are unaffiliated third parties. If you choose to have your VIP program account managed by a National Manager, you will receive a copy of the manager’s disclosure brochure describing their investment methodology. You may request any National Manager’s disclosure brochure from your IAR.





The National Managers available for the VIP program are:

- First Allied Asset Management (“FAAM”)
- Breiter Capital Management
- CLS Investments, LLC
- Foy Financial Services, Inc.
- Howard Capital Management
- Meeder Advisory Services, Inc.
- Sowell Management Services

The National Managers may offer other strategies that are not available to you through us. They also provide services to clients of other firms. You may be able to receive similar services from these National Managers for more or less cost by going through another company offering their services, or going to the National Manager directly.

FAAM is an affiliated registered investment adviser. Your IAR does not benefit if FAAM is selected as the manager of your account. 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.

#### *Managed Assets*

We calculate the amount of assets that we manage every year. As of December 31, 2011, we manage:

- \$757,242,634 in discretionary assets
- \$94,042,496 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 on page 15. 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 your 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. Short and long term consulting arrangements allow 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 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 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, 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 FAAS 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.

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 will vary 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’s broker/dealer. 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 on page 9).

#### ***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. We retain a portion of the management fee as compensation for various services that we provide to your IAR and to you.

#### ***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 each IAR. This maximum advisory fee is noted on the investment advisory agreement and in this section.

#### ***Fee Schedules***

Each advisory program that requires an 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. Fee schedules and other information about account charges for each non-wrap program we offer are listed here.

#### **Short-Term and Long-Term 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 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 consulting fees are shared between us and your IAR. Fees for consulting are negotiable between you and your IAR.

Up to \$1,200 of this fee can be paid in advance of 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 the consultation are in addition to the fee paid for the 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 either consulting program may differ from advice that your IAR gives other clients in either consulting 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.

#### **Variable Insurance Product ("VIP") Program**

Your IAR will receive the management fee listed below for providing management services to your VIP program account. Your total advisory fee for your VIP program account(s) is negotiable and may be less than the amounts listed in the Total Advisory Fee column below.

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$499,999	0.675% - 0.900%	0.900% - 1.125%	1.80%
\$500,000 to \$999,999	0.506% - 0.675%	0.675% - 0.844%	1.35%
\$1,000,000 and over	0.338% - 0.450%	0.450% - 0.562%	0.90%

#### ***Other Fees***

Mutual funds often charge investors additional advisory or management fees for the services provided by the fund manager. A portion of these fees, called mutual fund trailers, are paid to First Allied. In certain accounts, we may retain a portion of these fees and your IAR may also receive a portion of these fees.

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.





### *Brokerage Charges/Commissions*

Your IAR may provide advice to you on other products he is licensed to sell through our affiliate, First Allied. If you purchase any of these products through your IAR, additional compensation in the form of brokerage commissions may be earned by First Allied, its affiliates, and/or your IAR. First Allied receives transaction-based commissions in its separate capacity as a FINRA member broker/dealer. Your IAR would receive this commission in his separate capacity as a registered representative. Equity transactions show this compensation on the trade confirmation. For other transactions, the fee is disclosed in the prospectus or offering documents. This includes mutual funds, insurance products and limited partnerships.

If you purchase a variable insurance product through your IAR, he will most likely receive a commission. This commission is separate from any management fees earned as part of the VIP program. The commission is earned as compensation for selling the variable insurance product in your IAR's capacity as a registered representative of First Allied.

### *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. 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. In addition, the increased percentage that your IAR may receive for certain programs will not increase the total advisory fee that you pay for those programs.

Your IAR may also be registered as an independent contractor registered representative with First Allied, our affiliated broker/dealer. This may create a conflict in that your IAR may be able to choose between offering you advisory programs or services and brokerage products. 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.

Your IAR may have a material 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 Codes of Ethics mitigates this conflict by detailing policies designed to ensure that clients are not disadvantaged by an IAR's trading activity.

Neither FAAS nor our IARs accept mutual fund trailers in accounts subject to the Employee Retirement Income Security Act (ERISA) or similar rules. This includes IRA, 401k, or other employer-sponsored retirement accounts. These trailers are credited back to the client when received or credited to the balance due for the next advisory fee. However, as our affiliate broker/dealer, First Allied and our IARs who are registered representatives with First Allied may accept trailers from mutual fund companies in non-ERISA accounts. This presents a conflict of interest in that the receipt of these mutual fund trailers may give your IAR an incentive to recommend mutual funds based on compensation to be received. We help mitigate this conflict of interest by ensuring that the mutual fund sponsor companies that we have agreements with each have versions of advisory-share class mutual funds that are available for use, when appropriate, to avoid these fees. Your IAR is not required to use advisory share class mutual funds in your account.

You have the option to purchase investment products that our IARs recommend through other brokers that are not affiliated with us.

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, Participation or Interest in Client Transactions and Personal Trading on page 12.

