

## SIGNATOR MANAGED ACCOUNT PLATFORM

# PART 2A

# APPENDIX 1

## PROGRAM BROCHURE

Current as of November 5, 2018

**Royal Alliance Associates, Inc.**

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This wrap fee program brochure provides information about the qualifications and business practices of Royal Alliance Associates, Inc. If you have any questions about the contents of this brochure, please contact us at 1-800-821-5100. 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.

Royal Alliance Associates, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser will provide you with information which will assist you in determining whether to hire or retain an adviser.

Additional information about Royal Alliance Associates, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Summary of Material Changes

This is a new program to Royal Alliance Associates, Inc. and, as such, there are no material changes.

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## Item 4 - Services, Fees & Compensation

### Introduction

Royal Alliance Associates, Inc. (“RAA”) is a Registered Investment Adviser registered with the Securities & Exchange Commission (“SEC”) under the Investment Advisers Act of 1940.

RAA, through its affiliated Investment Adviser Representatives (“IARs”), provides a variety of services designed to meet the needs of retail individual and corporate clients. This brochure contains information about Signator Managed Account Platform (“the Program”), a wrap fee program sponsored by RAA. This Program is also available as a non-wrap program where separate transaction fees apply.

Royal Alliance Associates, Inc. is also a registered broker-dealer and Financial Industry Regulatory Authority (“FINRA”) member offering mutual funds, unit investment trusts, variable contracts, limited partnerships and general securities. Its revenue is primarily derived from commissions and fees earned as a result of the sales and services of these products. Each IAR affiliated with Royal Alliance Associates, Inc. must be a FINRA registered representative. As registered representatives, they are compensated on the sale of investment and insurance products on a commission basis.

Royal Alliance Associates, Inc. the broker-dealer, will henceforth be referred to as “Royal Alliance”. Royal Alliance Associates, Inc. the Registered Investment Adviser, will henceforth be referred to as “RAA”, “we”, “us”, “our” or the “Firm”.

### Services

RAA is the sponsor of the Program, which provides clients with advisory, custody and brokerage execution services for one all-inclusive fee (the “Fee”). This means that the cost of RAA’s investment advisory services, the cost of executing brokerage transactions and custodial fees are “wrapped” into a single annual fee based on the value of the client’s portfolio. RAA has clearing relationships with National Financial Services, LLC (“NFS”) and Pershing, LLC. (“Pershing”). Both NFS and Pershing are “qualified custodians,” as that term is defined in Rule 206(4)-2(d)(6) of the Investment Advisers Act of 1940.

RAA clients, with accounts that trade through the Royal Alliance broker-dealer, pay fees through a “wrap account” program sponsored by RAA, which is a program that provides clients with advisory, custody and brokerage execution services for the Fee. This means that the cost of RAA’s investment advisory services, the cost of executing brokerage transactions and custodial fees are “wrapped” into a single annual fee (charged quarterly in advance) based on the value of the client’s portfolio. Investments offered through the Program include such securities as equities, mutual funds, Electronically Traded Funds (“ETFs”), and fixed income securities.

The Program offers mutual fund and/or exchange traded fund programs, advisor directed portfolios, separately managed accounts and a unified managed account program. RAA is the sponsor and Registered Investment Adviser.

Envestnet Asset Management, Inc. (“Envestnet”) is also a registered investment adviser to the Program. Envestnet is located at 35 E. Wacker Dr., Suite 2400, Chicago IL 60601.

Envestnet’s Form ADV Part 2A is given to clients and prospective clients of the Program and contains specific details about Envestnet and its investment advisory qualifications and services. For additional information about Envestnet, please see Envestnet’s Form ADV Part 2A.

The Program includes the following services:

- a separately managed account based on clients' specific goals and investment objectives;
- identification and analysis of the clients' investment objectives;
- continuous management of the client accounts;
- on-going communication with clients about client accounts through calls, meetings, account statements and performance updates;
- brokerage services and commissions through Royal Alliance, RAA's affiliated registered broker-dealer; and
- custody services for client accounts through NFS and Pershing.

There is no guarantee that the advisory services offered under the Program will result in the clients' goals and objectives being met. Nor is there any guarantee of profit or protection from loss. No assumption can be made that an advisory fee arrangement or portfolio management service of any nature will provide a better return than other investment vehicles.

Wrap fee programs are not suitable for all investment needs, and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations. The benefits under a wrap fee program depend, in part, upon the size of the account and the number of transactions likely to be generated.

For example, a wrap fee program is not always suitable for accounts with little trading activity, because the wrap account fees could be costlier than brokerage trading fees for low volume trading accounts. To determine whether a wrap fee program is suitable, clients should evaluate the Fee and any other costs of the Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for services comparable to those provided under the program considering their personal circumstances.

