



## FORM ADV PART 2A- APPENDIX 1 GPS WRAP BROCHURE



**First Allied Securities, Inc.**  
**655 West Broadway, 11<sup>th</sup> Floor**  
**San Diego, CA 92101**  
**800-499-5489**  
<http://www.firstallied.com>

**First Allied Advisory Services, Inc.**  
**15455 Conway Road**  
**Chesterfield, MO 63017**  
**800-925-3371**  
<http://www.firstallied.com>

This brochure provides information about the qualifications and business practices of First Allied Securities, Inc. and First Allied Advisory Services, Inc. If you have any questions about the contents of this brochure, please contact us at 800-233-0989. 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 Securities, Inc. and First Allied Advisory Services, Inc. are registered investment advisers. 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 Securities, Inc. and 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

On July 28, 2010, the Securities and Exchange Commission (“SEC”) adopted Release No. IA-3060, Amendments to Form ADV. This Rule changed the requirements for format, content, and delivery of disclosure documents for SEC-registered investment advisers. This brochure complies with the newly adopted rule.

You will notice that the format of this brochure is different than the “check-the-box” format you may have seen in the past. This narrative brochure should be more user-friendly than previous versions. Important information should be easier to locate and the brochure should be easier to read.

The content is also slightly different. The SEC has required nine (9) different items be discussed in this brochure. Although many of these items were included in previous versions of this disclosure document, we must address all required items in this version of the brochure.

You are receiving a copy of this brochure to ensure you have important information to assist you in making investment decisions about the products and services described. Each year you will receive a summary of material changes that were made to the brochure over the previous year with instructions on how to receive an updated copy of the brochure, if you would like one. You will also receive an updated brochure or summary of material changes whenever important information changes.

Since we filed our 2010 annual amendment, several changes have been made to information that was previously disclosed. These changes are summarized below:

- **Custody**  
In 2010, the SEC clarified its definition of when a firm has custody. This clarification means we have custody of client funds. We meet this definition because we have the authority to debit client accounts to pay various account fees and because our firm accepts checks and security certificates from clients in an effort to facilitate their deposit.
- **Affiliate Consolidation**  
On October 1, 2010, an affiliated registered investment adviser, Greenbook Investment Management, Inc., was merged into First Allied Advisory Services, Inc. Most of the individuals that were associated with Greenbook Investment Management are now associated with First Allied Advisory Services.
- **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 several wrap fee brochures. This brochure details only some of our wrap programs. If you would like to receive additional wrap brochures, or our non-wrap program brochure, please speak to your IAR.



## Item 3- Table of Contents

Item 2- Summary of Material Changes.....	2
Item 3- Table of Contents .....	3
Introduction .....	4
Item 4- Services, Fees and Compensation .....	7
Item 5- Account Requirements and Types of Clients.....	9
Item 6- Portfolio Manager Selection and Evaluation .....	9
Item 7- Client Information Provided to Portfolio Managers.....	10
Item 8- Client Contact with Portfolio Managers .....	10
Item 9- Additional Information .....	10



## Introduction

The GPS program is a jointly sponsored advisory product. The two sponsors, First Allied Securities, Inc. (“First Allied”) and First Allied Advisory Services, Inc. (“FAAS”) are affiliated registered investment advisers. This wrap brochure details the GPS program strategies. Currently, two strategies are offered through the GPS program: Fund Allocator and One Account Select. Both First Allied and FAAS offer other wrap and non-wrap products that are described in separate brochures. Your IAR will provide you with the appropriate brochures describing these products upon your request.

### *First Allied’s Background*

First Allied, a New York corporation, is a broker/dealer registered with the Financial Industry Reporting Authority (“FINRA”) 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 regulated by FINRA for brokerage business and the SEC for advisory business. Representatives of First Allied’s investment adviser are registered to conduct advisory business in each state where clients reside, according to each state’s requirements.

