



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

On November 1, 2011, First Allied Securities, Inc. and First Allied Advisory Services, Inc. were acquired by First Allied Holdings, Inc. ("Holdings"). Holdings is controlled by Lovell Minnick Partners, LLC, an independent private equity firm providing equity capital for leveraged buyouts and private company recapitalizations and growth capital for developing companies. In the same transaction, Holdings also acquired affiliates First Allied Asset Management, Inc. and First Allied Wealth Management, which itself owns First Allied Retirement Services, Inc. and FASI Insurance Services, Inc. While the ultimate ownership has changed for each of these firms, the management structure for each of these firms remains the same.

- *New Advisory Programs*

We have created new advisory programs since our last annual update. Detailed information about each of our advisory programs is included in the appropriate disclosure brochure. We have several wrap fee brochures. This brochure details only some of our wrap programs. If you would like to receive additional wrap brochures, or any of our non-wrap program brochures, please speak to your financial advisor.



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## Introduction

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 Asset Management, Inc. (“Envestnet”) provides the trading platform for all GPS accounts. Envestnet is an unaffiliated registered investment adviser. Both First Allied and FAAS offer other wrap and non-wrap programs, including non-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, 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, headquartered in San Diego, CA, was founded in 1994. On November 1, 2011, First Allied Holdings, Inc. (“Holdings”) purchased First Allied from Advanced Equities Financial Corp. (“AEFC”), who had owned First Allied since 2005. In the same transaction, Holdings acquired several affiliated 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). Holdings is controlled by Lovell Minnick Partners, LLC (“Lovell Minnick”), an independent private equity firm providing equity capital for leveraged buyouts and private company recapitalizations and growth capital for developing companies.

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 (“NFA”).

### *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. On November 1, 2011, Holdings purchased FAAS from AEFC, who had owned FAAS since 2007.

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 in Item 9- Additional Information, starting on page 11. 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 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. Mr. Moses has been with First Allied since 1994. Mr. Moses previously served as General Counsel for AEFC and 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 previously served as the Chief Financial Officer of AEFC from 2004 until 2011. Mr. Glaser also 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. Joel previously served as Vice Chairman and Chief Operating Officer of AEFC and was a co-founder of JWGenesis Financial Corp. where he served as its Vice Chairman and Chief Operating Officer until it was acquired by Wachovia Securities in January 2001. Following the Wachovia acquisition, Mr. Marks served as Senior Vice President and Managing Director of Wachovia Securities through May 2002.

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 unaffiliated broker/dealer(s).

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 the Code of Ethics section of Item 9- Additional Information 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 for both investment advisory and brokerage execution services. This wrap fee is not based on the number of transactions made in your account. It is based on the size of the account(s) we manage for you. If you invest in a non-wrap program, you 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 wrap programs that we offer are described in Item 4- Services, Fees and Compensation, starting on this page. We offer additional wrap programs that are not detailed in this brochure and we also offer several non-wrap programs that are detailed in other disclosure brochures. 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 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 programs listed in the next section can be provided to you by your IAR. All of these programs are wrap programs. Wrap programs provide a single “wrapped” fee for both investment advisory and brokerage execution services. Our non-wrap programs are described in detail in other disclosure brochures. If you would like information about our non-wrap programs or our other wrap programs, please request this from your IAR.

## Item 4- Services, Fees and Compensation

### *Fee Overview*

The fees that you pay for advisory programs or services will depend on several different factors. The fees for advisory programs are generally based on the “Assets Under Management.” This means that the account is charged a fee based on the account balance as of a certain date. 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 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 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 you select. The program fee is an annual percentage of assets under management, billed quarterly. The program fee is paid to us and may be split between us and FAAM, if your program account is managed by FAAM. The 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 in Item 9- Additional Information, starting on page 11).

### *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 we will not allow you to be charged more than this amount. The maximum allowable advisory fee will differ between programs, but is consistent for each IAR. This maximum advisory fee is noted on the investment advisory agreement.

### *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.

The following programs are available on the GPS platform. However, your IAR may not be approved to offer certain of these programs.

#### *Fund Allocator*

The Fund Allocator program is a managed mutual fund strategy that utilizes custom market models from FAAM 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 screened and ranked by FAAM. Fund Allocator is designed to provide you with long-term, risk-adjusted returns. The mutual funds in Fund Allocator represent 13 different asset classes and you have the option of choosing between 10 different asset allocation models (including 5 tax-sensitive models). Occasionally, FAAM will utilize other securities, such as exchange-traded funds (“ETFs”), in the Fund Allocator program in order to provide exposure to an investment theme more efficiently, among other reasons.

The account minimum for Fund Allocator program accounts is \$15,000.

Fund Allocator program 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”)*

The OAS program is a unified managed account strategy that utilizes custom market models from FAAM to produce an asset allocation that facilitates the 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. FAAM acts as the overlay manager for OAS program accounts. An overlay manager is responsible for coordinating trading activities in your account among all of the portfolio managers.

OAS program accounts are 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 program 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%

#### *First Allied Advisor Select ("Advisor Select")*

The Advisor Select program allows your IAR to manage your assets with limited or full trading authorization. This trading authorization may be limited to investment company securities (limited trading authorization) or extend to any security traded on a national or regional exchange (full trading authorization). IARs who wish to have full trading authorization in your account must be approved by First Allied to offer full trading authorization and must receive your permission on the management agreement. (More information about limited and full trading authorization is available in the Investment Discretion section on page 15.)

