

# **TRANSAMERICA FINANCIAL ADVISORS, INC.**

## **FORM ADV PART 2A APPENDIX 1**

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**MARCH 31, 2013**

*This Brochure provides information about the qualifications and business practices of Transamerica Financial Advisors, Inc.'s Wrap Fee Programs. If you have any questions about the contents of this Brochure, please contact us at (800) 322-7161 extension 123-6535. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any State Securities Authority.*

*Additional information about Transamerica Financial Advisors, Inc. is also available at the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

We are a registered investment adviser with the SEC. Our registration as an investment adviser does not imply any particular level of skill or training. The oral and written communications we provide to you, including this Wrap Fee Programs Brochure, is information you may wish to use in considering whether to hire or retain TFA as your advisor.

## ITEM 2 – MATERIAL CHANGES

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This is an amendment filing relating to the Part 2A Appendix 1, Wrap Fee Programs Disclosure Brochure of our Form ADV. This filing is made as of March 31, 2013.

Since our last Part 2A Appendix 1 filing on March 31, 2011, TFA has made clarifying changes to the information contained in this Disclosure Brochure. Material information changes may be reviewed in Items 4 and 9 of this Disclosure Brochure.

When we update this Wrap Fee Programs Brochure, we will either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form).

If you would like another copy of this Disclosure Brochure, you may download it from the SEC website as indicated above, download it at <https://TFA.Transamerica.com>, or contact our Rep Relations Department at (800) 322-7161 extension 123-6535.

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## ITEM 4 – SERVICES, FEES AND COMPENSATION

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### **The Company**

Transamerica Financial Advisors, Inc. (“we/our/us/TFA”) is an investment advisor firm registered with the SEC since 1991. Our name was changed in September of 2009 when one of our affiliate firms merged with us. In January 2012 TFA merged with another affiliate and created a new division of TFA called the Transamerica Financial Group Division (“TFG”). This Disclosure Brochure describes the investment advisory services offered by the TFA Division. The advisory services offered through the TFG Division are disclosed in separate Form ADV Part 2A and Appendix 1 Disclosure Brochures specific to that Division.

TFA is also a general securities broker-dealer firm and have been a member of the Financial Industry Regulatory Authority (FINRA) since 1984. This enables us to provide a full range of financial products to our clients such as stocks, bonds, mutual funds and direct investments. Some of our advisory programs require our investment advisor representatives (“Advisors”) to act as broker-dealer representatives, as well.

We are directly owned by AUSA Holding Company, Transamerica International Holdings, Inc. and AEGON Asset Management Services, Inc. who are indirect wholly owned subsidiaries of the ultimate parent, AEGON N.V., a publicly traded company listed on the stock exchange NASDAQ and trading under the symbol AEG.

### **Services, Fees and Compensation**

At the time we offer you our advisory services, our Advisors conduct interviews with you to determine your financial needs and objectives. They will analyze your current financial situation, investment goals, and present strategies. They will then provide recommendations to you based on their analysis. If your Advisor determines that your investments are best suited within a wrap fee program, your Advisor will offer you one of our three wrap fee programs:

- The Advantage Program
- The Sterling Program
- Transamerica I-Series®

In this Wrap Fee Programs Brochure, we also provide information about two other wrap fee programs that are now *closed to new investors*:

- Elite Capital Advisors
- InterSecurities Managed Account Program

A wrap fee program is an advisory program in which you are charged only one annual fee. Your annual fee will most likely be deducted from your wrap fee program account quarterly either in arrears (at the end of each calendar quarter) or in advance (at the beginning of each calendar quarter). A portion of these annual fees are paid to us and your Advisor for our advisory services. The wrap account fee also covers brokerage and transactions charges associated with placing trades in your account and administration costs associated with maintaining your account.

Each of the five wrap fee programs we offer differ slightly. A more detailed description of the services, fees and compensation for each of our five wrap fee programs is described below.

## **OPEN WRAP FEE PROGRAMS**

*Open to New Investors*

### **THE ADVANTAGE PROGRAM**

#### **SERVICES**

The Advantage Program offers you a fee-based investment management program. This Program is available to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. We have entered into an agreement with Envestnet Asset Management, Inc. ("Envestnet"), whereby we will administer and sponsor the Advantage Program using Envestnet's internet-based platform ("Platform"). Envestnet, in turn, has entered into contractual arrangements with various Third-Party Money Managers ("Money Managers") to develop Model Portfolios ("Model Portfolios") to include in the Platform and the Advantage Program.

Your Advisor can access the Advantage Program web site and offer these portfolios to you. The web site also contains online analytical tools to assist your Advisor in conducting a review of your circumstances and situation. After conducting a suitability analysis, including consideration of your investment objectives, time horizon and risk tolerance, your Advisor will assist you with the selection of one or more Model Portfolios that will meet your investment needs. Your Advisor will ask you from time to time whether

information in your Confidential Client Questionnaire has changed so that updated investments can be made, if warranted. Your information is considered confidential and will be provided to Envestnet.

The Advantage Program offers two types of investment alternatives:

- a. The Advantage Program Separately Managed Accounts ("SMA") offers investment portfolios consisting primarily of individual stocks and bonds that are directed by Money Managers.
- b. The Advantage Program Mutual Fund and Exchange Traded Fund Wrap Account offers professionally managed, model mutual fund and Exchange Traded Fund portfolios designed to match your investment objectives.

As a broker-dealer, we will provide certain services to the investment advisory portion of our business, and the Advantage Program. Your Advantage Program account's transactions will be executed by Envestnet through us. As noted above, we act in the capacity of a broker-dealer whose principal business is executing transactions in mutual funds, variable products, general securities and other investment products. We utilize the clearing and custody services of Pershing LLC ("Pershing"), a BNY Securities Group Company, which is both a registered broker-dealer and registered investment advisor.

In connection with the Advantage Program, Envestnet is a sub-advisor to us. In Envestnet's capacity as a sub-advisor, the firm will:

- be responsible for effecting transactions for TFA's Client accounts based on Model Portfolios selected by the Client and communicated to Envestnet by TFA
- automatically effect one or more transactions for TFA's Client accounts where such transactions are required because one or more Money Managers have re-balanced the underlying Model Portfolios. Transactions executed by Envestnet for TFA Client accounts, under normal circumstances, will mirror those transactions the Money Managers make in their Client accounts with the same investment strategies, unless a TFA Client has placed restrictions on their Advantage Program account.

You are not a client of any of the Money Managers. The Money Managers and Envestnet have entered into agreements in which the Money Managers make their strategies available to Envestnet for use within your Advantage Program account. Your Advisor will assist you in determining whether these strategies are suitable for you. In certain circumstances, Envestnet may not fully follow the Model Portfolios of the Money Managers in investing your funds. For example, thinly traded securities in which the Money Managers invest may not be available to you. In other instances, your self-imposed strategy restrictions might limit your investment. You also may not have sufficient assets

or may not be qualified to take part in a transaction. Other similar circumstances may lead Envestnet to use its investment discretion and not mirror trades of the Money Managers.

You will receive quarterly performance reports describing account performance and positions. In addition to these reports, you will also receive trade confirmations and account statements. Your account statements show your account balance, transactions, positions, deposits, and withdrawals occurring in your account for a specific timeframe. You may elect to suppress trade confirmations. Your trade confirmations and account statements will be sent by our clearing firm, Pershing. Account statements are sent monthly when the account has had activity or quarterly if there has been no activity.

Envestnet will also provide a web based quarterly review of your account showing historical performance, positions and activity. These web based quarterly reports are prepared solely for informational purposes and to assist you in reviewing your account. In the event of a discrepancy between the information on the account statements produced by Pershing and the quarterly reports produced by Envestnet, the Pershing account statements will take precedence. Envestnet's performance reporting is calculated according to industry standards and is applied to each account or combination of several related accounts for a household's or family's assets.

On a daily basis, TFA's Suitability Review Department reviews new activity in advisory accounts held at the custodian, Pershing LLC for deviation from a Client's stated risk tolerance through an automated surveillance program. The purpose of our surveillance is to review the propriety of the transactions occurring in your Advantage Program account. At least annually, your Advisors will meet or speak by telephone with you. This review is intended to help determine whether your portfolio continues to meet your needs. We may also use other third-party systems to help monitor account performance information provided by Envestnet.

You may also incur certain charges imposed by third-parties other than us. These charges may include mutual fund fees and expenses; certain deferred sales charges on previously purchased mutual funds transferred into your account, custodial, and qualified retirement plan fees. We and your Advisor may receive a portion of these third-party fees. Further information regarding charges and fees assessed are available in the product's prospectus.

