

# WEALTH MANAGEMENT PLATFORM SMA AND UMA PROGRAM **PART 2A** **APPENDIX 1** PROGRAM BROCHURE

Current as of September 30, 2018.

**VISION2020 Wealth Management Corp.**

10 Exchange Place  
Suite 1410  
Jersey City, NJ 07302  
(800) 821-5100

This wrap fee program brochure provides information about the qualifications and business practices of VISION2020 Wealth Management Corporation. If you have any questions about the content of this brochure, please contact us at 800-821-5100. VISION2020 Wealth Management Corporation is registered with the Securities and Exchange Commission (SEC) as a registered investment adviser. Registration does not imply any level of skill or training. 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.

Additional information about VISION2020 Wealth Management Corporation also is available on the SEC's website at **[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**.

## **Item 2 - Material Changes**

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes. The last amendment of the Wealth Management Platform – SMA and UMA Program, Part 2A – Appendix 1 (“Appendix-1”) was March 30, 2018. Since the last amendment, the following material changes to the Appendix-1 have occurred:

- Item 4 – Services, Fees and Compensation: Services expanded to allow for investment strategies created by Advisory Representatives.

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## Item 4 - Services, Fees and Compensation

The Wealth Management Platform – SMA and UMA Program (“Program”), sponsored by VISION2020 Wealth Management Corp. (“VISION2020”, the “Firm,” “us” or “we” or “our”), an SEC-Registered Investment Adviser, is an investment management program that provides you with access to multiple investment managers who provide investment advice to your portfolios consisting of individual stocks, bonds, exchange traded and mutual funds. VISION2020 is a subsidiary of Advisor Group, Inc., a wholly-owned subsidiary of Advisor Group Holdings, Inc., which is owned by a consortium of investors that includes Lightyear Fund III, L.P. (an investment fund affiliated with Lightyear Capital LLC) and PSPIB Lunar Investments Inc. (a wholly-owned vehicle of the Public Sector Pension Investment Board).

The Program is presented to you by Investment Adviser Representatives (“Advisory Representatives”) of a registered investment adviser (“Advisor”) that may be a Related Person (as defined in Form ADV) to us. Please refer to the Advisor’s Form ADV, Part I to determine if your Advisor is a Related Person to us.

To join the Program, you will enter into an investment advisory client agreement (“Client Agreement”) with us and your Advisor. We have a master agreement with Envestnet Asset Management (“Envestnet”), which in turn has a separate agreement with each of the investment managers in the Program (“Third Party Managers”). Certain investment managers available in the Program that provide asset allocation services in mutual funds and exchange traded funds (“ETFs”) have agreements directly with us (“Strategists”). (Together the Third Party Managers and Strategists are referred to as “Investment Managers”). Neither we nor Advisor exercises investment discretion over your assets allocated to Investment Managers. Each Investment Manager directs your Advisor’s clearing firm, Pershing, LLC or on a limited basis, National Financial Services, LLC (collectively, “Custodian”), to effect transactions for your Program account.

### Advisory Services

Your Advisor will recommend Program investment options consisting of:

- a) Investment Strategies created by Investment Managers or your Advisory Representative that consist of a selection of mutual funds, exchange traded products, equities or bonds;
- b) mutual funds and ETFs (“Funds”);
- c) or a combination of the preceding bundled together in an investment asset allocation model (individually or collectively, “Program Investments”).

The actual Program Investments recommended to you will depend on your suitability as determined by you and your Advisory Representative. Program Investments will be managed in one or a series of Separately Managed Accounts (collectively, “SMA Account”) or in a Unified Managed Account (“UMA Account”) as further described below. All investment recommendations are made on a discretionary basis meaning we do not need to obtain your specific authorization is not required prior to selecting Program Investments or executing each transaction.

An initial minimum balance of \$50,000 is required to open the UMA and a \$100,000 initial minimum balance is required to open the SMA.

All Program Investments (including the investments of Investment Managers) will be held by the Custodian in a single custodial brokerage account or multiple custodial brokerage accounts as referenced above. To participate in the Program, you agree to establish such brokerage accounts (individually or collectively, “Program Account”) on a fully disclosed basis with the Advisor’s associated broker-dealer.

Your Advisor will recommend Program Investments suitable for you. Suitability will be determined through your responses to a risk tolerance questionnaire (“Questionnaire”) and/or discussion between you and your Advisory

Representative regarding among other things, investment objective, risk tolerance, investment time horizon, Program Account restrictions, and overall financial situation.