First Allied is not a custodian of any accounts. Accounts for the GPS program are custodied at Pershing, LLC (“Pershing”). Accounts for other wrap and non-wrap programs that we offer are custodied at Pershing, LLC (“Pershing”), J.P. Morgan Clearing Corp (“JP Morgan”), 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.

First Allied primarily conducts trading and clearing services through Pershing and JP Morgan. First Allied is also a member of the Securities Investor Protection Corporation (“SIPC”) and the National Futures Association (“NFA”).

First Allied was founded in San Diego, CA in 1994. In 2005, Advanced Equities Financial Corp. (“AEFC”) purchased First Allied. AEFC is still the parent company of First Allied. AEFC also owns several other companies that offer financial products and services (see Other Financial Industry Activities and Affiliations section of Item 9- Additional Information on page 12 for more information). AEFC is a private company.

### *FAAS’ 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 regulated 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. Representatives of FAAS may also be registered with FASI’s broker/dealer to allow them to offer brokerage products to clients. Compensation for these products is a commission based on each transaction executed.

FAAS was founded in 2007. Advanced Equities Financial Corp. (“AEFC”) is the parent company of FAAS. AEFC also owns several other companies that offer financial products and services (see Item 10- Other Financial Industry Activities and Affiliations on page 12 for more information). AEFC is a private company.

FAAS is not a custodian of any accounts. Accounts for the GPS program are custodied at Pershing. Accounts for other wrap and non-wrap programs that we offer are custodied at 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 our custodial relationships are through First Allied.

Throughout the remainder of this text, “we,” “us,” and “our” refers to both First Allied and FAAS.

### *Our Corporate Structure*

Combined, we have approximately 675 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.

You pay us fees for our products and services. We pay a portion of these fees to your IAR. The IAR’s share of the fee may be different for different advisory products. This presents a conflict of interest for our IARs because they may have an incentive to recommend a certain advisory product. We address this conflict of interest in Item 9- Additional Information, 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 San Diego, CA and Chesterfield, MO. 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 IARs and representatives themselves. DSPs are our employees and are generally located in our home office in San Diego.

#### *Our Principal Officers*

Adam Antoniades has been the President and Chief Executive Officer of First Allied since August 2007, and Chairman of First Allied since July 2008. Mr. Antoniades has served as President of AEFC since 2004. He was formerly employed with First Allied Securities as President, CEO and Corporate Secretary from 1994 until 2004. Prior to his employment at First Allied, Mr. Antoniades was employed by Bishop Saxony Corporation as Corporate Secretary and with Berkeley Safe Deposit as Head Currency Trader.

Robert J. Moses is the Senior Vice President, General Counsel of First Allied, and has been with First Allied since 1994. Mr. Moses previously held a position as Associate General Counsel of Josephthal & Co. Incorporated, which he joined in 1991. Mr. Moses has been with First Allied since its inception in 1994.

Mark Quinn joined First Allied as Chief Risk Officer in February, 2010. Prior to joining First Allied, he spent approximately 10 years as Senior Vice President and General Counsel of Royal Alliance Associates, Inc., which is a registered broker-dealer and investment adviser.

Vere Reynolds-Hale has been Senior Vice President of the Financial Services Group at First Allied since joining First Allied in October 2007. Mr. Reynolds-Hale previously served as the Executive Vice President of Product Marketing and Development at Summit Brokerage Services in Boca Raton, Florida.

Tiy O’Neal is the Chief Operating Officer of First Allied and is responsible for back office operations including the areas of brokerage and advisory operations and trading, administration, escalation, integration, technical support and others. Ms. O’Neal has been with First Allied since its inception in 1994.

Donna Bartlett is the Chief Compliance Officer of First Allied’s broker/dealer. She was formerly employed as A.V.P. Compliance with Bishop Saxony Corporation, for four years; and, prior to that as Due Diligence Coordinator of Sentra Securities Corporation. Ms. Bartlett has been with First Allied since its inception in 1994.