Clients should bear in mind that asset-based fee arrangements, when compared with the traditional commission option, can result in lower costs during periods when trading activity is heavier, such as the year an account is established. During periods when trading activity is lower, such arrangements result in higher annual costs. Some clients favor the asset-based fee because it fixes their brokerage cost at a predetermined level; whereas other clients find such an arrangement does not suit their needs because they anticipate their accounts will have low turnover.

Depending on the amount of the wrap fee, the frequency (low or high) of transactions, and the nature and value of the services that are provided under the Program, the Fee can exceed the aggregate cost of obtaining these services separately. In such case, the fees for a wrap fee program result in higher costs than clients otherwise incur by paying a management fee and negotiating separate arrangements for brokerage and trade execution, custodial services, and performance reporting.

If clients choose to use margin, they should be aware that the market value of the account's assets is not reduced by the amount of the margin, and will therefore increase the Fee. The increased Fee provides an incentive for RAA to recommend portfolio strategies or third-party advisers who use margin strategies. The use of margin is not suitable for all investors, since it increases leverage in the account and therefore increases its risk.

## Fees & Compensation

RAA charges an annual program fee (the "Program Fee") equal to a percentage of the assets invested in the clients account. The Program Fee will or will not include the "Sponsor Fee" and "Manager Fee" depending on the portfolio, as well as the "Advisory Fee". The Sponsor Fee is the compensation paid to RAA and Envestnet for services provided to the client's account and is not negotiable. The Advisory Fee is the compensation that is paid to the IAR and is negotiable. The Program Fee includes fees for clearing and custody if applicable in a wrap fee account.

RAA and Envestnet each retain a portion of the Program Fee as compensation for services provided to the client's account. RAA, in its sole discretion, pays all or a portion of the Program Fee to another party involved in providing services to the client's account.

Program Fees are billed quarterly, in advance, based on the average daily balance of the account during the prior quarter. For John Hancock Portfolio Solutions, the Program Fee is billed quarterly, in advance, based on the value of the account on the last business day of the prior calendar quarter. Program Fees are debited from the account at the start of each quarter. All unused, pre-paid Program fees will be credited (refunded) to the client's account in the event of termination of this Agreement and/or account closing. The client account will only be charged for the actual days the account was managed. Program Fees are automatically deducted from the assets in the client's Program unless other arrangements have been made.

Upon establishment of the account, the Program Fee will be charged in the month following the account opening. This Program Fee will be pro-rated for the number of days during the first month the account was managed plus the remainder of days in the current quarter. The client account will only be charged for the actual days the account was managed.

Additional nominal regulatory fees can be assessed on certain securities transactions.

All investments in mutual funds are subject to the terms of each of the applicable prospectuses, including associated fees and underlying mutual fund expenses as fully described in the prospectus. All clients will be advised that RAA's fees are in addition to fees charged by the mutual funds and exchange-traded funds ("ETFs") in their portfolio. Some Fund fees include 12b-1 fees which are internal distribution fees assessed by the Fund, all or a portion of which are paid to the distributor(s) of the Funds. The Firm and your Advisory Representative do not retain 12b-1 fees paid by Funds.

The Program can cost the client more, or less than, if the client paid separately for the individual services included in the Program.

The IAR recommending the Program to the client receives compensation as a result of the client's participation in the Program, and the amount of such compensation can be more than what the IAR would recommend if the client participated in other programs of RAA or paid separately for investment advice, brokerage and other services, and the IAR therefore has a financial incentive to recommend the Program over other programs or services.

Finally, certain additional brokerage fees and custodian fees may apply to your brokerage accounts. In some instances, we pay a portion of the fee charged. In some limited instances, we apply a markup to these fees. Examples of instances where a markup fee could be applied include federal funds wire fees, outgoing account transfer fees, margin fees, insufficient funds fees, check stop payment fees and other transaction costs assessed by the custodian. Depending on the custodial fee, it may be applied annually, per transaction, per month or per CUSIP. Please visit the Firm's website at [www.royalalliance.com](http://www.royalalliance.com) for the Pershing and NFS brokerage fee schedules (Go to: [www.royalalliance.com](http://www.royalalliance.com) → Disclosures → Client Fee Disclosure).

In addition, any and all fees and costs clients incur in addition to the Fee, some of which benefit the Royal Alliance broker-dealer, the Firm's affiliate, and therefore represent not just additional costs, but also additional indirect revenue to the Firm.

For specific information regarding the available products offered through the Program and the associated fees, please see below.

## **Advisor Managed Portfolios**

In the Program, the client provides the IAR with information regarding investment objectives, financial needs, investment time horizon, risk tolerance and other relevant information. Envestnet provides the technology platform on which the Program functions and is only providing administrative services to RAA for this Program. The IAR inputs this information into the Envestnet platform to build a model portfolio for the client, recommend an appropriate asset allocation among the investment options in the Program and select appropriate investment vehicles for the client's account coinciding with the client's risk tolerance parameters.