### **PROXY VOTING**

Unless you provide written instructions to the contrary, we will not vote proxies for you, but will instead advise Envestnet to vote proxies for securities held in your account. You may delegate this authority to vote proxies to another person. Neither we nor Envestnet

will be responsible or liable for failing to vote any proxy where Envestnet has not received such proxy or related shareholder communications on a timely basis. In connection with its responsibility to vote your proxies, Envestnet has adopted a set of Proxy Voting Policies and Procedures. These proxy procedures state that Envestnet will exercise voting rights on all decisions that Envestnet determines have a material effect of the value of a security. You may obtain a copy of Envestnet's Proxy Voting Policies and Procedures and/or information about how Envestnet voted specific proxies, by sending your written request to Envestnet Asset Management, 35 E. Wacker Drive, 24<sup>th</sup> Floor, Chicago, IL 60601, (866) 924-8912.

### **FEES AND COMPENSATION**

You will pay a Total Annual Account Fee ("Fee") as outlined in the Advantage Program's Fee Schedule. The Fee is comprised of our administrative fee and your Advisor's investment advisory fee. This compensation may be more than what your Advisor would receive if you participated in our other programs or paid separately for investment advice, brokerage services, or other service. Therefore, your Advisor may have a financial incentive to recommend this wrap fee program over other programs or services. Your advisory fees may be higher or lower than other fees charged by other Advisors participating in the Advantage Program.

Transaction costs are included in the Fee. Your Advisor's investment advisory fee is negotiable; however the Fee may not exceed 2.50% of the portfolio value. Additionally, the Fee is paid quarterly in advance (at the beginning of each calendar quarter). Upon entering into an Advisory Agreement, you authorize us, through our custodian, Pershing, to collect the Fee owed by debiting your account directly. You will be able to view your Fee statement through the Platform when the statement is sent to Pershing for payment. The payment of the Fee will be reflected on your Pershing account statements.

All brokerage, custodial, and administrative costs associated with this program will be clearly noted on your statements. Envestnet will collect its portion of the fees (the "Envestnet Program Fees") and sub-advisory fees (the "Sub-advisor Fees") from us according to an agreement between us and Envestnet. Of the remaining Fees, we will pay the advisor portion ("the Advisor Program Fee") to the Advisor and retain the Administration Fee. In addition, we will receive a supervision fee based on the Advisor Program Fee. Your participation in this program may cost you more or less than purchasing the Advantage Program's services separately. Factors that impact the overall cost of this program in relation to the cost of the same services purchased separately may include the following:



- ✓ size of the account
- ✓ trading activity in the account
- ✓ types of investments
- ✓ scope of advisory and other services provided by your Advisor

We and your Advisor may also utilize the services of solicitors in establishing client accounts. The referral fee that we pay solicitors is part of your Fee.

## **FEE SCHEDULE**

<b><u>*ADVANTAGE PROGRAM ANNUAL FEE SCHEDULE</u></b>			
<b>SERVICES</b>	<b>TFA'S AND PLATFORM FEES</b>	<b>IAR'S FEE</b>	<b>TOTAL CLIENT FEE</b>
<b>SIGMA PMC MUTUAL FUND SOLUTION</b>	Ranges from 0.00% to 0.88% per year depending on account size	The IAR fee is negotiable for each of the services listed in this schedule.	The total client fee will not exceed 2.50% for all services listed in this schedule.
<b>SEPARATELY MANAGED ACCOUNT PROGRAM/MANAGER BLENDS – FIXED INCOME</b>	Ranges from 0.25% to 1.10% per year depending on account size	The IAR fee is negotiable for each of the services listed in this schedule.	The total client fee will not exceed 2.50% for all services listed in this schedule.

\* Third-Party Money Manager fees and/or custody fees are not included in the above fee schedule.

In addition, you may link “Family Members” Advantage Program accounts for the purpose of billing multiple accounts from a single account or obtaining consolidated quarterly performance reports. “Family Members” are defined to include the client, his or her spouse or domestic partner, as recognized by applicable state law, and client’s children under the age of 21, all of whom reside with client. The Advantage Program Trade Confirmation Suppression & Account Linking Form (TFA10049) must be completed to be eligible for account linking.

## **TERMINATION PROVISIONS**

Your agreement with us may be terminated by providing us a written notice from the individuals whose names are on the Advantage Program Advisory Agreement. A full refund will be paid to you if you terminate your agreement within the first 5 business days. After five business days, any prepaid fees will be prorated and you will receive the unearned portion. The fee (earned portion) is for the services rendered in connection with the termination of the account. Some of the services include:

- transferring the account assets in kind to another custodian of your choice;

- liquidating your account assets as you instruct; or
- issuing you the account proceeds

In the event you choose to terminate your Advantage Program account within the first 12 months, TFA has the ability to assess a \$500 early termination fee. Your agreement will also terminate in the event TFA and Envestnet terminate the agreement between them.

## **THE STERLING PROGRAM**

### **Services**

The Sterling Program offers you a fee-based investment management wrap fee program in which your Advisor will direct and manage your assets. Your Advisor will assist you in determining the suitability of the Sterling Program for you by identifying your investment objectives, time horizons and risk tolerance. Our Advisors will manage your Sterling Program account using their own analysis and research methods; investment style and strategy; and management philosophy. On an ongoing basis, your Advisor will be available for you to receive deposit and withdrawal instructions and to ascertain any changes in your financial circumstances or investment objectives.

Using various asset allocation tools, your Advisor will assist you in choosing securities to purchase and/or sell within your account. When recommending mutual funds, your Advisor will primarily use no-load and load-waived mutual funds. In addition, your Advisor may recommend other types of securities such as stocks, bonds, load waived REITS, and income oriented securities. Many different share classes of mutual funds exist, and some share classes are less expensive than other share classes. Your Advisor is under no obligation to recommend the least expensive share class to you. However, as a fiduciary, we endeavor at all times to act in your best interest. We will permit you to transfer mutual fund class A, B and C shares into your account. However, we place certain restrictions on your Advisor when recommending the purchase of mutual fund class B, C or loaded class A shares for your account.

You are required to deposit a minimum of \$50,000 into your Sterling Program account. You may make additional cash deposits to the account at any time and may withdraw account assets on notice to your Advisor. You may link “Family Members” Sterling Program accounts for the purpose of billing multiple accounts from a single account or obtaining consolidated quarterly performance reports. “Family Members” are defined to include the client, his or her spouse or domestic partner, as recognized by applicable state law, and client’s children under the age of 21, all of whom reside with client. The Sterling Program Linking Form (TFAST00476) must be completed to be eligible for account linking.

You will receive quarterly performance reports describing account performance and positions. In addition to these reports, you will also receive trade confirmations and account statements. Your account statements show your account balance, transactions, positions, deposits, and withdrawals occurring in your account for a specific timeframe. You may elect to suppress trade confirmations. Your trade confirmations and account statements will be sent by our clearing firm, Pershing. Account statements are sent monthly when the account has had activity or quarterly if there has been no activity.

### **Proxy Voting**

You are responsible for directing the manner in which proxies for the securities held within your account are voted. We do not vote proxies on behalf of our clients in our other advisory programs including those managed by third-party money managers. You should refer to the third-party money managers' disclosure documents for a complete description of their proxy voting procedures. These documents will explain whether you will receive proxies or other solicitations directly from the custodian or a transfer agent. In addition, we are not required to take any action or render any advice with respect to proxy voting.

### **Fees and Compensation**

You will pay a Total Annual Account Fee ("Fee") as outlined in the Sterling Program's Fee Schedule ("Schedule"). The Schedule is part of the Sterling Program's Client Agreement, which you will receive and sign prior to opening a Sterling Program account.

The Fee is comprised of our administrative fee and your Advisor's investment advisory fee. The amount of this compensation may be more or less than what your Advisor would receive if you participated in other programs or paid separately for investment advice, brokerage, and other client services. Therefore, your Advisor may or may not have a financial incentive to recommend this wrap fee program over other programs or services. Your advisory fees may be higher or lower than other fees charged by other Advisors participating in this Program.

Transaction costs are included in the Fee. Your Advisor's investment advisory fee is negotiable; however, the Fee may not exceed 2.50% of your portfolio value regardless of the amount of assets under management. Additionally, the Fee is paid quarterly and in advance (at the beginning of each calendar quarter). Upon entering into an Agreement, the Client authorizes us through our custodian, Pershing, to collect the Fee owed in accordance with the Fee Schedule by debiting your account directly. You will be able to view your Fee statement through the Platform on or before your statement is sent to Pershing for

payment. The collection of the Fees will be documented on your Pershing account statements.