The minimum account size for the Advisor Select program is \$50,000. 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 non-wrap version of the Advisor Select program as well. The non-wrap version of the Advisor Select program has transaction charges associated with the purchase and sale of each security, but it has a lower program fee. Depending on the trading activity in the account and the type of securities purchased and sold, the non-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.

Account Size	Program Fee (annually)	Management fee (annually)	Total Advisory Fee (annually)
Up to \$150,000	0.45%	2.05%	2.50%
\$150,000 to \$250,000	0.30%	2.20%	2.50%
\$250,001 to \$400,000	0.30%	1.95%	2.25%
\$400,001 to \$750,000	0.10%	2.15%	2.25%
\$750,001 to \$900,000	0.10%	1.65%	1.75%
\$900,001 to \$2,000,000	0.05%	1.70%	1.75%
\$2,000,001 and over	negotiable	negotiable	negotiable

#### *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 Fund Allocator and One Account Select programs, we do not retain these fees. In the Advisor Select program, we may retain a portion of these fees in accounts that are not subject to ERISA.

## Item 5- Account Requirements and Types of Clients

Most programs we offer have account minimums (if the program requires an account). We offer wrap programs with a minimum as low as \$15,000. If you have questions about the wrap programs 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 Fund Allocator and One Account Select program accounts, FAAM must be willing to manage the account below the 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.



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 third-party 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 third-party manager is still suitable for our programs. We call this process “due diligence.”

Our due diligence process for new products or third-party 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. We review an adviser against our guidelines, and as appropriate 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
- In some cases, the investment adviser’s financial statements

We have an internal review committee who reviews this information and decides whether the third-party manager will be approved to manage our program accounts.

Our annual review process for existing products or third-party 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.

FAAM is the only choice for portfolio manager for the Fund Allocator strategy. FAAM is also the only choice for overlay manager for the OAS strategy. By investing in either of these programs, you and your IAR are choosing FAAM as the manager who will make investment decisions for your account. If you select the Advisor Select program, you are choosing one of our IARs to make investment decisions for your account. Others 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 third-party 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 FAAM, one of our affiliates, serves as the manager, we will provide FAAM 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. FAAM is not generally available for you to speak with. However, your IAR may be able to facilitate contact with FAAM on your behalf.

## Item 9- Additional Information

### Conflicts of Interest

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 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 programs will not increase the total advisory fee that you pay for those



programs. 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 platform account is managed by either FAAM or our IAR(s). You can find information on FAAM's methods of analysis and investment strategy by reviewing FAAM's Form ADV Part 2A disclosure brochure, which your IAR will provide to you when offering either the Fund Allocator or One Account Select program. Your IAR will also provide you with a copy of his Form ADV Part 2B disclosure document. If you are investing in the First Allied Advisor Select program, your IAR's Form ADV Part 2B will provide you with information about your IAR's method of analysis and investment strategy.

### **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 or FAAS.



After considering the circumstances, FFP Advisory Services, Inc. decided that it was in its best interests to settle the matter with the state of Indiana. As part of the settlement, 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 another registered investment adviser, First Allied Asset Management, Inc. ("FAAM"). We use FAAM as a third-party asset manager in many of our programs.

A conflict of interest exists due to these affiliations. We attempt to mitigate this risk by ensuring that policies and procedures are in place requiring our IARs to exercise their fiduciary responsibilities when recommending investments to clients. Our IARs' recommendations must only take into account what programs or services are best for clients.

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

Holdings also owns FASI Insurance Services, Inc. ("FAIS"). FAIS is an insurance general agency that offers insurance products through licensed agents. Many agents offering insurance through FAIS are also First Allied registered representatives.

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

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

### *Other Financial Industry Activities*

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

Some of our IARs may work in a bank or credit union location. 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. 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.

## **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 discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest.

Our supervised persons may, however, invest in the same securities that the IAR or another supervised person recommends to clients. This presents a conflict of interest. This conflict is mitigated by our COE and Compliance Manual. Our IARs are not permitted to disadvantage clients while trading their own accounts. We also have surveillances in place that allow us to ensure that this conflict is avoided.

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

## **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 Fund Allocator and One Account Select program accounts, FAAM directs all the trading to Envestnet, who then aggregates 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 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. 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.

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 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 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 solicitor's 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 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 Us*

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. GPS platform account assets are custodied by Pershing and JP Morgan. Pershing and/or JP Morgan 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 platform account be made payable to either Pershing or JP Morgan.

### **Investment Discretion**

#### *Overview*

We do not have discretion over your assets. However, when you invest in any of our GPS platform programs, you are granting either limited or full trading authorization to FAAM and/or our IAR(s), depending on which advisory program(s) you select. If you select Fund Allocator or One Account Select, you are granting full trading authorization to FAAM. If you select the Advisor Select program, you are granting either limited or full trading authorization to your IAR. If you select full trading authorization, you will indicate as such on the GPS Investment Advisory Agreement. Limited trading authorization allows your IAR to make decisions on your behalf regarding purchases and sales of investment company securities. Investment company securities include mutual funds, unit investment trusts, and exchange-traded funds. Full trading authorization allows FAAM and/or 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 only have the option of being granted limited trading authorization in the Advisor Select program. 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 a legacy 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.

### **Voting Client Securities**

We do not accept authority to vote client proxies. However, for Fund Allocator and One Account Select program accounts, FAAM will vote proxies on your behalf in accordance with its policies and procedures. You may revoke FAAM’s voting authorization at any time by sending us written instructions naming another person who will vote proxies in the account(s). Information about FAAM’s proxy voting policy is available in FAAM’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.