Luanne Borowski has been the Chief Compliance Officer of First Allied’s investment adviser since February 2007 and Chief Compliance Officer of First Allied Advisory Services since July 2010. Since February 2007 Ms. Borowski has also served as Chief Compliance Officer of Advanced Equities Asset Management, Inc. 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.

Gregg Glaser was named an Executive Vice President of First Allied in January 2009. Mr. Glaser has served as the Financial and Operations Principal of First Allied Securities, Inc. since February 2005. Mr. Glaser has been the Chief Financial Officer of Advanced Equities, Inc. since September 2004.

Joel Marks was named an Executive Vice President of First Allied Securities in January 2009. In addition to this responsibility, Mr. Marks has served as Vice Chairman and Chief Operating Officer of AEFC since July 2004. Mr. Marks previously 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.

Garrett Merrill was named Vice President – Director of Supervision in August 2009. Beginning in 2007, he served as Vice President – West Coast Region for First Allied’s Supervision Department. He has previously worked in the accounting and compliance departments at Howe Barnes Investments and served as Second Vice President of Compliance at The Northern Trust Company for their broker/dealer.

Craig A. Junkins is the President of FAAS and has served in that position since June 2006. 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 Executive Vice President, 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.

Janice Doza is the Chief Financial Officer of FAAS and has served in that position since June 2008. Ms. Doza also became the Chief Financial Officer of First Allied in March 2011. Ms. Doza previously served as Chief Financial Officer and Controller for FFP Securities, Inc. until FFP Securities merged with First Allied in June 2008. From April 2003 through March 2006 Ms. Doza served as Controller for First Financial Planners, Inc.

#### *Devotion of Resources*

Because First Allied is both a broker/dealer and a registered investment adviser, many of our home office employees devote a portion of their time to broker/dealer activities as well as registered investment adviser activities. Your IAR may also divide his time between broker/dealer activities and advisory activities and have responsibilities to both entities. 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.

#### *Our Broker/Dealer Activities*

First Allied's broker/dealer activities are separate from our investment advisory activities. As a broker/dealer, First Allied places trades for clients for purchases and sales of stocks, bonds, options, mutual funds, variable insurance products, and private placements. First Allied sometimes participates in initial public offerings. First Allied offers clients the opportunity to participate in private funding through an affiliate.

As a broker/dealer, First Allied buys and sells securities for its own account. 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 uses its own execution services for advisory clients and brokerage clients, for accounts custodied at Pershing or JP Morgan.

#### *Our Advisory Activities*

Through our IARs, we offer a variety of investment advisory products 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 investment adviser representative may personally buy and sell the same securities that you buy and sell. This conflict of interest is discussed fully in the Code of Ethics section of Item 9- Additional Information on page 13.

Our IARs are permitted to offer you advisory products that are managed by themselves or by a third-party asset manager ("TPAM"). The TPAM may be a related party or an unrelated party. The wrap products described in this brochure are all managed by an affiliated TPAM, Advanced Equities Asset Management ("AEAM").

We take into account your investment goals and needs when recommending any advisory product or service. Our intention is to provide you with products and services that will help you to meet your goals and needs. We will gather personal information when helping you choose a product 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



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.

We offer both wrap and non-wrap products. A wrap product is one in which you pay a single “wrapped” fee. 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 product, you may be subject to charges for each transaction in addition to the advisory fee. Wrap fees are generally higher for similar services than non-wrap fees.

Certain wrap products that we offer are described in Item 4- Services, Fees and Compensation, starting on this page. We offer additional wrap products that are not detailed in this brochure and we also offer several non-wrap products that are detailed in our Form ADV Part 2A disclosure brochure. Your IAR can provide you with these other brochures upon 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 product will best serve your needs.

#### *Information on All Advisory Products*

Regardless of which advisory product 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.