### **Fee Schedule**

STERLING PROGRAM ANNUAL FEE SCHEDULE			
RANGE OF ASSETS	TFA'S FEE (INCLUDES SPONSOR AND CUSTODY FEES)	IAR's FEES	TOTAL MAXIMUM FEE
First \$500,000	0.35%	Negotiable	Not to exceed 2.50%
Next \$500,000	0.30%		
Thereafter	0.25%		

Your participation in the Sterling Program may cost you more or less than purchasing this program's services separately. Factors that impact the overall cost of this program in relation to the cost of the same services purchased separately may include the following:

- ✓ size of the account
- ✓ trading activity in the account
- ✓ types of investments
- ✓ scope of advisory and other services provided by your Advisor

You may also incur certain charges imposed by third parties other than TFA in connection with investments made through your account, including, without limitation, the following types of charges which are generally charged by mutual funds and fully disclosed in the prospectus for each fund: 12(b)1 fees, management fees and administrative servicing fees, other transaction charges and service fees, and IRA and Qualified Retirement Plan fees.

We accept discretionary authority to manage your account in the Sterling Program. We also allow certain Advisors to exercise discretion in managing the subaccounts of variable insurance products. Discretionary authority allows the Advisor to decide which securities to purchase and sell for you without your prior consent. This discretionary authority is limited to Advisors who are qualified and have obtained written approval from our firm. You must sign a Discretionary Agreement to authorize your Advisor to have discretion over your account.

### **TERMINATION PROVISIONS**

Your agreement with us may be terminated with a written notice to us from the individuals whose names are on the Sterling Program advisory agreement. The termination will be effective upon receipt of the written notice. If your account is closed within the first six months of being opened, or as a result of withdrawals that bring the account value below the required minimum, TFA reserves the right to retain the pre-paid quarterly Account Advisory Fee for the current quarter in order to cover the administrative cost of establishing the account.

### **TRANSAMERICA I-SERIES® PROGRAM**

#### **Services**

The Transamerica I-Series® Program ("I-Series") is a fee-based separately managed account program based on model portfolios recommended by your Advisor and selected by you. I-Series is available to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. We have entered into an agreement with FOLIOfn Investments, Inc. ("FOLIOfn"), an unaffiliated web-based broker-dealer, to provide custody and brokerage services for I-Series. We have three roles in I-Series:

- administer the Program using FOLIOfn's internet-based platform;
- act as the Sponsor; and
- act as the Investment Advisor

Our Investment Management Team will use discretion to direct your investments without first consulting with you. For instance, we will buy, sell, exchange, convert or otherwise trade only in Exchange Traded Funds, Exchange Traded Notes, Mutual Funds, or other similar securities. At times, we may hold all or a portion of your assets in cash, similar to our other wrap fee programs. Specifically, we will direct and manage your assets as authorized by you and according to your selected asset allocation model or models. In managing your assets, we will primarily use exchange traded products or other similar securities designed to track asset categories in our model portfolios. The I-Series' model portfolios are desirable for clients seeking professional investment management, marketability, liquidity in the investment, and a broad diversification among traditional and non-traditional asset classes. Currently, we offer three types of models:

- strategic asset allocation models that provide varying levels of risk and return;
- alternative asset allocation strategy model; and
- third-party models

In the future, we may adjust our existing asset allocation models and/or create additional asset allocation models.

Some of the mutual funds in which you invest have their own internal fees and expenses.

FOLIO<sup>fn</sup> generally receives, either directly or indirectly, a certain portion of those fees. Such fee arrangements are disclosed in a mutual fund's prospectus.

### **On-Going Portfolio Research and Due Diligence**

TFA's Vice President and Investment Management Team will evaluate at least semi-annually the performance of the model portfolios as well as their underlying holdings.

TFA's Investment Committee has the responsibility of overseeing I-Series. This committee will review the performance of I-Series model portfolios at least semi-annually.

Performance reports and other portfolio statistics will be provided to the committee members at regularly scheduled committee meetings. Material changes made to the asset allocation models or the holdings of the I-Series model portfolios are presented to TFA's Investment Committee for consideration and approval.

### **Custody/Trade Execution**

FOLIO<sup>fn</sup> performs all broker-dealer and clearing functions for I-Series. As the broker-dealer, FOLIO<sup>fn</sup> provides the following broker-dealer functions:

- Executes trades for your I-Series Client account based on your selected model portfolios
- Electronically delivers trade confirms and prospectuses to you
- Provides you with on-line access to your account(s) to view your account holdings, monthly statements, trade confirmations, order status, tax information, performance indicators and statistics, and cash)
- Provides you paper statements upon your request for an additional fee
- Maintains and preserves books and records related to your account(s)
- Electronically distributes new and updated letters
- Collects dividends and interest
- Transmits proxy material
- Transmits and handles tenders and exchanges
- Distributes shareholder communications

- Maintains a TFA Manager interface to create, update and manage I-Series models
- Provides safekeeping of all customer funds
- Provides secure access to all customer information
- Retains BCP procedures for continued operations

Once the account is funded, we will begin to assign the account to the models selected by you and your Advisor. Generally, once the account is assigned to its respective models, the account will be placed in queue for the next FOLIO trading window. Each account that is subscribed to a model will be rebalanced on a quarterly or annual basis depending upon the strategy. Material changes in model holdings will be reviewed and approved by TFA's Investment Committee.

You may instruct us or your Advisor to transfer, switch, or reallocate your assets into existing and new model portfolios by completing and submitting the I-Series Investment Selection form.

### **Your Advisor's Responsibility**

Your Advisor will consult with you to determine your suitability for I-Series and your selection of one or more I-Series model portfolios. When making recommendations, your Advisor will consider your investment objectives, time horizon, risk tolerance, and any other relevant factors.

We require your Advisor to meet with you at least annually to review your account(s). Your Advisor will review your current situation, investment objectives, and suitability of selected investments. When you select I-Series, your Advisor will ask you to notify us of any changes such as your investment objectives, financial circumstances or investment objectives. Your changes may impact your asset allocation model(s) portfolios.

### **Advisors of Other Registered Investment Advisers**

I-Series is available to separately registered investment advisers whose Investment Advisor Representatives are Registered Representatives of us. Such registered investment advisers will enter into a Solicitor's Agreement with us. Through this agreement, the registered investment adviser will receive a portion of the portfolio management fees that you pay us. An Advisor of a registered investment adviser will provide you with various

portfolio management services such as initial consultation to determine financial objectives and recommendations.

These particular Advisors will provide you with a copy of the Solicitor's Disclosure Statement and our Form ADV, Part 2A and Appendix 1.

To participate in I-Series, you must deposit at least \$25,000. We may waive this minimum or you may link assets amongst your other accounts to reach the minimum. Your accounts will be linked through your Social Security Number. You must consider whether the cost of I-Series remains beneficial when account assets are lower than \$25,000. If you have an account with \$25,000 or more in assets, we generally grant an exception to the minimum when you establish another account.

Our business continuity planning program contains procedures to continue the operations of I-Series in the event of a disaster.

### **PROGRAM FEES**

You will pay a Total Annual Account Fee ("Fee") as described in the fee schedule contained in your client agreement. Fees are paid monthly in arrears (at the end of the month), and are prorated if applicable. The Fee compensates us, your Advisor and others including FOLIOfn. Transaction charges are included in the Fee and at no time may the Fee exceed 2.0% of your portfolio value. The Fee is based on an average daily balance of your account during the preceding month.

<b>TRANSAMERICA I-SERIES® ANNUAL FEE SCHEDULE</b>			
<b>RANGE OF ASSETS</b>	<b>TFA'S FEE (Includes Sponsor and Clearing Fees)</b>	<b>ADVISOR'S FEE</b>	<b>TOTAL CLIENT FEE</b>
\$25,000 to \$500,000	0.50%	1.00%	1.50%
\$500,001 to \$1,000,000	0.45%	0.95%	1.40%
\$1,000,001 to \$1,500,000	0.375%	0.875%	1.25%
\$1,500,001 to \$2,000,000	0.325%	0.825%	1.15%
Over \$2,000,001	0.30%	0.80%	1.10%



A quarterly maintenance fee of \$25 per quarter will be assessed to any account that is valued at less than \$100,000. This maintenance fee is in addition to, and separate from the Fee described above. The maintenance fee will be based on the closing value of an account as of the last business day of each calendar quarter. Accounts under the same Social Security Number or Tax Identification number may be linked for the purposes of quarterly fee assessment. *FOLIOfn* will collect the various fees owed by debiting your account directly. The amount of fees will be documented on your *FOLIOfn* statement. Additionally, an Advance Notice IA Billing Report is available to you within your electronic account.