The Program is offered on a discretionary or non-discretionary basis as determined by the client. For discretionary accounts, client grants RAA through its IAR full authority to invest, reinvest, allocate and reallocate assets in the accounts that are part of the Program. Such discretionary authority allows the IAR to make all investment decisions with respect to the account and when deemed appropriate and without prior consultation with the client, to buy, exchange, convert and otherwise trade in any stocks, bonds, mutual funds and other securities. If a client does not grant discretionary authority, then any transaction or investment must be reviewed and approved by the client in advance. RAA, in its sole discretion, can determine certain accounts that will not be eligible for discretion and discretion can be revoked in writing.

Reasonable restrictions can be imposed by the client on management of the accounts including the designation of particular securities or types of securities that should not be purchased for the account or that should not be held in the account.

IARs consult with clients periodically, but no less than annually to determine whether any information needs to be updated and whether any changes need to be made to the client's stated risk tolerance parameters.

The Client account can be structured as either a wrap fee Program account or a non-wrap fee Program account. A wrap fee Program account is charged an advisory fee as a percentage of assets under management that for one fee includes the management fee, administrative costs of RAA and transaction fees for the securities sold and purchased in account. The non-wrap fee version of the Program is charged a lower advisory fee as well as transactions charges associated with the purchase and sale of each security. Depending on the trading activity in the account and the types of securities bought and sold, the non-wrap version of the Program can be less expensive for the client. The client and the IAR should consider which version of the Program is appropriate for the client.

RAA may allow non-Program assets to be held in the client account as an accommodation. These accommodated assets will not be part of the recommended model and will not contribute to the performance or be charged the Program fee. Should a client want to hold securities as an accommodation, then only the non-wrap fee version of the Program will be available.

The table below describes the Program Fee Schedules.

### **Wrap Fee Program Fee Schedule for accounts custodied at NES.**

<b>Market Value</b>	<b>Sponsor Fee</b>	<b>Maximum Annual Program Fee*</b>
Up to \$250K	0.40%	2.00%
\$250K-500K	0.21%	2.00%
\$500K-750K	0.17%	2.00%
\$750K-1M	0.16%	2.00%

\$1M-2M	0.14%	2.00%
\$2M-5M	0.13%	2.00%
\$5M-10M	0.09%	2.00%
Above \$10M	0.08%	2.00%

\*A minimum annual Program fee of \$20 will apply and can cause the total Program fee to exceed 2.00% in certain circumstances.

**Non-Wrap Fee Program Fee Schedule for accounts custodied at NFS.**

<b>Market Value</b>	<b>Sponsor Fee</b>	<b>Maximum Annual Program Fee*</b>
Up to \$250K	0.15%	2.00%
\$250K-500K	0.11%	2.00%
\$500K-750K	0.09%	2.00%
\$750K-1M	0.08%	2.00%
\$1M-2M	0.07%	2.00%
\$2M-5M	0.07%	2.00%
\$5M-10M	0.04%	2.00%
Above \$10M	0.03%	2.00%

\*A minimum annual Program fee of \$20 will apply and can cause the total Program fee to exceed 2.00% in certain circumstances.

The table below describes **the transaction charges associated with the non-wrap fee version of the Program for accounts held with NFS.**

<b><u>Security Type</u></b>	<b><u>Transaction Fee*</u></b>
<b>Stocks, ETFs and Closed End Funds</b>	
Market Orders	\$9.00 per transaction
<b>Mutual Funds</b>	
No transaction fee (NTF) funds	No charge per transaction
PIP/SWP	No charge per transaction
No load and load waived buys and sells	\$0.00 to \$9.00 per transaction



<b>Other</b>	
Fixed Income	\$0.00 to \$9.00 per transaction
Unit Investment Trust Redemption Fee (liquidations only)	\$0.00 to \$9.00 per transaction
Alternative Investments Redemption Fee (liquidations only)	\$50.00 per transaction
Options – Closing Trades Only (liquidations only)	\$9.00

\*Transaction fees are subject to change

**Wrap Fee Program Fee Schedule for accounts custodied at Pershing, LLC.**

Market Value	Sponsor Fee	Maximum Annual Program Fee*
Up to \$250K	0.26%	2.00%
\$250K-500K	0.22%	2.00%
\$500K-750K	0.20%	2.00%
\$750K-1M	0.19%	2.00%
\$1M-2M	0.18%	2.00%
\$2M-5M	0.18%	2.00%
\$5M-10M	0.15%	2.00%
Above \$10M	0.14%	2.00%

\*A minimum annual Program fee of \$20 will apply and can cause the total Program fee to exceed 2.00% in certain circumstances.

**Non-Wrap Fee Program Fee Schedule for accounts custodied at Pershing, LLC.**

Market Value	Sponsor Fee	Maximum Annual Program Fee*
Up to \$250K	0.15%	2.00%
\$250K-500K	0.11%	2.00%
\$500K-750K	0.09%	2.00%
\$750K-1M	0.08%	2.00%
\$1M-2M	0.07%	2.00%

\$2M-5M	0.07%	2.00%
\$5M-10M	0.06%	2.00%
Above \$10M	0.05%	2.00%

\*A minimum annual Program fee of \$20 will apply and can cause the total Program fee to exceed 2.00% in certain circumstances.

