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advisory services

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



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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 800-223-0989. 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 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

You are receiving a copy of this brochure to ensure you have important information to assist you in making investment decisions about the programs and services described in this document. 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.

The changes that have been made to this document since our annual amendment in March 2011 are summarized below:

- *Ownership Change*

In August 2011, First Allied Securities, Inc. and First Allied Advisory Services, Inc. announced an ownership change. First Allied Securities, Inc. and First Allied Advisory Services, Inc. were purchased by First Allied Holdings, Inc. ("FAH") from Advanced Equities Financial Corp. FAH is owned by Lovell Minnick Partners, LLC, an investment firm that focuses on investments in the financial services industry. In the same transaction, FAH also acquired First Allied Asset Management, Inc. (formerly Advanced Equities Asset Management, Inc.), First Allied Retirement Services, Inc., and FASI Insurance Services, Inc. While the ownership structure has changed for each of these firms, the management structure for each of these firms remains the same. The ownership change for each of these companies is set to be completed on or about November 1, 2011.

- *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 non-wrap programs. If you would like to receive additional non-wrap brochures, or any of our wrap program brochures, please speak to your IAR.



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## Item 4- Advisory Business

The GPS platform hosts several advisory programs that are jointly sponsored. 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 certain of the programs available through the GPS platform. Envestnet provides the trading platform for all GPS accounts. Envestnet is an unaffiliated registered investment adviser and broker/dealer. Both First Allied and FAAS offer other wrap and non-wrap programs, including wrap programs on the GPS platform, that are described in separate brochures. Your IAR will provide you with the appropriate brochures describing these programs upon your request. Throughout the remainder of this text, "we," "us," and "our" refers to both First Allied and FAAS.

### *First Allied's Background*

First Allied Securities, Inc. ("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 required to follow the rules established 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 was founded in San Diego, CA in 1994. In 2011, First Allied Holdings, Inc. ("FAH") purchased First Allied from Advanced Equities Financial Corp. ("AEFC"), who has owned First Allied since 2005. This transaction is set to be completed on or about November 1, 2011. In the same transaction, FAH 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). FAH is owned by Lovell Minnick Partners, LLC ("Lovell Minnick"), an investment firm that focuses on investments in the financial services industry.

First Allied is not a custodian of any accounts. Accounts for the programs on the GPS platform are custodied at either Pershing, LLC ("Pershing") or J.P. Morgan Clearing Corp ("JP Morgan"). Accounts for other wrap and non-wrap programs that First Allied offers are custodied at Pershing, 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.

### *FAAS' Background*

FAAS, a Delaware corporation, is an investment adviser registered with the 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 for investment advisers 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. 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. In 2011, First Allied Holdings, Inc. ("FAH") purchased FAAS from AEFC, who has owned FAAS since 2007. This transaction is set to be completed on or about November 1, 2011. In the same transaction, FAH 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).

FAAS is not a custodian of any accounts. Accounts for the programs on the GPS platform are custodied at Pershing. Accounts for other wrap and non-wrap programs that FAAS offers 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.

### *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 programs 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 programs. This presents a conflict of interest for our IARs because they may have an incentive to recommend a certain advisory program. We address this conflict of interest on page 9. 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 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 AEFC 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.

Robert J. Moses is Senior Managing Director and General Counsel for First Allied Securities and General Counsel for AEFC. Mr. Moses 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.

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 is First Allied's National Sales Manager and has been with First Allied since October 2007. Mr. Reynolds-Hale previously served as the Executive Vice President of Product Marketing and Development at Summit Brokerage Services and as Vice President of Sponsor Relations at LPL Financial Services.

Tiy O'Neal is the Chief Operations 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 Senior Managing Director of Brokerage Compliance at First Allied Securities and serves as 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, Managing Director of Investment Advisory Compliance, 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 First Allied 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 been the Chief Financial Officer of AEFC since September 2004. Mr. Glaser formerly served as the Chief Financial Officer of the Independent Brokerage Group of Wachovia Securities.

Joel Marks is Chairman of First Allied Securities and has served in an executive leadership position since 2005. In addition to his responsibility as First Allied's Chairman, 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 is the Managing Director of Supervision at First Allied Securities. Mr. Merrill previously held the positions of Vice-President – Director of Supervision and Vice President – West Coast Region for First Allied's Supervision Department. Prior to joining First Allied, Mr. Merrill 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.