An IAR of ours, Michael Wegner, is part owner of the holding company that owns Howard Capital Management, one of the National Managers in our VIP program. 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 for the client.



## 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.

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). The account minimum for the VIP program will differ depending on which third-party manager is selected and will be noted in the VIP investment advisory agreement. At our discretion, we may allow you into the VIP program without meeting the stated minimum. Some of our IARs impose minimum levels above those that we set. You will have to 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, many of 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. 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.

### *Prime Managers*

If your account is managed by one of our Prime Managers, 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 brochure supplement, which he will provide to you with this brochure. In the VIP program, our Prime Managers use mutual funds to allocate your portfolio according to their strategy's investment objective.

Each of our Prime Manager's 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. Some IARs analyze securities individually to determine if those securities should be included in your account.

### *National Managers*

Certain National Managers may be affiliated or related to us or our IARs. If your account is managed by a National Manager, the National Manager is responsible for its own methodology and investment strategy. Information about how your VIP program account is managed by a National Manager is available in the National Manager's disclosure brochure, which will be provided to you by your IAR.

## Item 9- Disciplinary Information

FAAS and its affiliates 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 late 2009, the Securities Division of the state of Indiana found FFP Advisory Services, Inc., and certain principal officers who are now principal officers of FAAS, to be in violation of code 23-2-1 of the Indiana Securities Act. The specific violations involved inadequate and incorrect disclosures for investments in various insurance products. These violations occurred when the principal officers were employed by FFP Advisory Services, Inc., a registered investment adviser. FFP Advisory Services, Inc. was never



affiliated with First Allied or FAAS. After considering the circumstances, FFP Advisory Services, Inc. decided that it was in its best interests to settle the matter with the state of Indiana. As part of the settlement, FFP Advisory Services, Inc. agreed to pay a penalty of \$187,500 to the state of Indiana.

In 2011, FAAS entered into a Consent Agreement with the Securities Division of the State of Indiana, whereby we resolved allegations regarding violations 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, we 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 of our IARs have been censured or censured and suspended by non-SEC regulators for violations related to suitability deficiencies, delinquency of payment of state taxes, insurance deficiencies, sales of unregistered securities. In one case, an IAR's insurance application was denied by a state.

In late 2009, the SEC filed an enforcement action against a former First Allied representative. The SEC alleged that the representative engaged in unauthorized and fraudulent trading in two customer accounts. The SEC also alleged that First Allied violated certain SEC rules and that First Allied failed to reasonably supervise this registered representative.

After considering the surrounding circumstances, First Allied determined that it was in its best interests to settle the matter. The alleged rule violations were in connection with First Allied's supervision of the representative and deficiencies in its e-mail system.

As part of the settlement, First Allied 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 requires First Allied to cease and desist from committing or causing any future violations of certain books and records provisions. First Allied also agreed to hire an independent consultant to review our policies and procedures and our system for implementing policies and procedures.

First Allied 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>.

In addition to the incident above, at least one of First Allied's IARs has been charged with, but not convicted of, a non-investment related felony in the last ten years; at least one of First Allied's IARs has been charged with and convicted of a non-investment-related misdemeanor charge. First Allied has been censured by multiple state insurance authorities for failure to renew its state insurance licenses. In addition, certain IARs have been censured and suspended by non-SEC regulators for violations related to supervision deficiencies, marketing approval deficiencies, improper disclosure of outside business activities, and continuing education deficiencies. First Allied, as a firm, has also been found to have failed to supervise adequately in certain instances, by the same regulatory bodies. Some of the firms that First Allied has purchased have also been censured by regulatory bodies.

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*

As mentioned previously, our affiliate, First Allied is a broker/dealer. Some of our officers and principals are engaged in business both with our investment adviser and with First Allied's broker/dealer. Some of our officers spend up to 90% of their time on First Allied's broker/dealer activities, and the remaining 10% on our investment advisory activities. Other officers devote 100% of their time to our investment advisory activities. In addition, most of our IARs are affiliated with both our registered investment adviser and the affiliated broker/dealer.

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. First Allied sometimes participates in initial public offerings, and offers our clients the opportunity to participate in private funding through an unaffiliated investment adviser. Since the majority of our IARs are registered with First Allied, these services may be available to you if your IAR is also registered with First Allied.

Because we use an affiliated broker/dealer to process some of our business, a conflict of interest exists. The conflict involves the determination of whether advisory business (fee-based) or brokerage business (commission-based) is more suitable for the client. Because most of our IARs can offer both, your IAR could be conflicted about which business to recommend. 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.



### *Related Financial Industry Entities*

We are affiliated with other registered investment advisers. Our parent company, Holdings, owns two other investment advisers (besides us):

- First Allied Securities, Inc. (“First Allied”)
- First Allied Asset Management, Inc. (“FAAM”)

We work closely with both First Allied and FAAM. We co-sponsor programs with First Allied and we use FAAM as a third-party manager 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. Our IARs’ recommendations must only take into account what programs or services are best for clients.