The table below describes the **transaction charges associated with the non-wrap fee version of the Program for accounts held with Pershing, LLC.**

Security Type	Transaction Fee*
<b>Stocks, ETFs and Closed End Funds</b>	
Market orders	\$9.00 per transaction
<b>Mutual Funds</b>	
No transaction fee (NTF) funds	No Charge per transaction
PIP / SWP	\$0.00 per transaction
No load and load waived buys and sells	\$0.00 to \$9.00 per transaction
<b>Other</b>	
Fixed Income	\$0.00 to \$9.00 per transaction
Unit Investment Trust Redemption Transaction Fee (Purchases not allowed)	\$0.00 to \$9.00 per transaction
Alternative Investments Redemption Transaction Fee (Purchases not allowed)	\$50.00 per transaction
Options-Closing Trades Only (Purchases not allowed)	\$0.00 to \$9.00 per transaction
Short-Term Redemption of NTF Fund	\$25.00 per transaction
Bond / Fixed Income Redemption	\$10.00 per transaction

\*Transaction fees are subject to change

### **Strategist Managed Portfolios**

Strategist Managed Portfolios (“SMP”) is a model driven program that allows the client to invest in a broad range of mutual funds and/ or exchange traded funds. These Model Portfolios are managed by third party investment advisors (“Model Providers”) and RAA elects the model portfolios available in the program. The Model Providers are responsible for all investment selections and they have sole discretion to add or remove securities from their portfolios.

Envestnet is granted investment discretion and will continuously monitor each client portfolio. When deemed appropriate, Envestnet will make changes based updates to the model portfolios. Envestnet will also periodically rebalance the portfolios.

In the SMP program the client provides the IAR with information regarding investment objectives, investment time horizon, risk tolerance and other relevant information. The IAR then inputs this information into Envestnet's proprietary investment allocation system, which in turn provides the client and the IAR with investment options that have been determined to be appropriate choices for the client based on the information provided by the client. After the initial investment selections have been elected, the IAR meets with the client no less than annually to discuss any changes in the client's financial situation which have an affect the on the client's investment selections.

Clients have a choice to select model portfolios offered by the following third-party Model Providers, but not limited to: AlphaSimplex, American Funds/PMC, Astor Investment Management, LLC, Beaumont Financial Partners, LLC, Blackrock, Brinker Capital, Inc., Clark Capital, Morningstar Investment Management Services, Inc., Envestnet Asset Management Inc., Russell Investments, Standard & Poors Investment Advisory Services, LLC, Symmetry Partners, Vanguard and Wilshire Associates Incorporated. For additional information about these Model Providers, please see the respective Form ADV Part 2A.

### **Trading**

You will approve the initial Model Provider and Model Portfolio presented to you. The Model Portfolios are provided by Model Providers; therefore, you grant discretion to Model Provider to purchase and sell securities without your prior consent according to the Model Portfolios 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 Model Providers. Envestnet acts to coordinate Model Provider trading activity including whether and how to implement trading instructions received from the Model Providers.

### **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 and 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 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.

### Program Fees

Client accounts are structured as either a SMP wrap fee Program Account or a non-wrap fee SMP Program Account as represented in the Statement of Investment Selection "SIS." A SMP wrap fee Program Account is charged an Advisory fee as a percentage of assets under management; that for one fee includes the management fee, administrative costs of the Adviser and transaction fees for the securities purchased and sold in the SMP wrap fee Program Account.

The table below describes the **transaction charges associated with the SMP non-wrap fee version of the Program for accounts held with NES.**

Security Type	Transaction Fee*
<b>Stocks, ETFs and Closed End Funds</b>	
Market Orders	\$9.00 per transaction
<b>Mutual Funds</b>	
No transaction fee (NTF) funds	\$0.00
PIP/SWP	\$0.00
No load and load waived buys and sells	\$0.00 to \$9.00 per transaction
<b>Other</b>	
Fixed Income	\$0.00 to \$9.00 per transaction
Unit Investment Trust Redemption Fee (liquidations only)	\$0.00 to \$9.00 per transaction
Alternative Investments Redemption Fee (liquidations only)	\$50.00 per transaction
Options – Closing Trades Only (liquidations only)	\$0.00 to \$9.00 per transaction

\*Transaction fees are subject to change

The table below describes the **transaction charges associated with the SMP non-wrap fee version of the Program for accounts held with Pershing, LLC.**

Security Type	Transaction Fee*
<b>Stocks, ETFs and Closed End Funds</b>	
Market orders	\$9.00 per transaction
<b>Mutual Funds</b>	
No transaction fee (NTF) funds	No Charge per transaction
PIP / SW P	\$0.00 per transaction