Your participation in this program may cost you more or less than purchasing I-Series' services separately. Factors that impact the overall cost of this program in relation to the cost of the same services purchased separately may include the following:

- ✓ size of the account
- ✓ trading activity in the account
- ✓ types of investments
- ✓ scope of advisory and other services provided by your Advisor

Your Advisor receives compensation as a result of your participation in I-Series. The amount of this compensation may be more or less than what your Advisor would receive if you participated in other programs or paid separately for investment advice, brokerage, and other services. Therefore, your Advisor may have a financial incentive to recommend this Program over other services.

Additionally, we and your Advisor may also utilize the services of solicitors in establishing your account. Solicitors may receive a portion of the Fee paid by you.

### **Account Statements and Performance Reports**

You and your Advisor can access monthly account statements, trade confirmations and performance reports from *FOLIOfn*'s website. *FOLIOfn* will send e-mail notifications to you and your Advisor when statements and confirmations are posted to your account (your electronic filing cabinet). In addition, we provide your Advisor access to Albridge's consolidated reporting package. TFA has entered into an agreement with Albridge for account recordkeeping services. If you wish to receive paper statements or performance reports, you can initiate one of the following:

- request those documents from *FOLIOfn* for an additional fee; or

- request your Advisor to provide them through Albridge, a portfolio management system.

### **Proxy Voting**

We generally do not vote proxies in the Transamerica I-Series® Program unless it has been mutually agreed upon.

When voting proxies for you, our utmost concern is that all decisions be made in your best interest. TFA has established proxy voting policies and procedures and a Proxy Voting Committee. Our Proxy Voting Committee identifies, assesses and addresses any real or potential material conflicts of interest between our interests and yours. We address and resolve these conflicts before we vote proxies on your behalf.

If your account is subject to Employment Retirement Income Security Act of 1974, as amended ("ERISA"), the following will occur:

- you will delegate to us voting rights that are authorized and in compliance with ERISA requirements and applicable plan documents
- we will give you a report, at least annually, about our voting proxies in your account

We will not be responsible or liable for failing to vote any proxy where we have not received such proxy or related shareholder communications on a timely basis. Records of our voting decisions are kept for a minimum of 5 years and will be provided to you upon request. In addition, a copy of our proxy voting policies is available upon your request. All proxy matters are overseen by the Proxy Voting Committee.

### **TERMINATION PROVISIONS**

Your I-Series advisory agreement with us may be terminated by any party effective upon receipt of written notice to the other party. If the agreement is terminated after five business days of signing, your account will be debited for fees earned prior to the termination. All account fees paid to us for investment advice are separate from any additional fees and expenses that FOLIO*fn* may charge for the termination of your account. Please refer to the FOLIO*fn*'s client agreement for more information.

## **CLOSED WRAP FEE PROGRAMS**

### **TFA ELITE PROGRAM**

#### **Services**

On May 21, 2010, we discontinued offering the TFA Elite Program to new investors. Existing investors were permitted to remain in this program to continue to deposit and withdraw monies from their accounts.

Your Advisor assists you in completing a profiling questionnaire and in the selection of a model general securities portfolio. There are four critical areas to determine proper distribution of assets:

- asset allocation between equity and fixed income investments
- investment discipline selection
- suggested number of portfolio managers
- portfolio manager selection

The selection of your model portfolio will be based upon your stated investment objectives, risk tolerance, and financial circumstances. In addition, your Advisor will gather other important information such as income, age, and net-worth to help determine the appropriateness of your selected model portfolio.

Your Advisor will assist you with the completion of all documentation necessary to establish your TFA Elite account. Your information will be forwarded the portfolio manager (“Portfolio Manager”) who will manage your account assets (“Account Assets”) on a discretionary basis. Your Advisor will be available to you on an ongoing basis to receive deposit and withdrawal instructions and to consult with you regarding any changes in your financial circumstances or investment objectives. When there are changes, your Advisor will notify the Portfolio Manager who will continue to manage your account based upon your changes.

Lockwood Advisors, Inc. (“Lockwood”), through a clearing and custody arrangement with its affiliate, Pershing, will provide services such as securities clearing, custody, statements and confirmations. Pershing will execute and clear all purchase and sale orders received from your Portfolio Manager. Pershing will maintain custody of all TFA Elite Program assets. These custodial functions will include the following:

- crediting of interest and dividends on your Account Assets and

- crediting of principal on called or matured securities in your Account

The costs of these custodial brokerage services are included as part of your advisory fee. There are no additional charges for these services.

Pershing will forward confirmations of each purchase and sale to you and, if requested, to your Portfolio Manager. Additionally, Pershing will forward your account statements to you, us, and, if requested, your Portfolio Manager for each month in which activity occurs in your account and each quarter.

Lockwood is the general administrator of the TFA Elite Program. These administrative services include the following:

- ❖ charging and collecting account fees
- ❖ processing deposits and withdrawals within your account
- ❖ providing a web-based tool: Lockwood Advisor Workstation to your Advisor

On a daily basis, the Lockwood Advisor Workstation provides access to the following information:

- account status
- account maintenance service orders
- holdings and values
- tax reporting tools
- transactions
- performance

In addition, Lockwood will provide you and us with quarterly performance reports that analyze the performance of your account. Generally, you will not have any direct contact with your Portfolio Manager.

### **PROGRAM FEES**

You will pay only one fee called a “wrap fee” for all services provided under this Program. You will not incur other charges. Your wrap fee is calculated quarterly in advance (at the beginning of each calendar quarter), based on an annual rate of 2.5% or less of the value of your Account Assets under management. This fee is calculated at the close of business on the last business day of the preceding calendar quarter (or, in the case of the commencement of your TFA Elite account, on assets under management on the first day services are provided). If your account is managed for only a portion of a quarter, your fee will be prorated based upon a ninety day quarter. The minimum account size may vary

depending on the Portfolio Manager(s) selected. Portfolio Managers will generally not accept accounts under \$100,000.

If assets are deposited after the inception of a quarter and subsequently withdrawn prior to the end of the same quarter, the fee charged will be prorated based on the number of days during the quarter the assets were held in your account. For valuation purposes, the assets will be treated as if they were held in your account as of the end of the quarter.

We do not negotiate brokerage commissions within your account. Instead, transactions are effected “net” (that is without commission), and a portion of the wrap fee is generally considered as being in lieu of commissions. Trades are generally executed with Pershing. Therefore, we are not free to seek best price and execution by placing transactions with other broker-dealers.

Your participation in the TFA Elite Program may cost you more or less than purchasing this program’s services separately. Factors that impact the overall cost of this program in relation to the cost of the same services purchased separately may include the following:

- ✓ size of the account
- ✓ trading activity in the account
- ✓ types of investments
- ✓ scope of advisory and other services provided by your Advisor

Your Advisor receives compensation as a result of your participation in the TFA Elite Program. The amount of this compensation may be more or less than what your Advisor would receive if you participated in other programs or paid separately for investment advice, brokerage, and other services. Therefore, your Advisor may have a financial incentive to recommend this program over other services.

## **FEE SCHEDULE**

Your total wrap fee for your TFA Elite account is comprised of four (4) components:

- our fee
- Pershing’s fee
- your Portfolio Manager’s fee
- your Advisor’s fee

The total annual fee will not exceed the stated maximum annual fee as noted in your Client Services Agreement. In some cases, your Portfolio Manager may contract with us for a lower maximum annual fee. Such fees will be assessed on the first day of each calendar

quarter based on the value of your Account Assets under management as of the close of business on the last business day of the preceding quarter as valued by an independent pricing service or otherwise as reflected on your quarterly performance report. Accounts reaching a breakpoint realize the benefit on the total account assets. We offer the group billing system through Pershing to aggregate your related accounts for the purposes of fee schedule breakpoint determination.

The portion of the program fee paid to Portfolio Managers of equity and balanced accounts varies from 65 basis points to 1.05% per year. Portfolio Managers of fixed income accounts are paid 42 to 80 basis points per year.