We, through a sub-agreement with Envestnet Asset Management, Inc. (“Envestnet”) will: i) provide you and your Advisor with Program Investment research, ii) suggest asset allocation models and specific Program Investments to place within the recommended asset allocation models, iii) generate, on a quarterly basis, a report outlining your Program Investment performance, iv) calculate the quarterly advisory fee and instruct the Custodian to withdraw the fee from your Program Account, v) provide a web site and associated technology to assist you and your Advisory Representative with the selection of Program Investments and generation of the Investment Strategy Proposal and other associated documents, vi) direct the investment, reinvestment and periodic rebalancing of Program Investments in the Program Account, in accordance with the information and instructions provided by you and your Advisor and vii) provide overlay account management to UMA Accounts to coordinate trading activity, rebalancing, and optional tax management and socially responsible services.

## **Program Account Types**

Program Investments may be managed in one or a series of Separately Managed Accounts (collectively, “SMA Account”) or in a Unified Managed Account (“UMA Account”) as further described below.

### **SMA Account**

An SMA Account will contain either one or multiple Investment Managers with each Investment Manager investing according to a specific model or strategy and each in their own custodial account. The SMA Account may also contain Funds, generally used to compliment the Investment Managers employed within the SMA Account and when the recommended allocation to an asset class is too small for an Investment Manager to manage.

After you discuss your financial goals and objectives with your Advisory Representative and after the relevant information is processed, the Program will provide an asset allocation model which consists of asset allocation targets or managed sleeves (“Sleeves”) across various asset classes and investment strategies. Your Advisory Representative selects which Investment Managers and Funds will be contained within each asset allocation Sleeve. Upon suitability determinations made by you and your Advisory Representative, your Advisor has the option to adjust the aforementioned asset allocation targets, within predetermined limits.

### **UMA Account**

A UMA is a discretionary type of account, which means we, your Advisory Representative, the Investment Manager, and/or Envestnet may make allocation changes or trades without your prior approval. Based on your financial goals and investment objectives, your Advisory Representative, at his or her discretion, creates an asset allocation model using one or more Sleeves. Sleeves are assigned investment strategies created and managed by Investment Managers, your Advisory Representative (from a selection of mutual funds, exchange traded products, or equities), or fund managers.

Unlike the SMA Account, all Investment Manager investments, Funds and ETFs will be held in a single custodial account. Overlay management is provided to coordinate the trading activities of UMA Investment Managers, rebalancing, and optional tax management and socially responsible services.

## **Trading**

You grant discretion to us, your Advisory Representative, the Investment Manager, and/or Envestnet to purchase and sell securities without your prior consent according to your stated investment objectives.

We utilize Envestnet, an independent investment adviser, to execute the transactions on your behalf. Envestnet will use discretionary authority to execute securities transactions that are recommended by the Investment

Managers. Envestnet acts to coordinate UMA trading activity including whether and how to implement trading instructions received from Investment Managers and/or your Advisory Representative.

## **Best Execution**

In placing orders for purchase and sale of securities and directing brokerage to effect these transactions, Envestnet seeks to obtain prompt execution of orders at the most favorable conditions. In doing so, Envestnet considers a number of factors, including, without limitation, the overall direct net economic result to the Client, the financial strength, reputation and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future and other factors involved in the receipt of brokerage services. In general, Envestnet routes trades directly to the Pershing or NFS (as applicable).

## **“Step-out” Trades**

Occasionally, in order to obtain best execution and minimize market impact, certain thinly traded securities, illiquid or ETF trades, for example, can be “stepped-out” in order to gain best execution and minimize market impact. In some instances, stepped-out trades are executed by the other firm without any additional commission or markup or markdown, but in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If trades are placed with a firm that imposes a commission or equivalent fee on the trade, including a commission that may be imbedded in the price of the security, the client will incur trading costs in addition to the fee you pay your Advisory Representative. It is important to know that you may pay a commission in addition to your advisory fee for those stepped-out trades. Envestnet has procedures in place to monitor these transactions. Envestnet’s Best Execution Committee meets quarterly to review the results of the documented monitoring conducted during the quarter. We periodically review Envestnet’s procedures and results may rely on a third-party review as well.

## **Transaction Aggregation**

Envestnet may aggregate transactions in the same security on behalf of more than one client to facilitate best execution and to possibly reduce the price per share and other costs. Envestnet effects the aggregated transactions in a manner designed to ensure that no participating client is favored over any other client. With respect to the aggregated order, you will participate at the average share price for all of the Envestnet transactions in that security on that business day. When possible, securities bought or sold in an aggregated transaction are allocated pro-rata to the participating Client’s accounts in proportion to the size of the orders placed for each account. When Envestnet is unable to fully execute an aggregated order, Envestnet will allocate such transactions on a pro-rata basis or in a manner Envestnet determines in good faith to be a fair and equitable allocation.

## **Tax Management**

You can elect to have the following tax-management services added to your Program Account.