Craig A. Junkins is Senior Managing Director of FAAS and has served as the senior executive of FAAS since its inception in 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 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 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 Advanced Equities, Inc., a broker/dealer and registered investment adviser that is wholly owned by AEFC.

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 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 investment adviser representative 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 on page 13.

Our IARs are permitted to offer you advisory programs that are managed by themselves or by a third-party asset manager ("TPAM"). The TPAM may be a related party or an unrelated party. Certain of the wrap programs on the GPS platform are managed by an affiliated TPAM, First Allied Asset Management ("FAAM").

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 withstand losing 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 programs. A wrap program 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 program, you are 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 non-wrap programs that we offer are described below. The 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.





### *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.

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

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). Account activity is required to be reviewed quarterly.

The program listed in the next section can be provided to you by your IAR. All of these programs are non-wrap programs. Wrap programs provide a single “wrapped” fee for both investment advisory and brokerage execution services. Non-wrap programs may require that you pay transaction charges based upon the purchases and sales of securities in the managed account. Our other non-wrap programs are described in detail in other disclosure brochures. If you would like information about our wrap programs or our other non-wrap programs, please request this from your IAR.

### *First Allied Advisor Select (“Advisor Select”) Program*

The Advisor Select program allows your IAR to manage your assets with full trading authorization. All IARs who are able to offer the Advisor Select program have been approved to have full trading authorization in all Advisor Select program accounts. (Information about full trading authorization is available in Item 16- Investment Discretion on page 15.)

Since Advisor Select program accounts are managed by our IARs, we require that a Statement of Investment Selection be completed prior to the opening of any Advisor Select program account. In addition to the responsibilities listed above, when you invest in the Advisor Select program, your IAR will be responsible for managing the account as necessary.

The minimum account size for the Advisor Select non-wrap program is \$25,000. Under certain circumstances, this minimum can be waived by acceptance of First Allied. For existing accounts that are transitioned into the Advisor Select program from legacy First Allied programs, First Allied may elect to waive the account minimum.

You should know that we offer a wrap version of the Advisor Select program as well. The wrap version of the Advisor Select program does not have transaction charges associated with the purchase and sale each security, but it has a higher program fee. Depending on the trading activity in the account and the type of securities purchased and sold, the wrap version may be less expensive for you. Your IAR should consider which version of the Advisor Select program would suit you better.

Currently, a limited number of our IARs are approved to offer the Advisor Select program. If your IAR is approved to offer this program, he may not be approved to offer other advisory programs described in different brochures.

In both wrap and non-wrap programs, we will receive a portion of the fees that you pay. You can find out more about the fees we charge for the non-wrap program listed above in Item 5- Fees and Compensation, starting on this page.

### *Managed Assets*

Every year we calculate the amount of assets that we manage. As of December 31, 2010, we manage:

- \$2,109,746,355 in discretionary assets
- \$432,469,282 in non-discretionary assets

Discretionary assets are the assets in accounts that we have the authority to determine what securities to buy or sell. 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**

The fees and other charges that you pay for advisory programs or services that we offer will depend on several factors. The fees for advisory programs are generally based on “Assets Under Management.” This means that the account is charged based on the account balance as of a certain date. Financial planning and 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 programs 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 rest of the 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 and/or JP Morgan 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 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 program or service you select. The program fee is an annual percentage of assets under management, billed quarterly. The program fee is paid to either First Allied entirely, or 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. For example, we may allow your IAR to have a lower program fee because he has a certain amount of assets under management. If your IAR has a different 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. This fee is negotiable and may be different than management fees that are agreed upon for different programs. It may also be different for each client.

#### *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 under no circumstances will we 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.

#### *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 the non-wrap program on the GPS platform is listed here.

#### *First Allied Advisor Select (“Advisor Select”) Program*

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

Pershing or JP Morgan may charge additional transaction fees depending on the type of security purchased or sold. Examples include a foreign securities transaction fee or a securities registration fee. Charges levied by Pershing or JP Morgan are not included in the First Allied advisory fee and are your responsibility.