Custody of all accounts for the GPS program will be at Pershing. Pershing will provide you with confirmations of all transactions and monthly or quarterly account statements. You may have the option of directing Pershing to not send you confirmations. This suppression will not impact the delivery of account statements.

Regardless of the product 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). Account activity is required to be reviewed quarterly.

The products listed in the next section can be provided to you by your IAR. All of these products are wrap products. Wrap products provide a single “wrapped” fee for both investment advisory and brokerage execution services. Our non-wrap products are described in detail in another disclosure document. If you would like information about our non-wrap products or our other wrap products, please request this from your IAR.

## **Item 4- Services, Fees and Compensation**

### *Fee Overview*

The fees that you pay for advisory products or services will depend on several different factors. The fees for advisory products 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. These fees are negotiable between you and the IAR offering the service.

Most products charge a quarterly advisory fee 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 closing, we will automatically credit you back any pre-paid fees for the portion of the quarter remaining after the account is closed. Advisory fees are generally deducted from the account. The account statements you receive from Pershing will reflect the deduction of these fees. Fees are deducted from the client account in the month following quarter end. For some products, fees may be paid to First Allied by check, as outlined in the advisory agreement. In this case, we will send an invoice to the client for the fees owed.

In the event a deposit of \$5,000 or more on a single day or withdrawal of \$5,000 or more on a single day occurs, we will calculate the fee owed or refund due and adjust 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. 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 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 product or service you select. The program fee is an annual percentage of assets under management, billed quarterly. For the GPS program, the program fee is split between us and a TPAM. This program fee is not negotiable. However, the program fee may be different based upon your IAR's relationship with First Allied. If your IAR has a different program fee, this will not change the total maximum advisory fee you pay, but it may present a conflict of interest (we address this conflict of interest in Item 9- Additional Information, starting on page 10).

### *Management Fee*

The management fee is paid to the IAR servicing the account. This fee is negotiable and may be different than management fees that are agreed upon for different products. It may also be different for each client.

### *Maximum Advisory Fee*

You and your IAR will agree on your total advisory fee for each account prior to establishing the account. 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 product and we will not allow you to be charged more than this amount. The maximum allowable advisory fee will differ between products, but is consistent for each IAR. This maximum advisory fee is noted on the investment advisory agreement.

### *Fee Schedules*

Each advisory program 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 wrap product we offer is listed here.

There are currently two strategies offered through the GPS program, Fund Allocator and One Account Select. Both of these strategies are described below.

### *Fund Allocator*

Fund Allocator is a managed mutual fund strategy that utilizes custom market models from AEAM to produce asset allocations to facilitate construction and management of your portfolio. Fund Allocator relies on dynamic management to combat market volatility, and utilizes mutual funds within each asset class screen and ranked by AEAM. Fund Allocator is designed to provide you with long-term, risk-adjusted returns. Fund Allocator is 100% comprised of mutual funds. These mutual funds represent 13 different asset classes and you have the option of choosing between 10 different asset allocation models (including 5 tax-sensitive models). The account minimum for Fund Allocator accounts is \$15,000.

Fund Allocators accounts are billed according to the following fee schedule:

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$250,000	0.45%	2.05%	2.50%
\$250,001 to \$500,000	0.40%	1.60%	2.00%
\$500,001 to \$1,000,000	0.35%	1.15%	1.50%
\$1,000,001 to \$2,000,000	0.30%	1.00%	1.30%
\$2,000,001 and over	0.25%	1.00%	1.25%

### *One Account Select ("OAS")*

OAS is a unified managed account strategy that utilizes custom market models from AEAM to produce asset allocation that facilitate construction and management of your portfolio. A unified managed account strategy is a highly sophisticated strategy that combines multiple investment vehicles into a single portfolio and account, maximizing efforts to enhance diversification. A unified managed account generally allows multiple portfolio managers to manage a portion of your total account. AEAM acts as the overlay manager for OAS. An overlay manager is responsible for coordinating trading activities in your account among all of the portfolio managers.