- *Tax Sensitive Overlay:* Using predefined parameters, this service employs a rebalancing process that utilizes tax-aware portfolio management techniques that seek to better maximize expected after-tax returns on a risk-adjusted basis.
- *Tax Management Service:* Using more customizable parameters, this service seeks to control or customize the realization of large unrealized gains that may be embedded in a Program Account.

Employing either of the above referenced services may:

- Limit the universe of Program Investments available for Program Account investment.
- Cause a divergence in Program Account performance if such services were not selected.

- Limit performance reporting capabilities.

## **SRI Screens**

You can elect to apply a Socially Responsible Investing Screen (“SRI Screen”) to your Program Account. The screen is designed to restrict the Program Account from purchasing Program Investments of companies associated with certain industries such as Tobacco, Firearms and Gaming.

Employing an SRI Screen limits the universe of Program Investments available for Program Account investment and cause a divergence in Program Account performance if such screens were not selected.

## **Program Costs**

You will be charged an annual fee based upon the value of the Program assets you have under management which covers management, administrative and transaction costs (“Account Fee” or “Wrap Fee”).

Depending upon the level of the Account Fee, the amount of portfolio activity in your Account, the value of custodial and other services provided under the Program and other factors, the Wrap Fee may or may not exceed the aggregate cost of such services if they were to be provided to you separately.

Your Account Fee will bill quarterly, in advance, based upon the market value of the Program assets as of the last business day of the preceding calendar quarter. Quarterly Account Fees are determined by prorating the applicable rate in the annual Account Fee schedule for the number of calendar days for each quarter. The initial Account Fee schedule is illustrated in the Statement of Investment Selection (“SIS”). In the event that additions to, or withdrawals from, the account are made in excess of \$10,000 during any given quarter, the Account Fee will be adjusted on a pro-rata basis to the account from which the charge was debited. Adjustments are calculated as follows:

- a. Prior fees paid in advance for the remaining calendar days in the quarter, as of the date of the addition or withdrawal, will be refunded (“Prior Fees Paid”).
- b. Fees will be recalculated for the remaining number of calendar days as of the date of the addition or withdrawal (“Recalculated Fees”). Recalculated Fees are determined by pro-rating the applicable rate in the annual account fee schedule for the number of calendar days remaining in the quarter.
- c. The applicable rate for the Recalculated Fees will be determined based on the market value of the assets as of the date of the addition or withdrawal. This may result in a different rate for Recalculated Fees versus Prior Fees Paid for the same period.
- d. The net difference of the Recalculated Fees and the Prior Fees Paid may result in a credit or debit to the account.

## **Schedule of Account Fees**

The Account Fee is composed of two components, the “Program Fee” and the “Advisory Fee.” The rates charged for these components are determined based several factors described in more detail below, including but not limited to Investment Manager selected, the size of your account, services provided, and the Advisory Fee negotiated. The annual Account Fee schedule applied to your account will not exceed 2.75% of Program Assets.

The Account Fee charged in any given quarter will be reflected in the account statements sent to client. In addition, clients can request a fee statement from the Advisor at any time which will reflect the amount of the quarterly Account Fee and the asset-based fee rate applied.



## ***Advisory Fees***

Subject to the maximum Account Fee limitations, each Advisory Representative: (i) negotiates with clients their own Advisory Fee schedule, and (ii) determines on a client by client basis the Accounts that will be included in the same “household” for purposes of calculating the Account Fee.

Advisory Fees and terms are negotiated on a case-by-case basis, depending on a variety of factors, including the nature and complexity of the particular service, the requirements of your particular Advisory Representative, your relationship with your Advisory Representative, the size of the Account, the amount of work anticipated and the attention needed to manage the Account, among other factors.

The maximum Advisory Fee for the Program is 1.75% of the market value of the Program assets. The Advisory Fee is primarily paid to your Advisory Representative for services provided on behalf of the Advisor as outlined above. Your Advisory Representative’s supervisor and associated Broker-Dealer typically also receive a small portion of the Advisory Fee for supervisory and administrative services.

## ***Program Fees***

Program fees are those that we, each Investment Manager charge you for investment advisory services. Portions of the Program Fee are remitted to: 1) Investment Managers, for investment management services, 2) Envestnet, for services provided through sub-agreement with us as referenced above and 3) the Custodian, for execution of transactions with respect to assets and custodial services. The remainder of the Program Fee is retained by us or our Related Persons.

Subsequent to initial Client approval of the account asset allocation and the Investment Managers, Funds and ETFs that will be contained within each asset allocation sleeve, the asset allocation for the Program Account may be adjusted by the Advisor within predetermined limits. Since the Advisory Fee remains constant, to the extent that Investment Managers represent more or less of the assets in the client Program Account, the Program Fee rate and ensuing Account Fee rate can increase or decrease each quarter depending on total account value and the fee rates charged by the Investment Managers in the Program Account. The Program Fee is made up of 1) the fee charged by the Investment Manager, 2) Envestnet, custodian and related party fees and, if selected, 3) overlay and tax management fees. The cost of each of these fees is described below.