<b>TFA ELITE PROGRAM</b>				
<b>ACCOUNT SIZE</b>	<b>*EQUITY &amp; BALANCED (Includes Portfolio Manager, Platform, and Clearing and Custody Fees)</b>	<b>*FIXED INCOME (Includes Portfolio Manager, Platform, and Clearing and Custody Fees)</b>	<b>MAXIMUM ANNUAL FEE EQUITY &amp; BALANCED</b>	<b>MAXIMUM ANNUAL FEE FIXED INCOME</b>
\$100,000 - \$200,000	Ranges from  1.05% to  65 basis	Ranges from  80 basis  points to 42	2.50%	2.15%
\$200,001 - \$500,000			2.50%	2.15%
\$500,001 - \$750,000			2.40%	1.80%
\$750,001 - \$1,000,000			2.20%	1.50%
\$1,000,001 -			2.00%	1.50%

<b>TFA ELITE PROGRAM</b>				
<b>ACCOUNT SIZE</b>	<b>*EQUITY &amp; BALANCED (Includes Portfolio Manager, Platform, and Clearing and Custody Fees)</b>	<b>*FIXED INCOME (Includes Portfolio Manager, Platform, and Clearing and Custody Fees)</b>	<b>MAXIMUM ANNUAL FEE EQUITY &amp; BALANCED</b>	<b>MAXIMUM ANNUAL FEE FIXED INCOME</b>
\$2,000,000	points per annum	basis points per annum		
\$2,000,001 - \$5,000,000			1.80%	1.25%
\$5,000,001 - \$8,000,000			1.60%	0.90%
\$8,000,001 - \$10,000,000			1.40%	0.75%
over \$10,000,000			1.10% or negotiable	1.10% or negotiable

\* These ranges of fees do not include your Advisor's fee which is negotiable. However, as noted above your total annual fee will not exceed the stated maximum annual fee of 2.50%.

Through your Client Services Agreement, you will authorize Pershing to deduct all applicable fees from your TFA Elite account. All brokerage, custodial, and administrative costs associated with your TFA Elite account will be clearly noted on your statements.

### **PORTFOLIO MANAGER REVIEW AND SELECTION**

We will provide you with a schedule of Portfolio Managers, which may be modified from time to time. This schedule contains the investment styles and other information pertaining to each of the Portfolio Managers. Those Portfolio Managers listed on the

schedule will enter into agreements with Lockwood, whereby Lockwood will furnish the administrative services.

The Portfolio Manager(s) that you appoint to manage your account will utilize your chosen investment style to initiate transactions through Pershing. Your account will be deemed activated only upon Lockwood receiving notification that the Portfolio Manager has accepted your appointment.

Notification to your Portfolio Manager that your assets are available for investment into the allocated portfolio(s) may take up to 7 business days from when the following criteria are met:

- your account(s) is fully funded
- your account is in good order
- your account documentation has been reviewed and approved by TFA.

#### **TERMINATION PROVISIONS**

You may close your account by submitting notice in writing. If you close your account within the first year or your withdrawals bring your account value below your Portfolio Manager's required minimum, you will be required to pay an early closing fee. We will process this fee which is calculated as the lesser of one additional quarterly fee or \$750.00, in addition to any paid quarterly fee. This early closing fee covers the administrative cost of establishing your account. According to your instructions, Pershing will deliver securities held in your account unless you request that your account be liquidated. After the first four calendar quarters, no early closing fee will apply. Instead you will be entitled to a pro rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter at termination.

#### **INTERSECURITIES MANAGED ACCOUNT PROGRAM**

##### **Services**

On December 31, 2001, we discontinued offering InterSecurities Managed Account Program to new investors. Existing investors were permitted to remain in this program to continue to deposit and withdraw monies from their account.



Your Advisor will assist you in the selection of a model general securities portfolio. The model portfolio may fit one of three categories: conservative, moderate, or aggressive. Your model portfolio may also be any combination of these three.

The selection of your model portfolio will be based upon your stated investment objectives, risk tolerance, and financial circumstances. In addition, your Advisor will gather other important information such as income, age, and net-worth to help determine the appropriateness of your selected model portfolio. Your Advisor will assist you with the completion of all documentation necessary to establish your InterSecurities Managed account. Your information will be forwarded to the portfolio manager ("Portfolio Manager") who will manage your account assets ("Account Assets") on a discretionary basis. Your Advisor will be available to you on an ongoing basis to receive deposit and withdrawal instructions and to consult with you regarding any changes in your financial circumstances or investment objectives. When there are changes, your Advisor will notify the Portfolio Manager who will continue to manage your account based upon your changes.

We utilize the clearing and custody services of Pershing through a clearing agreement. Your account will be maintained at this brokerage firm ("Account Custodian"). We have agreements with the Portfolio Managers participating in the InterSecurities Managed Account Program to direct all trades through us. The costs of custodial and brokerage are included as part of your advisory fee. There is no additional charge to you for these services.

#### **PORTFOLIO MANAGER REVIEW AND SELECTION**

We have not made an independent verification of the qualifications or performance records of the Portfolio Managers. However, TFA's Vice President and our Investment Advisory Team will on a regular basis and at least annually, obtain and review each Portfolio Manager's performance information. The information will be evaluated for accuracy and measured against both industry standards and the Portfolio Manager's objectives. If the Portfolio Manager is underperforming for an extended time period, defined as one year, the appropriate Advisors will be contacted and asked to meet with each of you to discuss the portfolio management performance. After completion of this review, the Vice President, the Investment Advisory Team, the Investment Committee and our RIA Due Diligence Committee will proceed, if warranted, to replace a particular Portfolio Manager. Generally, you will not have any direct contact or consultation with your Portfolio Manager.

You will need to notify your Advisor of the following:

- ❖ any policies or restrictions on your Account Assets
- ❖ any specific objectives concerning your Account Assets
- ❖ any investment decision made by your Portfolio Manager which you consider to be in violation of your policies, restrictions, or objectives.

### **FEES AND FEE SCHEDULE**

You will pay only one fee ("wrap fee") for all services provided under the InterSecurities Managed Account Program. You will not incur other charges. Your wrap fee is calculated quarterly, in advance, based on an annual rate of 2.6% or less of the value of your Account Assets under management. This fee is calculated at the close of business on the last business day of the preceding calendar quarter (or, in the case of the commencement of your InterSecurities Managed Account Program account, on assets under management on the first day services are provided). If your account is managed for only a portion of a quarter, your fee will be prorated based upon a ninety day quarter. The minimum account size may vary depending on the Portfolio Manager(s) selected.

We do not negotiate brokerage commissions within your account. Instead, transactions are effected "net" (that is without commission), and a portion of the wrap fee is generally considered as being in lieu of commissions. Trades are generally executed with Pershing. Therefore, we are not free to seek best price and execution by placing transactions with other broker-dealers.

Your participation in the InterSecurities Managed Account Program may cost you more or less than purchasing this program's services separately. Factors that impact the overall cost of this program in relation to the cost of the same services purchased separately may include the following:

- ✓ size of the account
- ✓ trading activity in the account
- ✓ types of investments
- ✓ scope of advisory and other services provided by your Advisor

Your Advisor receives compensation as a result of your participation in the InterSecurities Managed Account Program. The amount of this compensation may be more or less than what your Advisor would receive if you participated in other programs or paid separately for investment advice, brokerage, and other services. Therefore, your Advisor may have a financial incentive to recommend the InterSecurities Managed Account Program over other services.

In no event will the total annual fee exceed the stated maximum annual fee. In some cases, the Portfolio Manager may contract with us for a lower maximum annual fee to you.

<b>IMAP ANNUAL FEE SCHEDULE</b>			
<b>RANGE OF ASSETS</b>	<b>TFA'S FEE (Includes Sponsor and Clearing Fees)</b>	<b>IAR'S FEE</b>	<b>TOTAL CLIENT FEE</b>
\$100,000 - \$200,000	1.40%	1.20%	2.60%
\$200,001 - \$500,000	1.40%	1.20%	2.50%
\$500,001 - \$750,000	1.27%	1.10%	2.30%
\$750,001 - \$1,000,000	1.25%	.80%	2.00%
\$1,000,001 - \$2,000,000	1.05%	.60%	1.65%
\$2,000,001 - \$5,000,000	.78%	.52%	1.30%
\$5,000,001 - \$8,000,000	.68%	.42%	1.10%
\$8,000,001 - \$10,000,000	.63%	.27%	.90%
Over \$10,000,000	Negotiable		

An amount up to 0.20% of your Account Assets may be charged in addition to the above fee schedule for the administration of qualified plans. The exact amount of this additional charge is dependent upon the size and complexity of the qualified plan. Any such charge for the administration of a qualified plan will be paid entirely to your Portfolio Manager.

The wrap fee charged to your account is negotiable at the Advisor's discretion. The above schedule reflects the maximum allowable charges for the InterSecurities Managed Account Program. For all negotiated fee rates, the above schedule will apply to the portfolio manager's share of the fee. The discounted portion will be deducted from our share. All

brokerage, custodial, and administrative costs associated with the InterSecurities Managed Account Program will be paid by us.

### **TERMINATION PROVISIONS**

You may close your account by submitting notice in writing. If your account is managed for only a portion of a quarter, the fee will be prorated based upon a ninety day quarter. If you terminated your account within six months of opening your account, the fee will be prorated. We will deduct from this fee actual clearing, execution, and custodial costs for the administration of your account.