No load and load waived buys and sells	\$0.00 to \$9.00 per transaction
Exchanges	\$0.00 per exchange
<b>Other</b>	
Fixed Income	\$0.00 to \$9.00 per transaction
Unit Investment Trust Redemption Transaction Fee (Purchases not allowed)	\$0.00 to \$9.00 per transaction
Alternative Investments Redemption Transaction Fee (Purchases not allowed)	\$50.00 per transaction
Options-Closing Trades Only (Purchases not allowed)	\$0.00 to \$9.00 per transaction
Short-Term Redemption of NTF Fund	\$25.00 per transaction
Bond / Fixed Income Redemption	\$10.00 per transaction

\*Transaction fees are subject to change

Please see below for the **SMP Program Fee Schedule**

<b>Market Value</b>	<b>Maximum Annual Program Fee*</b>
Up to \$250K	2.00%
\$250K-500K	2.00%
\$500K-1M	2.00%
\$1M-2M	2.00%
\$2M-5M	2.00%
Above \$5M	2.00%

\* SMP accounts are subject to a \$20 minimum annual Program fee and can cause the total Program fee to exceed 2.00% in certain circumstances.

### **John Hancock Portfolio Solutions**

RAA manages the John Hancock Portfolio Solutions (“JHPS”) program which offer individual clients actively managed portfolios comprised of mutual funds and/or ETFs. RAA is granted investment discretion and will continuously monitor each client’s portfolio. John Hancock Investment Management, LLC (“JHIM”) provides RAA with recommended model portfolios based on specific investment strategies and, from time-to-time, recommends changes to asset class allocations and specific mutual fund and ETF selections. JHIM provides research related to the mutual funds and ETFs RAA includes in the model portfolios. We will provide monitoring and review of model portfolios provided. We have the discretion to modify and/or rebalance the portfolios without your consent consistent with your investment objectives and risk tolerance.

After the investor profile questionnaire is completed, RAA’s IAR analyzes the client information and recommends an appropriate strategy based on the client’s needs and objectives, investment time horizon, risk tolerance and other pertinent factors. RAA will then propose an overall strategy that includes asset allocation and investment style recommendations.

## **Trading**

You will approve the initial Model Portfolio presented to you. The Model Portfolios are provided by JHPS; therefore, you grant discretion to JHPS to purchase and sell securities without your prior consent according to the Model Portfolios 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 JHPS. Envestnet acts to coordinate JHPS trading activity including whether and how to implement trading instructions received from JHPS.

## **Program Fees**

The client account is structured as a wrap fee Program Account as represented in the SIS. A JHPS wrap fee Program Account is charged an Advisory fee as a percentage of assets under management that for one fee includes the management fee, administrative costs of the Adviser and transaction fees for the securities purchased and sold in the JHPS wrap fee Program Account.

Please see below for the **JHPS Program Fee Schedule**

<b>Market Value</b>	<b>Maximum Annual Program Fee</b>
Up to \$250K	2.00%
\$250K-500K	2.00%
\$500K-1M	2.00%
\$1M-2M	2.00%
\$2M-5M	2.00%
Above \$5M	2.00%

\* JHPS accounts are subject to a \$20 minimum annual JHPS Program fee that can cause the total JHPS Program fee to exceed 2.00% in certain circumstances.

## **Separate Accounts**

Separate Accounts (“SA”) is a program that allows the client, through the IAR, to select style specific separate account managers pre-screened by Envestnet from a universe of managers who specialize in a particular investment style. The SA managers choose the general securities, bonds or exchange traded funds (ETFs) for the portfolio and have trading discretion.

In the SA program the client provides the IAR with information regarding investment objectives, investment time horizon, risk tolerance and other relevant information. The IAR then inputs this information into Envestnet’s proprietary investment allocation system, which in turn provides the client and the IAR with investment options that have been determined to be appropriate choices for the client based on the information provided by the client. After the initial investment selections have been elected, the IAR meets with the client no less than annually to discuss any changes in the client’s financial situation which have an effect on the client’s investment selections.

## **Trading**

You grant discretion to us, your Advisory Representative, the SA 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 SA Managers. Envestnet acts to coordinate SA program trading activity including whether and how to implement trading instructions received from SA 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 and 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 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.

## Program Fees

The client account is structured as a SA wrap fee Program Account as represented in the SIS. A JHPS wrap fee Program Account is charged an Advisory fee as a percentage of assets under management that for one fee includes the management fee, administrative costs of the Adviser and transaction fees for the securities purchased and sold in the SA wrap fee Program Account.

Please see below for the **SA Program Fee Schedule**

Market Value	Maximum Annual Program Fee*
Up to \$250K	3.00%
\$250K-500K	3.00%
\$500K-1M	3.00%
\$1M-2M	3.00%
\$2M-5M	3.00%
Above \$5M	3.00%

\*SAs are subject to a \$350 minimum annual SA Program fee and minimum annual custodial fees depending on the type of manager(s) selected that can cause the total SA Program fee to exceed 3.00%.