### ***1. Investment Manager Fees***

Different Investment Managers charge different fee rates for the provision of their investment management services to the Program. The fee earned by Investment Managers range from 0% to 1.4% per year. To the extent that Investment Managers are added or removed in any given quarter from a client’s Program Account, the Investment Manager Fee and, as a result, the Program Fee can increase or decrease depending on the fee rate charged by the Investment Manager.

### ***2. Envestnet, Custodian, and Related Party Fees***

Envestnet Custodian and Related Party Fees can range up to 39 basis points (.39%) for SMAs and 44 basis points (.44%) for UMAs.

Depending on the aggregated total Account Fee billings of all clients maintained by an Advisory Representative in the Program, we or our Related Persons provide the Advisory Representative Program discounts (ranging from a 10% to 80% of the fees retained by us and our Related Persons). An Advisory Representative’s compensation will increase or decrease by the amount of the discount received, but your Account Fee and cost will remain unchanged.

### 3. *SRI Screen and Tax Management Overlay Fees*

An additional 10 basis points (.10%) will be added to your SMA Program Fee if you elect the Tax Management Overlay or Tax Management Service. Furthermore, an additional 10 basis points (.10%) will be added to your Account Fee if you employ the use of an SRI screen.

#### **Methods of Calculating Account Fees**

Your Account Fee will be billed using either the “Tiered” or “Linear” method. To illustrate, please refer to the sample billing schedule below:

Total Account Value:	Account Fee:
\$0 - \$249,999	X%
\$250,000 - \$499,999	Y%

- Under the Tiered billing method, a Total Account Value of \$400,000 would be billed as follows: the first \$249,999 would be billed at X% with the remaining \$150,001 to be billed at Y%.
- Under the Linear billing method, a Total Account Value of \$400,000 would be billed at Y%.

The SIS designates how your Account Fee is calculated.

#### **General Information Concerning Fees and Other Client Charges**

You will bear a proportionate share of the fees and expenses of any Funds selected and for money market funds used as “sweep vehicles” for uninvested cash balances. These fees and expenses may include investment advisory, administrative, distribution, transfer agent, custodial, legal, audit and other customary fees and expenses related to investment in Funds and are in addition to the Account Fee. Please read the prospectuses of the funds selected for a more complete explanation of these fees and expenses.

You have the option to purchase shares of mutual funds outside of the Program directly from the mutual fund issuer, its principal underwriter or a distributor without purchasing the services of the Program or paying the Account Fee on such shares (but subject to any applicable sales charges). Certain mutual funds are offered to the public without a sales charge. In the case of mutual funds offered with a sales charge, the prevailing sales charge is determined by the mutual fund (as described in the mutual fund prospectus) and may be more or less than the Account Fee.

Additionally, you will bear a proportionate share of any fees and expenses associated with American Depository Receipts (ADRs)<sup>1</sup>, Global Depository Receipts (GDRs)<sup>2</sup> and Real Estate Investment trusts (REITs)<sup>3</sup> in which your assets are invested and may also bear any fees and expenses associated with converting non-US securities into ADRs or GDRs.

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<sup>1</sup> “ADRs” are receipts issued by a US bank or trust company that evidence ownership of non-US securities and are traded on a US exchange or in the over-the-counter market.

<sup>2</sup> “GDRs” are receipts issued generally by a non-US bank or trust company that evidence ownership of non-US securities.

<sup>3</sup> “REITs” are corporations or business trusts whose shares are usually traded publicly, investing primarily in income producing real estate and/or real estate related loans or mortgages.

Certain mutual funds assess 12b-1 distribution fees as described in each mutual fund's prospectus. The 12b-1 fees received by us or our broker-dealer affiliates will be credited to the client.

There are additional fees relating to IRA and Qualified Retirement Plan accounts that you normally incur such as maintenance and termination fees. You will find these fees disclosed in the account application paperwork provided to you associated with these accounts.

Accordingly, you should review the Account Fee and the other fees outlined above to fully understand the total amount of fees you pay.

Depending upon the level of the Account Fee, your Advisor can receive more compensation:

- 1) as a result of your participation in the Program than if you participate in other programs that your Advisor offers.
- 2) as a result of charging you the Account Fee which wraps management and transaction costs into one fee rather than having you pay for management and transaction costs separately.

As such, your Advisor could have a financial incentive to recommend the Program to you over other programs or services.

You or your Adviser Representatives may purchase or transfer certain securities products outside of an advisory account, but which are held in the client's advisory account. Though these assets are not subject to the advisory account fee, you should be aware that that the purchases are subject to commissions or loads which are earned by the Advisory Representative.