## **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

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We provide advisory services to many types of clients. The majority of our clients are individuals, some of which may be high-net worth individuals. We also provide these services to pension and profit sharing plans, charitable organizations, state or municipal government entities, and other corporations or businesses.

We have established conditions for opening wrap fee program accounts. Specifically, advisory clients must complete a Customer Account Information form for certain programs. This form will provide us with information such as name, address, date of birth and other information used to identify you. We may use third-party sources to verify and/or update the information provided and may also request to see your driver's license or other identifying documents. Depending upon the wrap fee program, we will impose a minimum dollar value of assets. All our wrap fee programs will have a client advisory agreement for you to review carefully and agree to the conditions. Below is a table which outlines some of our wrap fee program's requirements.

<b>Name of Advisory Program</b>	<b>Customer Identification /Account Forms</b>	<b>Minimum Account Assets and Balance Required</b>	<b>Minimum New Account Size</b>
<b>Advantage</b>	Yes	Yes	\$20,000 or higher depending upon the portfolio manager
<b>Sterling</b>	Yes	Yes	\$50,000
<b>Transamerica I-Series®</b>	Yes	Yes	\$25,000 – amount may be waived

Name of Advisory Program	Customer Identification /Account Forms	Minimum Account Assets and Balance Required	Minimum New Account Size
<b>TFA Elite Capital Advisors Program</b> (Closed to new clients)	Yes	Yes	\$100,000 or higher depending upon the portfolio manager
<b>InterSecurities Managed Account Program</b> (Closed to new clients)	Yes	Yes	\$100,000 or higher depending upon the portfolio manager

Our compensation differs amongst our wrap fee programs. You will need to examine carefully your advisory agreement. It will provide you with greater detail of any fees and compensation that you will pay.

## ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION

We have not made an independent verification of the qualifications or performance records of our Portfolio Managers. However, TFA's Vice President and our Investment Advisory Team will on a regular basis and at least annually, obtain and review each Portfolio Manager's performance information. The information will be evaluated for accuracy and measured against both industry standards and the Portfolio Manager's objectives. If the Portfolio Manager is underperforming for an extended time period, the Vice President, the Investment Advisory Team, and the Investment Committee will decide if it is warranted to remove a particular Portfolio Manager from the platform.

Generally, you will not have any direct contact or consultation with your Portfolio Manager. However, your Portfolio Manager may waive this requirement at his/her discretion. We do not have any of our related persons acting as Portfolio Managers for our wrap fee program described in this Disclosure Brochure. We do act as a Portfolio Manager for the Transamerica I-Series® Program as described in Item 4 of this Disclosure Brochure.

We do not charge advisory fees based on a share of the capital gains on or capital appreciation of funds or securities in your account. These fees are also called performance-

based fees. Our advisory fee compensation is charged only as disclosed in Item 4 of this Disclosure Brochure.

## ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Your Advisor assists you in completing the Portfolio Manager's questionnaire and in the selection of a model general securities portfolio. There are four critical areas to determine proper distribution of assets:

- asset allocation between equity and fixed income investments
- investment discipline selection
- suggested number of portfolio managers
- portfolio manager selection

The selection of your model portfolio will be based upon your stated investment objectives, risk tolerance, and financial circumstances. In addition, your Advisor will gather this information to assist in this selection:

- income
- age
- number of dependents
- employment status
- marital status
- tax bracket
- net worth
- risk tolerance
- financial goals
- investment experience.

Your Advisor will assist you with the completion of all documentation necessary to establish your account. Your information will be forwarded the portfolio manager ("Portfolio Manager") who will manage your account assets ("Account Assets") on a discretionary basis. Your Advisor will be available to you on an ongoing basis to receive deposit and withdrawal instructions and to consult with you regarding any changes in your financial circumstances or investment objectives. When there are changes, your Advisor will notify the Portfolio Manager who will continue to manage your account based upon your changes.

We require your Advisor to meet with you at least annually to review your account(s). Your Advisor will review your current situation, investment objectives, and suitability of selected investments. When you select any of our wrap fee programs, your Advisor will ask you to notify us of any changes such as your investment objectives, financial circumstances or investment objectives. Your changes may impact your asset allocation model(s) portfolios.

## ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS

Generally, you will not have any direct contact or consultation with your Portfolio Manager. At the Portfolio Manager's discretion, he/she may waive this requirement.

## ITEM 9 – ADDITIONAL INFORMATION

### **Disciplinary Information**

As mentioned in Item 4, we are both a broker-dealer and an investment advisor. The disciplinary events that are described below pertain to the broker-dealer only.

In the last ten years, we have had 18 disciplinary events that are material to your evaluation of us. One event involves charges brought by the Securities Exchange Commission. Five of the events involve charges brought by our self-regulatory organization, Financial Industry Regulatory Authority, Inc. ("FINRA") formerly known as the National Association of Securities Dealers. Twelve of the events involve charges brought by state regulatory agencies.

### **SEC Proceedings**

On November 22, 2010, the firm entered into an Order with the Securities and Exchange Commission. Without admitting or denying the allegations, we agreed to pay a fine of \$200,000 and to retain the services of an outside vendor to provide suitability training to each of the firm's registered representatives for a two year period. This matter pertains to the SEC feeling the firm did not provide adequate supervision to representatives in a California based office from the beginning of 2006 through May 2007. The SEC also felt that certain registered representatives of that office made unsuitable securities recommendations to clients during that time.

## **FINRA Proceedings**

On April 10, 2003 the NASD accepted our Letter of Acceptance, Waiver and Consent in which we proposed a settlement of alleged NASD rule violations. We agreed to a censure and fine of \$125,000. This matter pertained to our policies and procedures relating to the identification of customer complaints, complaint handling and reporting, providing suitability guidance to our representatives, collection of information needed to determine the suitability of recommendations, and client account reviews.

On October 13, 2004, the NASD accepted our Letter of Acceptance, Waiver, and Consent in which we proposed a settlement of alleged NASD rule violations. We agreed to a censure and a fine of \$15,000. This matter pertained to the firm permitting certain representatives to act in their registered capacities while they should have been designated inactive as a result of not satisfying the regulatory element of their continuing education requirements.

On November 30, 2004, the NASD accepted our Letter of Acceptance, Waiver and Consent in which we proposed a settlement of alleged NASD rule violations. We agreed to a censure and a fine of \$125,000. We further agreed to conduct periodic audits to assess the effectiveness of our system and procedures relating to the timely filing of amendments to Forms U4 and U5. We also agreed to provide audit reports and written certifications relating to these procedures to the NASD.

On March 23, 2009, FINRA accepted our Letter of Acceptance, Waiver and Consent in which we proposed a settlement of alleged NASD rule violations. We agreed to a censure and fine of \$50,000. This matter related to the trade-by-trade review we conducted as part of a breakpoint assessment required by FINRA.

On December 21, 2010, FINRA accepted our Letter of Acceptance, Waiver and Consent in which we proposed a settlement of alleged NASD rule violations. We agreed to a fine of \$50,000. We further agreed to review the adequacy of our policies, systems and procedures for determining whether new products are securities and to provide a written description of the policies, systems and procedures and certification to FINRA.

## **State Proceedings**

On January 29, 2004, we entered into a Consent Order with the State of Idaho's Securities Division for alleged procedural violations of the firm's written supervisory procedures relating to field supervisor and field representative interviews and proper disclosure of outside business activities. Without admitting or denying the allegations, we agreed to pay



an administrative penalty of \$15,000 and agreed to enforce our procedures relating to the timely submission of Form U-4 amendments, documentation of outside business activities, and other policies and procedures designed to achieve compliance with applicable securities laws and regulations.

On October 20, 2004, we entered into a Consent Order with the Arizona Corporation Commission relating to the supervision of a registered representative who had sold payphone investments. Without admitting or denying these allegations, we paid an administrative penalty of \$50,000 and agreed to establish a claim resolution process to resolve any claims brought by Arizona residents who purchased a payphone investment from the registered representative. We also enhanced our procedures relating to the review of outside business activities and the documentation of the reviews. We also conducted audits of all registered representatives working in Arizona and submitted audit documentation to the State.

On February 9, 2006, we entered into a Consent Order with the Maryland Securities Commissioner relating to the supervision of a registered representative and his associated representatives who had sold unregistered promissory notes. Without admitting or denying these allegations, we consented to pay an amount not to exceed \$364,811.34 for disbursement to certain clients; to notify the State of all complaints brought by Maryland residents and their dispositions for two years; and to provide information to the State regarding examinations of our Maryland registered representatives for two years.