## **Unified Managed Account**

In the Unified Managed Account (“UMA”) program, the client provides the IAR with information regarding investment objectives, financial needs, investment time horizon, risk tolerance and other relevant information. The IAR inputs this information into the Envestnet Asset Management platform to build a model portfolio for the client, recommend an appropriate asset allocation among the investment options in the UMA program and select appropriate investment vehicles for the client’s account coinciding with the client’s risk tolerance parameters. Investment options in the UMA include investment strategies created and managed by:

- Third Party Investment Managers such as SA Managers, Model Providers, JHPS,
- your Advisory Representative (from a selection of mutual funds, exchange traded products, or equities),
- or fund managers.

Unlike other programs, 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.

Clients participating in the UMA program will receive investment management services, underlying investment securities recommendations and rebalancing services. Under the UMA program, Envestnet provides portfolio overlay management services, including coordinating all trading and keeping client portfolios in balance with clients’ respective asset allocation strategies. Envestnet maintains trading authority and will provide periodic rebalancing services so that the allocation of assets remains, within certain parameters, consistent, with the selected Strategy. The UMA program is offered on a discretionary basis and the IAR provides rebalancing of the investments,

purchasing investments and/or selling investments from a client’s account, but will instruct Envestnet to make account changes based on such recommendations.

Reasonable restrictions can be imposed by the client on management of the accounts including the designation of particular securities or types of securities that should not be purchased for the account or that should not be held in the account.

IARs consult with clients periodically, but no less than annually to determine whether any information needs to be updated and whether any changes need to be made to the client’s stated risk tolerance parameters. The client account is structured as a wrap fee Program Account as represented in the SIS. A UMA wrap fee Program Account is charged an Advisory fee as a percentage of assets under management that for one fee includes the management fee, administrative costs of the Adviser and transaction fees for the securities purchased and sold in the wrap fee Program Account.

## **Trading**

You grant discretion to us, your IAR, Third Party Investment Managers, and/or Envestnet to purchase and sell securities without your prior consent according to your stated investment objectives

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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 Third Party Investment Managers, and/or your IAR. Envestnet acts to coordinate UMA program trading activity including whether and how to implement trading instructions received from Third Party Investment Managers and/or your IAR.

## **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 and 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 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.

### **Program Fees**

UMA Program Accounts custodied at FCC are allotted one hundred and fifteen (115) purchases or sales in any twelve (12) month period. Should there be purchases or sales in excess of the allotment then those purchases and sales will be charged a transaction fee as defined below. At the end of each twelve-month period, the allotment resets to 115. These are subject to a \$250 minimum annual program fee and minimum annual custodial fees depending on the type of manager(s) selected that can cause the total program fee to exceed 3.00%.

<b>Security Type</b>	<b>Transaction Fee*</b>
<b>Stocks, ETFs and Closed End Funds</b>	
Market Orders	\$9.00 per transaction
<b>Mutual Funds</b>	
No transaction fee (NTF) funds	\$0.00
PIP/SWP	\$0.00
No load and load waived buys and sells	\$0.00 to \$9.00 per transaction
<b>Other</b>	
Fixed Income	\$0.00 to \$9.00 per transaction

Unit Investment Trust Redemption Fee (liquidations only)	\$0.00 to \$9.00 per transaction
Alternative Investments Redemption Fee (liquidations only)	\$50.00 per transaction
Options – Closing Trades Only (liquidations only)	\$0.00 to \$9.00 per transaction

\*Transaction fees are subject to change

Please see below for the **UMA Program Fee Schedule**

<b>Market Value</b>	<b>Maximum Annual Program Fee</b>
Up to \$250K	3.00%
\$250K-500K	3.00%
\$500K-1M	3.00%
\$1M-2M	3.00%
\$2M-5M	3.00%
Above \$5M	3.00%

### **Portfolio by Design**

Portfolio by Design “PBD” accounts are established with NFS for custody and trade execution services.

The PBD program consists of the following five products:

- PBD Premier Manager (“Premier Manager”)
- PBD Premier Advisor Separately Managed Account Program (“Premier Advisor”)
- PBD Premier Manager Income Portfolios
- Unified Managed Account (“UMA”)
- ActivePassive Portfolios

In the PBD program, the client provides the IAR with information regarding investment objectives, financial needs, investment time horizon, risk tolerance and other relevant information. The IAR inputs this information into Envestnet Portfolio Solutions’ proprietary investment allocation system, which in turn provides the client and the IAR with investment options that have been determined to be appropriate choices for the client based on the information provided by the client. To make this determination, Envestnet Portfolio Solutions’ investment team evaluates and selects available investments. After the initial investment selections have been elected, the IAR meets with the client no less than annually to discuss any changes in the client’s financial situation which may affect the client’s investment selections.

For specific information regarding the available products offered through the PBD program (“PBD Program Investments”) and the associated fees, please see below.