## **Sweep Programs**

The term "Free Credit Balance" refers to the credit balance that remains in a brokerage account after all purchases are made and are free from withdrawal restrictions. A free credit balance generally originates from dividends, interest payments, and/or security sales and may be used at any time to purchase more securities.

Your Program Account is maintained at Pershing or NFS which are the clearing agents for Royal Alliance Associates, Inc., SagePoint Financial, Inc., FSC Securities Corporation and Woodbury Financial Services, Inc. in each firm's capacity as a broker-dealer (collectively, the "Advisor Group Firms"). The Free Credit Balance will be automatically deposited or "swept" into a cash sweep investment ("Sweep Investment"). There are two types of Sweep Investments that may be utilized for your Program Account, as determined by the type of Program Account maintained by you and approved by you.

### **Sweep Program – Pershing Accounts**

New accounts custodied at Pershing will be eligible for the Pershing sweep program (the "Pershing Sweep Program"). The Pershing Sweep Program allows you to automatically transfer free credit balances to a deposit account at one or more banks whose deposits are insured by the Federal Deposit Insurance Corporation (the "Advisor Group FDIC Insured Deposit Program" or the "FDIC Program"), or, in limited cases, a money market mutual fund product (the "Money Market Mutual Fund Program"). If an account custodied at Pershing elects the Pershing Sweep Program, free credit balances will default to an eligible sweep product, as outlined below.

## FDIC Program

The FDIC Program is offered to the following types of accounts custodied at Pershing:

1. Non-IRA retail brokerage accounts.
2. Pershing IRAs.
3. SunAmerica Trust Company (STC) IRAs.

Free credit balances in a deposit account may earn interest that is compounded daily and credited to your account monthly. Interest begins to accrue on the date of deposit within banks participating in the program ("Program Banks"), through the business day preceding the date of withdrawal from the deposit account. The daily rate is 1/365 (or 1/366 on a leap year) of the interest rate.

The Advisor Group Firms will receive a maximum monthly per account fee of \$22 for services in connection with maintaining and administering the FDIC Program (the "FDIC Program Account Fee"). The FDIC Program Account Fee is not based on the amount of assets in the FDIC Program or your Program Account and does not depend on or vary with (and is not affected by), the actual amounts held in the deposit accounts or your Program Account.

The FDIC Program Account Fee will generally be paid on your Program Account's behalf by the Program Banks; however, the fee may be deducted directly from your Program Account if, for example, the amounts paid by the Program Banks are insufficient to cover the FDIC Program Account Fee.

The Advisor Group Firms may waive any portion of the fee, or the fee in its entirety, received from the Program Banks.

Your Advisory Representative will not receive any portion of the fees paid by the Program Banks. The amount of fees received by Pershing, the Advisor Group Firms, and any other service provider, will affect the interest rate paid on your deposit account(s).

For additional information about the FDIC Program, please refer to the Advisor Group Firms' Sweep Program Terms and Conditions.

## **Money Market Mutual Fund Program**

Free credit balances in the following brokerage account types will be automatically swept into the Federated Government Reserves Fund ("Fund") (GRFXX), which is managed by Federated Investors ("Federated"):

- All ERISA Title 1 account types, including Profit sharing plans, 401(k), Roth 401(k), Simple 401(k), Individual 401(k), qualified deferred compensation plans, defined benefit plans, target benefit plans, and money purchase pension plans; and
- All 403(b)(7) accounts.

The Fund invests primarily in a portfolio of short-term U.S. Treasury and government securities and seeks to maintain a stable share price of \$1.00.

The Advisor Group Firms and Pershing may receive additional compensation, in the form of distribution assistance from the Fund.

## **Sweep Program – NFS Accounts**

For accounts custodied at NFS, the NFS Sweep Program allows you to automatically transfer free credit balances into a money market mutual fund product ("Money Funds") as outlined below.

- Fidelity Government Capital Reserves Fund (FZAXX). All taxable (non-qualified) accounts for individual/joint accounts as well as entity/corporate accounts.
- Fidelity Government Fund – Daily Money Class (FZBXX). All IRA in which NFS serves as the IRA Custodian,

The Money Funds are managed by Fidelity Management & Research Company and seek to preserve a net asset value of \$1.00 per share.

The Advisor Group Firms and NFS may receive additional compensation, in the form of distribution assistance from the Money Funds.

### **Material Conflicts of Interest**

For the NFS Sweep Program and Pershing Legacy Accounts, a conflict of interest arises as a result of the financial incentive for the Advisor Group Firms through offering a Sweep Investment that generate third party payments for the Advisor Group Firms. Since additional compensation is earned by the Advisor Group Firms through its Sweep Investment, a conflict of interest also arises as a result of the economic benefit derived by the Advisor Group Firms when cash balances are swept into the Sweep Investment, rather than being reinvested in other investment funds or securities.