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





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

Account Size	Program Fee (annually)	Management fee (annually)	Total Advisory Fee (annually)
Up to \$250,000	0.18%	1.82%	2.00%
\$250,000 to \$749,999	0.13%	1.62%	1.75%
\$750,000 and over	0.09%	1.16%	1.25%

#### *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 the Advisor Select program, we may retain a portion of these fees in accounts that are not subject to ERISA.

Our custodians have agreements in place with certain mutual fund companies to allow for transactions in these funds to be executed without transaction fees. Some mutual fund companies have not entered into these agreements, and as a result, clients may pay a fee for transactions in these fund families.

Unless otherwise stated, transactions are effected net of, meaning without, commission. Either you or your IAR may designate certain holdings as **not** eligible to be included in the calculation of the advisory fee. Typically this occurs when your IAR has recently received a commission on the holding.

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. Your IAR should be able to discuss with you the benefits of opening a managed account versus a brokerage or mutual fund account.

In your advisory account, you are responsible for paying various custodian fees. We retain a portion of these custodian fees. Electronic funds and wire transfer fees, transfer taxes, transaction charges, exchange fees, and odd lot differentials are examples of fees that may be charged by the custodian. An account service schedule detailing all these fees will be provided to you upon account opening. Some IARs pay these fees on behalf of their clients.

#### *Brokerage Charges/Commissions*

Your IAR may provide advice to clients on other products he is registered to sell through us. If you implement this advice through your IAR, additional compensation in the form of brokerage commissions may be earned by us, our affiliates, and/or your IAR. We receive transaction-based commissions 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 commission is disclosed in the prospectus or offering documents. This includes mutual funds, insurance products and limited partnerships.

Fixed income transactions may include the commission in the price of the security. This is a principal transaction. We will obtain your signed consent prior to settlement for a principal transaction and disclose to you any compensation we receive for the transaction. For managed accounts involving any brokerage commissions and/or transaction charges, a schedule of these commission/transaction charges is provided to the client in the service schedule that is included in the new account package prior to execution of the management agreement by the client.

#### *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*

Neither First Allied 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, we and our IARs will 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 encourage our IARs to utilize advisory-share class mutual funds, when appropriate, to avoid these fees.

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. 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.



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.

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

## Item 6- Performance-Based Fees

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

## 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.

### *Account Minimums*

Most programs we offer have account minimums (if the program requires an account). The non-wrap version of Advisor Select has an account minimum of \$25,000. We offer wrap programs with minimums as low as \$15,000. If you have questions about the non-wrap or wrap programs not described in this brochure, please ask your IAR to provide you with our other brochures. At our discretion, we may allow you to open an account 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 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 involves risk. Your account value can both increase and decrease over time. You should not invest in any program if you are not prepared to bear a potential loss.

Past performance does not guarantee future results.

### *Our IARs*

If your account is managed by one of our IARs, their specific management style is not discussed in this document. You can find information about your IAR's management style and method(s) of analysis in his Form ADV Part 2B disclosure document, which he will provide to you with this brochure. If you do not receive a copy of your IAR's Brochure Supplement, please call the number on the cover of this document and we will send it to you.

Generally, our IARs use various securities to allocate your portfolio according to your investment objective. These securities may include stocks, bonds, mutual funds, exchange-traded funds, unit investment trusts, certificates of deposit, Treasury securities, insurance products and alternative investments. Each of our IARs is permitted to use his own method(s) of analysis. Many of them use asset allocation software to help them determine objectives and risk tolerance. This software seeks to optimize your portfolio and diversify risk across asset classes appropriately. Some asset allocation software can even aid in selecting specific securities. Some IARs analyze securities individually to determine if those securities should be included in your account.

### *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.

Custody of all GPS platform accounts will be at Pershing or JP Morgan. 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. For Advisor Select program accounts, First Allied 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 GPS platform account, we may be able to combine multiple accounts on the same performance report.

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). Account activity is required to be reviewed quarterly.

The aforementioned programs can be provided to you by your IAR. None of the programs in this brochure are wrap programs. Wrap programs provide a single “wrapped” fee for both investment advisory and brokerage execution services. Wrap program fees are not based on the transactions in an account. Our wrap programs are described in detail in other disclosure documents. When your IAR offers you one of our wrap programs, he will provide you with the appropriate disclosure document.

## Item 9- Disciplinary Information

First Allied 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 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 we failed to reasonably supervise this registered representative.