In addition to the firms listed above, Holdings also owns First Allied Retirement Services, Inc. (“FARS”). FARS is a pension administration firm that provides pension services to pension plan sponsors. Neither First Allied nor our IARs receive any compensation for referring clients to FARS. Greenbook Pension Services is another name under which FARS operates. FARS own Associates in Excellence, which is another pension administration firm that provides pension services to pension plan sponsors.

Holdings also owns FASI Insurance Services, Inc. (“FAIS”). 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.

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 all of the affiliates. Allocation of these expenses is not determined by assets referred to any affiliate.

Certain affiliates may make markets in securities, and may buy and sell for their own accounts. These affiliates and their personnel may own an interest in or buy or sell for their own accounts, the same securities which may be purchased or sold for the account of advisory clients.

### *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 our affiliated broker/dealer. These investment advisers may enter into a selling agreement with us to offer our programs. We are not responsible for supervising or managing these investment advisers.

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 us. 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.

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 and certain individuals in your IAR’s branch office are supervised persons. 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
- Taking inappropriate advantage of their position
- Engaging in unacceptable actual or potential conflicts of interest

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 our COE and Compliance Manual. Our IARs are not permitted to disadvantage clients while trading their own accounts. We also have surveillances in place that allow us to ensure that this conflict is avoided.

Our supervised persons are not permitted to recommend to 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). This presents a conflict of interest. We have established surveillance systems that check trading patterns between supervised persons and clients. These surveillances allow us 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 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. However, because we are affiliated with our broker/dealer, we may receive favorable arrangements with certain vendors due to soft dollar benefits our affiliate may receive.

### *Directed Brokerage*

We do not permit clients to direct us to execute transactions through a specified broker/dealer other than First Allied. Many client transactions are effected through our affiliated broker/dealer, First Allied. We believe that First Allied allows us to achieve best execution because of their business relationships with Pershing and Fidelity, 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, better 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 program or service that you cannot obtain elsewhere. However, you can obtain similar programs and services through other investment advisers.

### *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 means 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 IAR. When one of our IARs creates a financial plan for a client, this plan is reviewed by the home office. Evidence of this review is kept in the home office location. During this review, the supervising IAR verifies that appropriate projections are used for any asset classes utilized. The supervising IAR also ensures that appropriate disclosures are present on the financial plan.

Advisory accounts are also reviewed by an IAR's supervisor. We have created several different electronic surveillances to aid in this supervision. The surveillances include checks for:

- registration status
- 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





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. All of the surveillances listed above may not be 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 National Manager is managing your account, some of these surveillances will not be used.

For the VIP program, we will provide you with quarterly performance reports. These performance reports will contain statistical information about your account. In some cases, if you have more than one VIP program account with us, we may be able to combine multiple accounts on the same performance report. For programs that are sponsored by an entity other than FAAS, you may receive performance reports from the other entity.

The VIP reports will generally 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 benchmarks, and important disclosure information.

Your IAR may also provide you with reports created by Albridge Wealth Reporting Solutions ("Albridge"). Albridge is a reporting vendor that 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.

The custodian of your account will also send you account statements 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 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 our Compliance department.

### *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 unaffiliated investment advisers. These 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 by issuance of 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 firm 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.

### *Other Compensation Payable to FAAS*

We offer a wide variety of approved products to our IARs to best 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 representatives on products and industry-related topics.

Product Sponsors pay extra compensation to us and our affiliates. There may be a financial incentive to promote certain products because of this extra compensation. We believe that these relationships do not compromise the advice provided by our representatives. Because IARs do not receive direct financial benefit from recommending Product Sponsors to you, we believe that these relationships do not compromise the advice provided by FAAS representatives.

Sometimes we receive payments from firms that are not Product Sponsors to recognize our sales efforts. All companies may pay us 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 registered representatives and/or clients, as permitted by industry rules. 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.

## Item 15- Custody

As mentioned in the Item 13-Review of Accounts on page 13, we do not custody your account assets. Your account assets are custodied by a qualified custodian, usually either Pershing or Fidelity. In addition to the reports that you may receive from us, the custodian of your account 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 send to you. Should you note any discrepancies, please contact your IAR.

Occasionally, IARs may accept stock certificates from clients and forward them to the broker/dealer 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" field.

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

## Item 16- Investment Discretion

### *Overview*

We do not have discretion over your assets. However, when you select one of the advisory programs described in this brochure, we attain a trading authorization. Depending on which advisory program you choose, you will grant us one of two levels of trading authorization:

- Full trading authorization
- No trading authorization

### *Full Trading Authorization*

If you select the VIP program, you are granting us 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 Prime and National Managers submit trading request to us, which we then evaluate and process.

### *No Trading Authorization*

When you select the SEI program, you do not grant us or your IAR any trading authority. Rather, your IAR will help you select the mutual funds that will comprise your account portfolio.

## 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.