In addition, a conflict of interest arises as a result of the financial incentive for the Advisor Group Firms to recommend and offer a Sweep Product that may be viewed as a proprietary product, and that generates additional compensation. The foregoing conflicts of interest are mitigated under the Advisor Group Firms' Policies and Procedures that have been adopted for this purpose, and by the fact that the Advisory Representative who makes investment recommendations for your Program Account does not receive any economic benefit from these payments.

### **Distribution Assistance**

For additional information on such distribution assistance, please visit [www.royalalliance.com](http://www.royalalliance.com); [www.sagepointfinancial.com](http://www.sagepointfinancial.com); [www.joinfsc.com](http://www.joinfsc.com); [www.joinwoodbury.com](http://www.joinwoodbury.com) and refer to the "Indirect Compensation" section underneath the "Disclosures" link, or you may refer to the Fund's prospectus or your Advisory Representative for additional information related to such fees. In an effort to maintain a positive yield to a customer, a Fund company may reduce or waive a portion or all of its internal management and/or distribution fees. Please consult the Fund's prospectus, or your Advisory Representative, for additional information on such fee waivers.

### **Section 31 SEC Transaction Fee**

In accordance with Section 31 of the Securities Exchange Act of 1934, self-regulatory organizations (SROs) -- such as the Financial Industry Regulatory Authority (FINRA) and all of the national securities exchanges -- must pay transaction fees to the Securities and Exchange Commission (SEC) based on the volume of securities that are sold on their markets ("Section 31 SEC Transaction Fee"). The Section 31 SEC Transaction Fee is designed to recover the costs incurred by the government, including the SEC, for supervising and regulating the securities markets and securities professionals. The SROs have adopted rules that require their broker-dealer members to pay a share of these fees. Broker-dealers, in turn, impose fees on their customers that provide the funds to pay the fees owed to their SROs.

Section 31 SEC Transaction Fees imposed on your Program Account are calculated as number of shares multiplied by price per share multiplied by a specified rate set by the SEC; a small fraction of a cent that will fluctuate periodically. The applicable fee will appear on your trade confirmation. To find the current rate for Section 31 transaction fees, please visit the Division of Market Regulation's [Frequently Requested Documents](#) webpage, and click on the most recent Fee Rate Advisory under "Section 31 Fees."

Neither the Firm, your Advisory Representative, nor your Advisor receive any portion of the Section 31 SEC Transaction Fee.

### **Termination of Program Investments**

We reserve the right to terminate the offering of any Program Investment at any time and in any manner. In the event of termination, you will be given reasonable advance notice of the termination.

## **Item 5 - Account Requirements and Types of Clients**

### **Types of Clients**

The Program is available to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, banks as well as other business entities.

### **Minimum Account Size**

The minimum account size for Program Accounts is disclosed above in Item 4. In certain scenarios, the minimum may be waived. This includes but is not limited to instances where the client intends to bring in additional assets or the account depreciates.

## **Item 6 - Portfolio Manager Selection and Evaluation**

All Investment Managers are subject to a due diligence process which includes annual reviews designed to determine if a manager meets a sufficient level of quality and stability through their policies and practices. Investment Managers are evaluated using a variety of data and information from one or more resources, which may include: public or private independent databases, responses to periodic due diligence questionnaires, quantitative and qualitative information, research, performance reports, and other pertinent information concerning the manager. While all Investment Managers are subject to a due diligence process, your Advisory Representative is responsible for determining whether any particular Fund or investment strategy is appropriate and suitable for use by you.

We select Strategists and perform periodic due diligence and reviews to ensure they are suitable for the Program. We select Third Party Managers for participation in the Program from a list provided by Envestnet. The Third Party Managers in the Program selected from the Envestnet list are considered "approved" or "available," depending on the level of due diligence performed. An explanation of how your Advisory Representative selects an Investment Manager can be found in Item 4 of this brochure under *Advisory Services*. If your situation changes and your Advisor determines that a particular selected Investment Manager is not managing your portfolio in a manner consistent with your current goals and investment objectives, your Advisor may recommend a different Investment Manager to re-align with your current stated goals and objectives.

On an ongoing basis, Envestnet reviews Third Party Managers participating in the Program to determine whether they continue to meet Envestnet's guidelines and evaluation criteria. If Envestnet detects relevant information at any time (including qualification and/or performance concerns), we will generally follow Envestnet's recommendation as to whether to continue to include the Third Party Manager as an investment suitable for the Program or add a Third Party Manager to the Program. We receive research, performance information and other information from Envestnet about Third Party Managers but do not independently verify or guarantee the accuracy or validity of this information received from Envestnet, or any other source. Further, there is a chance the performance information that we receive from Envestnet may not be calculated on a uniform or consistent basis.