### **Premier Manager**

Premier Manager is an Envestnet Portfolio Solutions model driven mutual fund program that allows the client to invest in a broad range of funds from NFS. This program is managed by Envestnet Portfolio Solutions. Therefore, Envestnet Portfolio Solutions is granted investment discretion and will continuously monitor each client portfolio. When deemed appropriate, Envestnet Portfolio Solutions will make changes in both asset class allocations and specific investment selections. Envestnet Portfolio Solutions will also periodically rebalance the portfolios.

Please see below for the Premier Manager Program Fee schedule:

**Premier Manager – Mutual Funds**

<b>Market Value</b>	<b>Maximum Annual Program Fee</b>
\$0 - \$300,000	2.00%
\$300,000.01 - \$600,000	2.00%
\$600,000.01 - \$1,000,000	2.00%
\$1,000,000.01 - \$3,000,000	2.00%
Over \$3,000,000	2.00%

Premier Manager Accounts are subject to a \$125.00 minimum quarterly fee

**Premier Advisor**

Premier Advisor is an IAR directed mutual fund and separately managed account program. Like Premier Manager, Premier Advisor offers a broad selection of funds from NFS as well as a wide variety of separately managed account strategies. Within the Premier Advisor there are 2 programs: Mutual Fund Wrap Program and Separately Managed Account Program. As of the date of this filing there are no assets in the IAR directed mutual fund program.

Please see below for the Premier Advisor Program Fee schedule:

**Premier Advisor – Mutual Funds**

<b>Market Value</b>	<b>Maximum Annual Program Fee</b>
\$0 - \$300,000	2.00%
\$300,000.01 - \$600,000	2.00%
\$600,000.01 - \$1,000,000	2.00%
\$1,000,000.01 - \$3,000,000	2.00%
Over \$3,000,000	2.00%

Equity transactions that are not part of a separately managed account will be charged \$30 per transaction.

**Premier Advisor – Equity and Balanced Separate Accounts**

<b>Market Value</b>	<b>Maximum Annual Program Fee</b>
\$0 - \$300,000	3.00%
\$300,000.01 - \$600,000	3.00%
\$600,000.01 - \$1,000,000	3.00%
\$1,000,000.01 - \$3,000,000	3.00%
Over \$3,000,000	3.00%

**Premier Advisor – Fixed Income and Separate Accounts**

<b>Market Value</b>	<b>Maximum Annual Program Fee</b>
\$0 - \$300,000	2.50%

\$300,000.01 - \$600,000	2.50%
\$600,000.01 - \$1,000,000	2.50%
\$1,000,000.01 - \$3,000,000	2.50%
Over \$3,000,000	2.50%

### UMA

The UMA program allows the client to participate in an Envestnet Portfolio Solutions model driven investment program which can consist of separately managed accounts, mutual funds and exchange traded funds. The UMA models are constructed by Envestnet Portfolio Solutions and investment discretion is granted to Envestnet Portfolio Solutions. Additionally, Envestnet Portfolio Solutions' in-house overlay portfolio management team supervises and aggregates the investment decisions of the multiple managers.

Please see below for the UMA Program Fee schedule.

### **UMA**

<b>Market Value</b>	<b>Maximum Annual Program Fee</b>
\$0 - \$2,000,000	2.50%
Over \$2,000,000	2.50%

UMA program accounts are subject to a \$125.00 minimum quarterly fee.

### ActivePassive Portfolios

The ActivePassive Portfolios are Envestnet Portfolio Solutions models that combine passively managed investments with actively managed mutual funds. The portfolios are managed by Envestnet Portfolio Solutions consisting of a series of third party index mutual funds as well as one or more actively managed funds from the PMC Fund family. The PMC Funds are a proprietary fund family of Envestnet Portfolio Solutions' affiliate, Envestnet Asset Management, Inc. (EAM) and as the investment adviser to the PMC Funds, EAM receives a management fee based on the assets in the PMC Funds. Envestnet Portfolio Solutions does not receive compensation for the portion of assets in the ActivePassive Portfolios that are invested in the PMC Funds. Envestnet Portfolio Solutions is granted investment discretion which allows Envestnet Portfolio Solutions to make manager selection changes and rebalance the portfolios when necessary

Please see below for the ActivePassive Portfolio Program Fee schedule:

### **ActivePassive Portfolios**

<b>Market Value</b>	<b>Maximum Annual Program Fee</b>
\$0 - \$2,000,000	2.00%
Over \$2,000,000	2.00%

ActivePassive Portfolio program accounts are subject to a \$125.00 minimum quarterly fee.

### Income Portfolios

Like the ActivePassive Portfolios, the Income Portfolios program is an Envestnet Portfolio Solutions model driven mutual fund program. However, unlike the ActivePassive Portfolios program, the Income Portfolios is made up solely of mutual funds. Envestnet Portfolio Solutions is the manager and is granted investment discretion

for this program. Envestnet Portfolio Solutions monitors the account's manager selections and asset allocation. When necessary, Envestnet Portfolio Solutions will make manager selection changes and rebalance the portfolios.