OAS is comprised of exchange-traded funds, mutual funds, and separate accounts managed by third-party managers. These securities represent 14 different asset classes and you have the option of choosing between 8 different asset allocation models (including 4 tax-sensitive models). The program and management fees for OAS differ depending on the specific model selected. The minimum for OAS accounts is \$250,000.



The following table details the fee schedule for the Equity models (both tax-sensitive and taxable version):

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$500,000	0.75%	1.60%	2.35%
\$500,001 to \$1,000,000	0.65%	1.15%	1.80%
\$1,000,001 to \$2,000,000	0.55%	1.00%	1.55%
\$2,000,001 and over	0.55%	0.95%	1.50%

The following table details the fee schedule for the Growth models (both tax-sensitive and taxable version):

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$500,000	0.70%	1.60%	2.30%
\$500,001 to \$1,000,000	0.60%	1.15%	1.75%
\$1,000,001 to \$2,000,000	0.50%	1.00%	1.50%
\$2,000,001 and over	0.50%	0.95%	1.45%

The following table details the fee schedule for the Moderate Growth models (both tax-sensitive and taxable version):

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$500,000	0.65%	1.60%	2.25%
\$500,001 to \$1,000,000	0.55%	1.15%	1.70%
\$1,000,001 to \$2,000,000	0.45%	1.00%	1.45%
\$2,000,001 and over	0.45%	0.95%	1.40%

The following table details the fee schedule for the Growth & Income models (both tax-sensitive and taxable version):

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$500,000	0.60%	1.60%	2.20%
\$500,001 to \$1,000,000	0.50%	1.15%	1.65%
\$1,000,001 to \$2,000,000	0.40%	1.00%	1.40%
\$2,000,001 and over	0.40%	0.95%	1.35%

#### *Other Fees*

First Allied, FAAS, and our IARs do not accept mutual fund trailers in GPS program accounts. In some of our other wrap and non-wrap programs, we do accept mutual fund trailers in non-ERISA accounts.

## Item 5- Account Requirements and Types of Clients

Each product we offer has an account minimum. We offer wrap products with a minimum as low as \$15,000. If you have questions about the wrap products not described in this brochure, please ask your IAR to provide you with our other wrap fee brochures.

We generally will not allow accounts into a wrap fee program that do not meet the minimum, however we can make exceptions. For GPS program accounts, AEAM must be willing to manage the account below the minimum.

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.

## Item 6- Portfolio Manager Selection and Evaluation

We review each of the managers or platforms that provide the management services that we offer before we allow the manager to be selected in one of our programs. We also conduct an annual review to ensure that the manager is still suitable for our programs. We call this process “due diligence.”

Our due diligence process for new products or managers starts with an initial screening process of a registered investment adviser. This consists of a review of data including the amount of assets under management, the ownership structure, and any regulatory or



legal issues. If an adviser meets our requirements for these areas, we start a more thorough review of the adviser. A comprehensive questionnaire is completed by the adviser.

Along with reviewing the questionnaire, a more detailed review of the initial data is conducted, including:

- The ownership structure
- Employees, including investment professionals, marketing and client service staff
- Regulatory, legal and compliance issues of the adviser
- The manager's performance, both current and historical
- The investment adviser's financial statements

We have an internal review committee who reviews this information and decides whether the manager will be approved to manage GPS accounts.

Our annual review process for existing products or managers follows the same guidelines as the initial process. However, unless material information is discovered during this annual review, additional approval is not required to continue the relationship with the investment adviser.

AEAM is the only choice for portfolio manager for the Fund Allocator strategy. AEAM is also the only choice for overlay manager for the OAS strategy. By investing in our GPS program, you and your IAR are choosing AEAM as the manager who will make investment decisions for your account. Other programs that we offer give you the ability to choose from a suite of managers. These other programs are detailed in separate disclosure brochures that your IAR can provide to you upon request.