On July 12, 2006, the Pennsylvania Securities Commission accepted our Offer of Settlement in which we proposed a settlement of alleged violations of the Pennsylvania Securities Act of 1972. Without admitting or denying the allegations, we agreed to pay an administrative assessment of \$100,000 and \$5,500 for the costs of investigation. We also agreed to retain an expert to examine certain supervisory records and to review our supervisory procedures. This matter related to our supervision of an OSJ Branch Manager who was obligated to oversee a registered representative who had been placed under heightened supervision.

On November 8, 2006, we entered into a Consent Order with the State of Missouri Securities Division. Without admitting or denying the allegations, we agreed to pay a fine of \$130,600 to the State and restitution to customers totaling \$98,000. This matter pertained to our supervision of registered representatives who effected unsuitable variable annuity transactions for elderly clients.

On May 31, 2007, we entered into a Stipulation and Consent Order with the Division of Securities of the Department of Commerce of the State of Utah. Without admitting or

denying the allegations, we agreed to a fine of \$50,000, to provide training to all Utah registered representatives, and to improve our policies and procedures relating to the review of seminars. This matter pertained to two registered representatives making misrepresentations and omitting material facts during seminars that they conducted.

On September 18, 2007, we were issued a Letter of Caution by the State of Nevada Securities Division. Without admitting or denying the allegations, we agreed to ensure the firm's trade blotter reflects all applications received from a branch office, revise the firm's policies and procedures to clarify the term "promptly submit", and to provide training to the firm's registered representatives. This matter pertained to the firm failing to follow its own policies and procedures and failing to supervise a registered representative and branch manager in connection with the maintenance of trade blotters.

On February 17, 2009, we entered into a consent order with the State of North Dakota Securities Department relating to the supervision of a registered representative who had sold unregistered promissory notes. Without admitting or denying these allegations, we paid a fine of \$90,000. In addition, we informed our supervisory and compliance officers and field auditors about the Order; reminded them of the importance of uncovering and preventing selling away activities; and instructed them to review bank records of our registered representatives and investment advisor representatives.

On December 2, 2009, we entered into a Consent Order with the State of Nevada Securities Division. Without admitting or denying the allegations, we agreed to pay a fine of \$30,000 and to take remedial action to ensure that our registered representatives comply with the firm's internal policies and procedures relating to entry of rejected trades on the branch office trade blotter.

On April 15, 2010, we entered into a Consent Order with the State of Nevada Securities Division. We agreed to pay the State \$15,000 for the cost of its investigation into a matter which the firm reported to the State. Also, restitution in the amount of \$382,200 was paid by the firm as a result of a former registered representative selling unregistered securities, without the firm's knowledge, to six individuals.

On May 17, 2010, we agreed to pay an administrative penalty in the amount of \$25,000 to the Arizona Corporation Commission and we were required to undertake remedial measures as directed by the State for a period of three years. We also paid restitution in the amount of \$828,501. This matter pertained to the sale of unapproved products by former registered representatives of the firm.

On August 2, 2011, we entered into a Consent Order with the State of Florida Office of Financial Regulation. Without admitting or denying the allegations, we agreed to pay an

administrative fine of \$50,000. The State of Florida found that we failed to reasonably supervise a former representative in violation of Section 517.161(1)(H) Florida Statutes and Rule 69W-600.013(1)(H)1 Florida Administrative Code.

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

As stated in Item 4, we are also a broker-dealer. In general, our Advisors, our management team, and most of our Investment Committee members are Registered Representatives of our broker-dealer.

We are a member of the Transamerica Group of companies. These companies include investment companies that offer mutual funds and variable insurance products. Many of these products are allowed to be purchased in or transferred into our proprietary advisory accounts. Based on our affiliation with various investment companies and variable insurance companies, a conflict of interest may exist due to the compensation paid to us by these companies and compensation gained by our affiliates through fees and expenses charged to you on their products. This compensation is in addition to the advisory fees you pay to us. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

In our Advisory Agreements, we describe any additional compensation received from transferred assets. We have placed the following restrictions on the transfer of assets into the Capital Account and the Sterling programs:

- Any assets that are transferred and generate additional compensation to the Advisor may not represent more than 25 percent (25%) of your portfolio.
- The total annualized advisory fee may not exceed 1.50% annually if any asset transferred into the account generates additional compensation to the Advisor.
- Limitations placed on the transfer of assets into the Capital Account and Sterling programs when our Advisor has received a prior commission on such assets.

We have contracts with Third-Party Money Managers who are also investment advisors that offer fee-based advisory programs. These relationships were described in Item 4. These Third-Party Money Managers are not affiliated with us and they pay us a portion of the fees you pay to them. This is considered a material conflict of interest. The cost of placing your assets with one of these Third-Party Money Managers may be higher than placing your assets in one of our Advisor or Firm managed advisory accounts.

In certain cases, third-party money managers may pay us amounts in addition to our portion of the advisory fee, for marketing purposes. The amount and terms of this marketing compensation may increase or decrease from time to time, and may only relate to certain types of accounts. Any additional marketing compensation paid by the third-party money managers to us will not affect your account, the services provided to you, the fee for advisory services that you pay to the third-party money manager, or the compensation paid by us to your Advisor. The existence of a marketing compensation agreement with certain, but not all, third-party money managers can create a conflict of interest for your Advisor and us. We will earn more revenue when you open an account with a third-party money manager that has a marketing compensation agreement with us, and our Advisor may indirectly benefit from this additional revenue through different educational and marketing initiatives conducted by us.

Each of the third-party money managers and other service providers that have marketing and referral agreements with us, may attend, contribute to, or sponsor education and training meetings for our Advisors. A third-party money manager may reimburse us for up to 100% of the cost of these meetings. These contributions and reimbursements create a potential conflict of interest because meeting sponsors have more opportunities to provide our Advisors with education on investments, their investment management services, industry trends, and other issues and because we benefit from these contributions and reimbursements.

Some of our Advisors are registered directly with the SEC or the state as investment advisors. These Advisors have formed their own company and hold this company out as a Registered Investment Advisor (“Independent Registered Investment Advisors”). Some of our Advisors are associated with other Independent Registered Investment Advisors; that is, they are registered as an Advisor both with us and with an unaffiliated firm. Both of these types of Advisors will provide you with a Disclosure Brochure or Form ADV, Part 2A, for us and for the Independent Registered Investment Advisor. Our Independent Registered Investment Advisers offer some of our advisory programs to their advisory clients. It is important that you understand the registration relationships of your Advisor. Ask your Advisor to explain these relationships thoroughly.

### **Broker-Dealers under Common Control with AEGON N.V.**

The following FINRA registered broker-dealers are under common control with us. We and each of these broker-dealers are indirect wholly owned subsidiaries of AEGON N.V.

- Clark Securities, Inc.

- Diversified Investors Securities Corp
- Transamerica Capital, Inc.

Transamerica Capital, Inc. is the principal underwriter for variable annuity and life insurance products offered by our affiliated insurance companies. We have a selling agreement with this broker-dealer that compensates us for selling these products. This firm is also a wholesale distributor of Transamerica Products. Such compensation may create a conflict of interest for us and our Advisors. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

### **Investment Companies under Common Control with AEGON N.V.**

We have an agreement to sell shares of one of our related investment companies, Transamerica Funds. Through our affiliated insurance companies, we have the ability to offer insurance products which may contain shares of the Transamerica Series Trust and/or Transamerica Partners Funds, both of which are affiliated investment companies. We receive compensation from these sales. Such compensation may create a conflict of interest for us and our Advisors. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

### **Investment Advisers that are under Common Control with AEGON N.V.**

The following advisory affiliates are investment advisers that are under common control with us as they are also indirect wholly owned subsidiaries of AEGON N.V.:

- Transamerica Asset Management, Inc. ("TAM");
- AEGON USA Investment Management, LLC (AUIM);
- Transamerica Retirement Advisors, Inc.

Some of the model portfolios available in the Transamerica I-Series® Program are managed by TFA and AUIM. Client accounts opened through the program using model portfolios managed by TFA or AUIM will result in additional revenue to TFA and/or AUIM as opposed to accounts opened using model portfolios of unaffiliated firms. Such additional revenue may create a conflict of interest for us and our Advisors. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors to

participate in model portfolios available in the Transamerica I-Series® Program which are managed by TFA and AUIM.

TAM is the investment advisor to Transamerica Funds and has an indirect relationship with TFA due to TFA's distribution of Transamerica Funds as described above which may create a conflict of interest. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

### **Insurance Companies or Agencies under Common Control with AEGON N.V.**

We have material relationships or arrangements with a select group of product sponsors ("Sponsoring Companies") which some are affiliated insurance companies/agencies. In certain cases, some of our officers may be personally affiliated with our affiliated insurance companies/agencies. In addition, due to our registration as a broker-dealer, we may also receive additional compensation in the form of revenue sharing payments when you purchase products through these insurance companies/agencies. A summary of TFA's Revenue Sharing and Sponsoring Company compensation arrangements and current Sponsoring Company list for TFA can be found at the Home Page of TFA at [www.tfa.transamerica.com](http://www.tfa.transamerica.com) under Revenue Sharing. Such revenue sharing payments may create a conflict of interest for us and our Advisors. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase including those products issued by our affiliates.