For approved Third Party Managers, Envestnet employs a multi-phase approach in its evaluation (“Due Diligence”). As part of the Due Diligence, certain types of information are analyzed, including historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed are the Third Party Manager’s Form ADV Part 2 disclosure events, as well as portfolio holdings reports that help demonstrate the Third Party Manager’s securities selection process and the prospectuses of the Funds.

Certain Investment Managers may be added as an accommodation in certain limited circumstances, e.g., clients who wish to join the Program and want to retain previously hired managers not on our list. Your Advisor has the sole responsibility for assisting you in the selection of Investment Managers suitable for your investment objectives.

In addition to Third Party Managers and Strategists, your Advisory Representative may elect to act as portfolio manager for all or part your Program Investments in a UMA. In these cases, Advisory Representative compensation is derived solely from the Advisory Fees described in the aforementioned Schedule of Account fees section of Item 4. Advisory Representatives do not receive separate Investment Manager fees when acting as portfolio manager. Advisory Representatives are selected by their Firms based on various criteria including experience and are not subject to the same selection and review as Investment Managers. You should refer to the relevant Form ADV of the Firm with which your Advisory Representative is associated.

Neither we nor your Advisor make any representations regarding the future performance of any investment strategy of, or security recommended by, any Investment Manager participating in the Program. As always, past performance is not a guarantee of future results.

## **Item 7 - Client Information Provided to Portfolio Managers**

We share your personal identification, account and holdings data with Envestnet, and we or Envestnet will share this information with the Investment Managers as needed. We also share this information with your Advisor.

Your Advisor provides us with access to the following client related information: (i) account opening documents (which include, among other things, your investment objective, risk tolerance and any account restrictions you imposed on management of assets); (ii) your investment guidelines (if applicable); and (iii) reports relating to the performance of your account.

A copy of the Firm’s privacy notice is available in the disclosure section of our affiliated broker/dealers websites: [www.royalalliance.com](http://www.royalalliance.com); [www.sagepoint.com](http://www.sagepoint.com); [www.joinfsc.com](http://www.joinfsc.com) and [www.joinwoodbury.com](http://www.joinwoodbury.com)

## **Item 8 - Client Contact with Portfolio Managers**

### **Client-Advisor Relationship**

You are encouraged to contact your Advisor with respect to any changes regarding your investment objectives, risk tolerance and requested restrictions with respect to management of your Program Investments.

You should direct any questions that you have regarding the Program to your Advisor.

## **Item 9 - Additional Information**

### **Disciplinary Information**

Not applicable. Neither we, nor any of our management personnel have been involved in any disciplinary events that are material to your evaluation of our Program or the integrity of our management.

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

Advisors that offer the Program may be Related Persons to us. You should see the ADV Part 2A of your Advisor that will be provided to you for information regarding any of their other financial industry affiliations and for any associated conflicts of interest.

## **Code of Ethics**

We have adopted a Code of Ethics (the “Code”) to address securities-related conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes our policies and procedures developed to protect your interests in relation to the following topics:

- The duty at all times is to place your interests first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics and to avoid any actual or potential conflict of interest or any abuse of an employee’s position of trust and responsibility;
- The principle that investment adviser personnel should not take inappropriate advantage of their positions;
- The fiduciary principle that information concerning the identity of security holdings and your financial circumstances is confidential; and
- The principle that independence in the investment decision-making process is paramount.

We provide a copy of the Code to any client or prospective client upon request to their Advisory Representative.

In limited circumstances, and in compliance with the Investment Adviser’s Act of 1940, Section 206(3) and the Rules hereunder (collectively, the “Act”), we perform principal or agency cross transactions as such activities are described in the Act.

Individuals who are covered by our Code (“Access Persons”) can buy or sell securities identical to those recommended to you for their personal accounts. In addition, any of our Related Person(s) may have an interest or position in securities which are recommended to you. Our Code requires Access Persons to report their personal securities holdings for review by us.

## **Participation and Interest in Client Transactions**

Third Party Managers that are included in the Program are not Related Persons to us. Your Advisor, who may be a Related Person to us, can recommend or buy and sell securities that it or its Related Persons’ have a financial interest in. Please see the ADV Part 2A of your Advisor for further details on these financial interests and associated conflicts of interest.

## **Trade Confirmation Suppression in Wrap Fee Accounts**

Because your Program Account is managed on a discretionary basis and is offered using the Wrap Account, you will have the option to request that we suppress trade-by-trade confirmations and present a periodic account statement, not less often than monthly. The periodic account statement must contain the same information as is required pursuant to Rule 10b-10 (“Trade Confirmation Suppression Option”). If you choose the Trade Confirmation Suppression Option, you will have the opportunity to signify this request by providing your initials as designated in the “Acknowledgement” section of the SIS.