## Item 7- Client Information Provided to Portfolio Managers

For most of our programs, the information that we provide to the managers varies depending on the amount of information the manager requests. Non-public information is information about you that is not available to the public. Your social security number, your net worth, and your annual income are examples of non-public information. Public information is information about you that is readily accessible to the public. Public information may include your name, phone number, and address.

Should you select a program in which AEAM, one of our affiliates, serves as the manager, we will provide AEAM with all identifying information about your account, including non-public information.

For all accounts, including those in the GPS program, your IAR will have access to all of the non-public information you provided when opening the client account. This information is protected in accordance with our Privacy Policy. A copy of our Privacy Policy is available on our website (<http://www.firstallied.com/privacyPolicy.php>). A copy is provided to you after you open an account with us and annually thereafter.

## Item 8- Client Contact with Portfolio Managers

Your IAR serves as the contact point for any questions or changes you have related to your accounts. AEAM is not generally available for you to speak with. However, your IAR may be able to facilitate contact with the manager on your behalf.

## Item 9- Additional Information

### Conflicts of Interest

Your IAR may receive a higher percentage of management fees for certain products. This presents a conflict of interest in that your IAR may benefit from recommending certain products based on the difference in compensation he receives. To mitigate this conflict of interest, we require that any product 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 products will not increase the total advisory fee that you pay for those products.

As mentioned previously, the program fee we charge your IAR for a particular program may vary among our IARs. If your IAR is charged a lower program fee, he may receive higher overall compensation even though you would not pay a higher total advisory fee. This presents a conflict of interest to your IAR because he could recommend a program for which he receives a larger portion of the total fee. One way that we address this conflict is by ensuring that the fees you pay for any program are suitable, regardless of your IAR's fee arrangements.



### **Performance-Based Fees**

Your IAR is not permitted to charge fees based solely on your account's performance.

### **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 your account may be subject to.

#### *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.

#### *Management Philosophy*

Your GPS account is managed by AEAM. You can find information on AEAM's methods of analysis and investment strategy by reviewing AEAM's Form ADV Part 2A disclosure brochure, which your IAR will provide to you when this brochure is given to you.

### **Disciplinary Information**

First Allied has 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 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 we 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 its 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 our 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.

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, FAAS, or AEFC.



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, FAAS agreed to pay a penalty of \$187,500 to the state of Indiana.

In addition to the incident above, certain FAAS 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, a FAAS IAR's insurance application was denied by a state.

More information on all of these items, and other items not summarized above, can be found on FINRA's BrokerCheck® (<http://brokercheck.finra.org>). Your IAR's disciplinary history can also be viewed on BrokerCheck®.

## **Other Financial Industry Activities and Affiliations**

### *Broker/Dealer Affiliation*

As mentioned previously, First Allied is a dual registrant. A dual registrant is an entity that is both an investment adviser and a broker/dealer. Because First Allied is a dual registrant, many of our officers and principals are engaged in business both with our investment adviser and with our broker/dealer. Some of our officers spend up to 90% of their time on broker/dealer activities, and the remaining 10% on investment advisory activities. Other officers devote 100% of their time to investment advisory activities.

In addition, most of our IARs are affiliated with both our registered investment adviser and the broker/dealer.

Because First Allied is both an investment adviser and a broker/dealer, 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 keeping the investment advisory activities separate from the broker/dealer activities. Ultimately, our IARs will discuss with you which type of business will best help you meet your goals.

### *Related Financial Industry Entities*

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

- Advanced Equities, Inc. ("AEI")
- Advanced Equities Asset Management, Inc. ("AEAM")

We use AEAM as a third-party asset manager in many of our products. AEI is both a registered investment adviser and a broker/dealer. As a registered investment adviser, we do not have any business dealings with AEI. However, First Allied's broker/dealer does have business dealings with AEI.

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 products or services are best for clients.