The following is a list of our affiliated insurance companies/agencies:

- Western Reserve Life Assurance Co. of Ohio
- InterSecurities Insurance Agency, Inc.
- Transamerica Life Insurance Company
- Transamerica Financial Life Insurance Company
- World Financial Group Insurance Agency, Inc.
- World Financial Group Insurance Agency of Hawaii, Inc.
- World Financial Group Insurance Agency of Massachusetts, Inc.
- World Financial Group Insurance Agency of Wyoming, Inc.
- World Financial Insurance Agency, Inc.
- WFG Insurance Agency of Puerto Rico, Inc.

When you purchase insurance products through your Advisor and our Affiliated Agencies, your Advisor and our Affiliated Agencies will receive commission compensation.

## **Transamerica Retirement Management (“TRM”)**

TRM is a marketing affiliate of Transamerica Life Insurance Company and Transamerica Financial Life Insurance Company and an affiliate of TFA. TRM offers securities and investment advisory services through TFA. TRM Financial Advisors are Advisors of TFA. Multiple TRM Financial Advisors may work together when offering services to you.

TRM markets TFA’s investment advisory services through the brand name SecurePath Advisory Services (“SecurePath”). Depending upon the needs of the client, SecurePath offers financial services that include investment and insurance products that have been approved by TFA. As part of SecurePath, TRM Financial Advisors may offer Financial Planning, Consulting, Advisor Managed, TFA Managed, and/or Third-Party Money Management Programs through TFA as described in Items 4 and 5 of this Disclosure Brochure. In addition, TRM may impose account minimums greater than those listed in Item 7 of this disclosure brochure.

## **Code of Ethics**

We have adopted a Code of Ethics and an Insider Trading Policy (“Code”). This Code is designed to ensure that we meet our fiduciary obligation to you and our prospective clients, that we conduct our advisory services with the highest level of ethical standards, and that we instill a culture of compliance within our firm.

Our Code is comprehensive and is distributed to each home office employee and Advisor (collectively “Access Persons”) at the time of hire, and annually thereafter. We also supplement the Code with annual training and ongoing monitoring of the activity of Access Persons.

Our Code includes the following requirements for our Access Persons:

- maintain the principles of honesty, integrity, professionalism and comply with federal and state securities laws;
- follow all policies and procedures contained in our manuals, bulletins, and supervisory directives and cooperate with any investigation or inquiries;
- maintain the privacy and confidentiality of information provided by our clients;
- refrain from:
  - insider trading (if we are in possession of material, non-public information)
  - accepting gifts and entertainment that exceed our policy standards
  - participating in any initial public offerings

- executing a personal transaction in a security for which the Access Person already has a pending buy or sell order for a client.
- report all gifts and business entertainment;
- pre-clear personal securities transactions;
- report on a quarterly basis all personal securities transactions;
- annually review and certify compliance with our Code;

We also have established the following guidelines for our Access Persons:

- Our directors, officers and employees are not allowed to buy or sell securities for their personal portfolio(s) unless the sales information is also available to the investing public. Access Persons are not to place their own interests above yours.
- Any Access Person not complying with these guidelines may be subject to disciplinary action including termination.

You may request a complete copy of our Code by contacting our Rep Relations Department at the address or telephone number displayed on the cover page of this Disclosure Brochure.

## **Review of Accounts**

Our Advisors are required to review their client advisory accounts regularly and at least annually. They review and discuss the client's account performance and the client's financial circumstances and investment objective information. All Advisors must annually complete a client meeting worksheet that contains the details of the meeting with the client.

Our Suitability Team reviews initial account applications and approves or rejects them. A Compliance Officer and/or the Manager of Compliance Monitoring & Surveillance, or designee, review monthly a sampling of advisory accounts for consistency with our clients' objectives and restrictions. This team will also review and compare the personal securities holdings of the Advisor with the client's securities holdings.

Annually, the Advisory Services Product Manager of our Advisory Services Team, or designee, delivers the firm's Annual Due Diligence Questionnaire to all Third-Party Money Managers with which we have agreements. The Advisory Services Product Manager, or designee, reviews these questionnaires and escalates any irregularity to the Advisory Services Team. If warranted, the matter will be escalated to our firm's Investment



Committee. This committee will review the matter and vote to retain or reject the Third-Party Money Manager.

## **Client Referrals and Other Compensation**

### Registration Arrangements

Many of our Advisors are also Registered Representatives of our broker-dealer. In the capacity of a Registered Representative, your Advisor will recommend that you place securities transactions through our broker-dealer. These transactions could include, but are not limited to, the purchase or sale of general securities, mutual funds or variable insurance products. The amount of the commissions for the sale of these products is dictated by the investment companies, their distributors, and/or the broker-dealers through which these transactions are executed. All sales charges and expenses are disclosed in the product prospectus, which you will receive at or before the time of your purchase of the product. When your Advisor executes any general securities transactions for you, the Advisor's commissions are based on our broker-dealer's commission table and may be negotiable. These commissions may be higher or lower than other Registered Representative's commissions, but are believed to be reasonable and competitive.

### Marketing Compensation Arrangements

In certain cases, third-party money managers may pay us marketing compensation. The amount and terms of this marketing compensation may increase or decrease from time to time. Any additional marketing compensation paid by the third-party money managers to us will not affect your account, the services provided to you, the fee for advisory services that you pay, or the compensation paid by us to your Advisor. The existence of a marketing compensation arrangement with third-party money managers can create a conflict of interest for your Advisor and us. We will earn more revenue due to such marketing compensation arrangements and our Advisor may indirectly benefit from this additional revenue through different educational and marketing initiatives conducted by us.

Each of the third-party money managers and other service providers that have marketing and referral arrangements with us, may attend, contribute to, or sponsor education and training meetings for our Advisors. A third-party money manager may reimburse us for up to 100% of the cost of these meetings. These contributions and reimbursements create a potential conflict of interest because meeting sponsors have more opportunities to provide our Advisors with education on investments, their investment management services, industry trends, and other issues and because we benefit from these contributions and reimbursements.

### Solicitors Arrangements

We may, from time to time, enter into Solicitor Agreements with separately registered investment advisers that may be affiliated or unaffiliated with us. These agreements allow these registered investment advisers to offer our advisory programs on a solicitor's basis, pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940.

On occasion, third persons ("Solicitors") who are not associated with TFA will refer prospective clients to an Advisor who will present our advisory programs. We enter into Referral Agreements with these Solicitors pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940. TFA will compensate the Solicitor directly if you agree to accept our advisory services. A portion of your advisory fee will be paid to this Solicitor. At the time of the referral your Solicitor will provide you with a compensation statement disclosing the terms of his/her agreement with us.

### **Custody**

We have custody of a limited number of client accounts because a few of our Advisors act in the capacity of a trustee or Power of Attorney on behalf of their clients. In addition, we also have indirect custody of a limited number of client accounts held through our affiliates, Transamerica Life Insurance Company and Western Reserve Life Assurance Co. of Ohio, for which our Advisors provide investment advisory services. You will receive account financial statements directly from your qualified custodian at least quarterly. We urge you to carefully review these statements as they are the official record of your account and assets.

Our Advisors may provide you with account statements, performance reports, consolidated statements, or other account summaries. We urge you to compare any such reports to the statements you receive from your custodian covering the same period.

### **Investment Discretion**

We accept discretionary authority to manage your account in the TFA Sterling Advisory Account Program, and the TFA Advantage Program. We also allow certain Advisors to exercise discretion in managing the subaccounts of variable insurance products.

Discretionary authority allows the Advisor to decide which securities to purchase and sell for you without your prior consent. This discretionary authority is limited to Advisors who are qualified and have obtained written approval from our firm. You must sign a Discretionary Agreement to authorize your Advisor to have discretion over your account.

When you open a Transamerica I-Series® account, you give us discretionary authority. You may impose reasonable limitations and restrictions at the time of opening your account or at a later time by written notice. Our Advisory Services team exercises this discretionary authority.

Third-Party Money Managers will maintain discretionary authority. Such authority would be fully disclosed to clients in the Third-Party Money Manager's Form ADV Part 2A or other disclosure document.

### **Financial Information**

We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to you and we have never been the subject of a bankruptcy proceeding.