## **Trade Confirmation Suppression Option**

If you elect the Trade Confirmation Suppression Option, you will be able to later change your mind and request, for no additional cost, trade-by-trade confirmations for any transaction since the date of the last periodic statement, as well as for all subsequent transactions. You will also be able to request, for no additional fee, trade-by-trade



confirmations for previous transactions for up to a one-year period preceding the last periodic statement. If you elect not to receive trade-by-trade confirmations, you will be able to receive an interim update and further details concerning any transactions conducted between period statements without charge, by contacting your Advisory Representatives or by checking our website. In accessing our website, you will be able to view, no later than the next business day after trade date (T+1), all information required by Rule 10b-10. You will also be able to obtain the same information required by telephoning their representative or by requesting the trade-by-trade confirmation for the particular transaction.

If interested in the Trade Confirmation Suppression Option, you should contact your Advisory Representative to obtain more information or to obtain a SIS to request such option.

### **Trade-by-Trade Confirmations**

We will continue to generate and send trade-by-trade confirmations to you should you elect not to request the Trade Confirmation Suppression Option. In no event will we charge you for trade confirmations in Wrap Accounts.

### **Review of Accounts**

Your Advisor periodically reviews your account and contacts you annually. For further account review details, please see the ADV Part 2A of your Advisor.

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

As Program Sponsor, we receive a portion of the Account Fee as described in Item 4 above. For further details on compensation and other economic benefits that your Advisor receives, please see their ADV Part 2A.

### **Revenue Sharing Disclosure**

The Advisor Group Firms maintain revenue sharing arrangements with certain mutual funds, (referred to as "Strategic Partner(s)"). Strategic Partners pay up to 30 basis points (0.30%) of your total purchase amount of a mutual fund. Additionally, some Strategic Partners make a quarterly payment or additional quarterly payment based on the assets you hold in the fund over a period of time of up to 18 basis points (0.18%) per year. Alternatively, the Advisor Group Firms may receive compensation from the mutual fund as: (1) a flat fee regardless of the amount of new sales or assets held in client accounts; or (2) the greater of such flat fee or amount based on assets and/or new sales as referenced above and any ticket charge payments referenced below.

The Advisor Group Firms do not accept the aforementioned mutual fund Strategic Partner revenue sharing payments on sales or assets held in investment advisory accounts of a plan subject to Title I of the Employee Retirement Income Security Act of 1974, described in section 4975(e)(1)(A) of the Internal Revenue Code ("Code") or an individual retirement account or annuity described in Internal Revenue Code section 4975(e)(1)(B) – (F) ("Qualified Advisory Accounts"). Instead mutual fund Strategic Partners will pay a fixed dollar amount annual partnership fee of up to approximately \$475,000 in exchange for certain marketing and services provided by Broker-Dealers in connection with these account types.

Though Advisory Representatives do not receive additional compensation in connection with sales of these products, the Strategic Partners do have greater access to Advisory Representatives to provide training and other educational presentations and product information so that they can serve clients better.

You do not pay more to purchase Strategic Partner investment products through the Advisor Group Firms than you would pay to purchase those products through another broker-dealer. Additionally, revenue-sharing payments received by the Advisor Group Firms are not paid to or directed to Advisory Representatives, and Advisory Representatives do not receive additional compensation for selling Strategic Partner products. Nevertheless, a potential conflict of interest may exist, in that the Advisor Group Firms are paid more if you purchase a Strategic Partner product, and Advisory Representatives may indirectly benefit from Strategic Partner

payments when the money is used to support costs of product review, marketing or training, or for waiver of mutual fund ticket charges.

We maintain policies and procedures to ensure recommendations are suitable and require that Advisory Representatives always act in your best interest. We also maintain a supervisory structure to monitor the advisory activities of your Advisory Representative to reduce potential conflicts of interest. You are encouraged to ask us about any conflict presented.

For additional information, please refer to the "Client Information and Disclosures" section of our affiliate websites: ([www.royalalliance.com](http://www.royalalliance.com); [www.sagepointfinancial.com](http://www.sagepointfinancial.com); [www.joinfsc.com](http://www.joinfsc.com); [www.joinwoodbury.com](http://www.joinwoodbury.com)).

*This information is current as of March 30, 2018. We will update information regarding revenue sharing arrangements as necessary and contact clients as required.*

### **Financial Information**

Your Program assets will be custodied at Pershing, LLC or on a limited basis, at National Financial Services, LLC. The Program does not allow, require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We have no financial condition that might impair our ability to meet our contractual commitments to clients, and has never been the subject of a bankruptcy proceeding.

## **Item 10 - Requirements for State-Registered Advisers**

Not Applicable. We are an SEC registered investment adviser. We are not registered with any State Securities Authority.