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

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

We 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 our IARs has been charged with, but not convicted of, a non-investment related felony in the last ten years; at least one of our IARs has been charged with and convicted of a non-investment-related misdemeanor charge. We have been censured by multiple state insurance authorities for failing 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. We, as a firm, have also been found to have failed to supervise adequately in certain instances, by the same regulatory bodies. Some of the firms that we have 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>).

Any disciplinary action brought against your IAR that we deem material to your decision to choose him as your IAR is reported on your IAR’s Form ADV Part 2B Brochure Supplement, which your IAR will deliver to you with this document. 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, First Allied is a dual registrant. A dual registrant is an entity that is both an investment adviser and a broker/dealer. Because we are 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 we are 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 we can offer both, we could be conflicted about which business to recommend to you. We attempt to mitigate this risk by keeping the investment advisory activities totally 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 three other investment advisers (besides us):

- Advanced Equities, Inc. (“AEI”)
- First Allied Asset Management, Inc. (“FAAM”)
- First Allied Advisory Services, Inc. (“FAAS”)

We work closely with both FAAM and FAAS. We co-sponsor programs with FAAS and we use FAAM as a third-party asset manager in many of our programs. 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, our 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 programs or services are best for clients.

In addition to the firms listed above, AEFC 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, Advanced Equities Pension Services, and Associates in Excellence are other names under which FARS operates.

AEFC also owns FASI Insurance Services, Inc. (“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 programs. We are not responsible for supervising or managing these investment advisers beyond their representatives’ activities with our 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 registered investment adviser.

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 adviser. The amount of time that IARs devote to outside business activities varies. Your IAR’s 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 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 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 securities to clients at or about the same time that the IAR (or another supervised person associated with the IAR) buys or sells the same securities for their own account(s). In addition, our IARs are not permitted to use discretionary trading authority on behalf of clients to buy or sell securities at or about the same time that the IAR (or another supervised person associated with the IAR) buys or sells the same securities for their own account(s). We have established surveillance systems that check trading patterns between supervised persons and clients. These surveillances 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.

### *Directed Brokerage*

We do not permit clients to direct us to execute transactions through a specified broker/dealer other than First Allied. Because we are 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 program 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. However, 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.

## Item 13- Review of Accounts

As mentioned previously, each of our IARs is supervised by another of our representatives. 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
- 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. In the Advisor Select program, all of these surveillances will be used.

After the end of each calendar quarter, we create and send performance reports to each client that is invested in our Advisor Select program. These reports have performance information about either one account or multiple accounts of the same investor. The reports we create for you 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.

## Item 14- 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 solicitor's arrangements that our IARs are involved in must be approved by our Compliance department.

### *Solicitors to First Allied or 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 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 solicitation agreement.

### *First Allied or FAAS Acting as a Solicitor*

Our IARs have the ability to refer, or "solicit," clients to other investment advisers. Our IARs can solicit advisory business for both affiliated investment advisers and unaffiliated investment advisers. 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 agreement.

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.

## Item 15- Custody

As mentioned in Item 13- Review of Accounts on page 15, we do not custody your account assets. Your GPS platform account assets are custodied by either JP Morgan or Pershing. In addition to the reports that you will 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 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" field.

We ask that any checks you write for deposit into your account be made payable to the custodian of your account.

## Item 16- Investment Discretion

### *Overview*

We do not have discretion over your assets. However, when you invest in the Advisor Select program, you are granting us full trading authorization. Full trading authorization allows our IAR(s) to make decisions on your behalf regarding purchases and sales of equities, mutual funds, exchange-traded funds, fixed income products including bonds and certificates of deposit, options, and any other security traded on a national exchange. Certain of our IARs are only licensed to buy or sell investment company securities. These IARs have full trading authorization over purchases and sales of those securities only. For all GPS platform accounts, Envestnet is granted trading authority through the GPS investment advisory agreement.

In certain cases, client assets have migrated into the Advisor Select program from another First Allied advisory program. For some of these accounts, the IAR may only have limited trading authorization until the client signs a new GPS investment advisory agreement granting First Allied (and IAR) full trading authorization.

## Item 17- Voting Client Securities

We do not accept authority to vote client proxies. However, your IAR is permitted to aid you in the filling out of the client proxies you receive.

## 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.

### *First Allied's 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.