In addition to the firms listed above, AEFC also owns Greenbook Pension Services, Inc. ("GPSI"). GPSI 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 GPSI. Advanced Equities Pension Services and Associates in Excellence are other names under which GPSI operates.

AEFC also owns First Allied Insurance Services ("FAIS"). FAIS is an insurance general agency that offers insurance products through licensed agents. Most 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 products. We are not responsible for supervising or managing these investment advisers beyond their representatives' activities with First Allied's broker/dealer.

Some of our IARs may work in a 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.

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 real estate agents. Activities related to real estate are not undertaken as part of the IAR's representation of our investment advisers.

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. You should ask your IAR what outside business activities he is involved in and how much time he devotes to them.

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.

## **Code of Ethics**

### *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 all 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 discretion 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 discretion 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.

## **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.

### *Directed Brokerage*

We do not permit clients to direct us to execute transactions through a specified broker/dealer other than First Allied. Because First Allied is both an investment adviser and a broker/dealer, all client transactions are effected through our broker/dealer relationships.



We believe that First Allied allows us to achieve best execution because of their business relationships with Pershing and JP Morgan, 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 product or service that you cannot obtain elsewhere.

#### *Aggregation of Client Trades*

We are under no obligation to aggregate trade orders or to average price transactions. For GPS program accounts, AEAM conducts all the trading and will aggregate trades according to its policies and procedures.

#### **Review of Accounts**

As mentioned previously, each of our IARs is supervised by another of our representatives. Advisory accounts are 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 authority
- purchase of low-priced securities
- trading activity in personal accounts
- having an excessive margin balance
- holding a disproportionate amount of a security in an 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 TPAM is managing your account, some of these surveillances will not be used.

Your IAR may 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.

The custodian of your account will also send you account statements on a monthly or quarterly basis. Although the information we provide in the Albridge 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 the Albridge reports we may deliver to you. Should you note any discrepancies, please contact us at 800-223-0989.

#### **Client Referrals and Other Compensation**

Solicitors are individuals who refer clients to an entity 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 First Allied*

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 this fact. We mitigate any conflicts of interest in relation to these arrangements by ensuring that you will not pay higher fees because of the solicitors agreement.

#### *First Allied 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. 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 arrangement. The investment advisers that we solicit to 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.



#### *Other Compensation Payable to First Allied*

We 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 by 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. We believe that these relationships do not compromise the advice provided by First Allied registered 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. They may also pay for training, educational meetings or conferences, and entertainment for our registered representatives, 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.

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.

#### **Custody**

As mentioned in the “Review of Accounts” section, we do not custody your account assets. Your account assets are custodied by an approved custodian, Pershing. Pershing will send you account statements either quarterly or more frequently. You should review the account statements carefully and compare these account statements with any Albridge reports that your IAR may provide 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 the broker/dealer for delivery to the client’s account with the custodian. Because of this, we meet the regulatory definition of having custody of client securities and are required to hire an independent accounting firm to review our procedures with these certificates. 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 GPS program account be made payable to Pershing.

#### **Investment Discretion**

##### *Overview*

We do not have discretionary authority over your assets. However, when you invest in our GPS program, you are granting AEAM full trading authorization. Full trading authorization allows AEAM to use discretionary trading authority over purchases and sales of equities, fixed income products including bonds and certificates of deposit, options, and any other security traded on a national exchange. By signing the GPS investment advisory agreement you are granting AEAM full trading authorization. We do not have any trading authority over your GPS account.

#### **Voting Client Securities**

We do not accept authority to vote client proxies. However, for GPS program accounts, AEAM will vote proxies on your behalf in accordance with its policies and procedures. You may revoke AEAM’s voting authorization at any time by sending us written instructions naming another person who will vote proxies in the account(s). Information about AEAM’s proxy voting policy is available in AEAM’s Form ADV Part 2A disclosure brochure that your IAR has provided to you.

#### **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.

##### *Our 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.