Please see below for the Income Portfolios Program Fee schedule:

#### **Income Portfolios**

<b>Market Value</b>	<b>Maximum Annual Program Fee</b>
\$0 - \$300,000	2.00%
\$300,000.01 - \$600,000	2.00%
\$600,000.01 - \$1,000,000	2.00%
\$1,000,000.01 - \$3,000,000	2.00%
Over \$3,000,000	2.00%

Income Portfolios program accounts are subject to a \$125.00 minimum quarterly fee

#### *Trading*

You grant discretion to us, your IAR, and/or Envestnet Portfolio Solutions to purchase and sell securities without your prior consent according to your stated investment objectives.

We utilize Envestnet Portfolio Solutions (aka. Envestnet), an independent investment adviser, to execute the transactions on your behalf. Envestnet will use discretionary authority to execute securities transactions.

#### *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 and 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 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.

## Item 5 – Account Requirements and Types of Clients

RAA offers investment advisory services to individuals, trusts, estates, non-profit organizations, corporations, partnerships and other types of business entities.

### **Minimum Investment Amount**

Exceptions to the account minimums listed may be made at the discretion of RAA.

<b>Product Name</b>	<b>Account Minimum</b>
Advisor Managed Portfolios	\$25,000
Strategist Managed Portfolios	\$10,000  Model minimums are determined by the Model Providers
Separate Accounts	Minimums are determined by the individual Investment Managers
John Hancock Portfolio Solutions	\$25,000
Unified Managed Account	\$150,000
Portfolio by Design Premier Adviser <ul style="list-style-type: none"><li>• Separately Managed Account Program</li></ul>	SMA Program: Minimums are determined by the individual Investment Managers
Portfolio by Design Premier Manager <ul style="list-style-type: none"><li>• Income Portfolios</li><li>• Mutual Fund Wrap Program</li></ul>	Income Portfolios: \$100,000  Mutual Fund Wrap Program: \$25,000

Unified Managed Account Portfolios	\$250,000
ActivePassive Portfolios ®	\$100,000

RAA IARs are also Registered Representatives of Royal Alliance, a registered broker-dealer. RAA advisory clients can also have brokerage accounts with a Royal Alliance Registered Representative who recommends and executes securities trades on the client's behalf. Trades executed in the brokerage accounts can conflict with the trades recommended for the advisory accounts.

## Item 6 – Portfolio Manager Selection and Evaluation

Envestnet is responsible for the evaluation and ongoing monitoring of the investment firms available in the Strategist Managed Portfolios program, Separate Accounts and the Unified Managed Account. Please see Envestnet's ADV Part 2A for more information.

The RAA IAR acts as portfolio manager for AMP program, and clients rely significantly on the skills and experience of the IAR and the IAR's ability to select investments within the risk tolerance and asset allocation and concentration parameters established for the UMA.

The Firm selects independent Model Providers and all independent Model Providers 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. Independent Model Providers 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. Your IAR is responsible for determining whether any particular Model Provider or investment strategy is appropriate based on your stated risk tolerance and investment objectives.

The Firm does not review or verify the accuracy of any marketing or other materials, including investment performance history, that Model Provider may provide to you or your IAR. As a result, performance information and presentations may not be uniform or consistent between Model Providers.

An explanation of how your IAR selects a Model Provider can be found in Item 4 of this brochure. If your situation changes and your Advisor Representative determines that a particular selected Model Provider's asset allocation model is not consistent with your current goals and investment objectives, your IAR will contact you to discuss different investment options."

On an ongoing basis, Envestnet reviews Model Providers 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 Model Provider as an investment suitable for the Program or add a Model Provider to the Program. We receive research, performance information and other information from Envestnet about Model Providers 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 Model Providers, 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 Model Provider's Form ADV Part 2 disclosure events, as well as portfolio holdings reports that help demonstrate the Model Provider's securities selection process and the prospectuses of the Funds.

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

Clients should refer to the disclosure documents (Form ADV Part 2 or other disclosure document) of Envestnet and/or the selected Model Providers for additional information regarding the security analysis methods, sources of information, investment strategies, and due diligence used by those parties in the management of Program accounts.

#### **Performance Based Fees and Side-by-Side Management**

Neither Royal Alliance nor its IARs accept performance-based fees (i.e. fees based on a share of capital gains or capital appreciation of the assets of a client). Nor does Royal engage in side-by-side management (i.e. managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees). As a result, this disclosure item is not applicable.

#### **Voting Client Securities**

Neither Royal Alliance nor its IARs vote client proxies. Clients will vote proxies associated with the AMP Program. Each third-party asset manager has its own proxy voting policies.

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

The model providers for Strategist Managed Portfolios are provided the necessary information to construct a portfolio appropriate for the client's profiled risk range.

Through the proposal process for Advisor Managed Portfolios, the RAA IAR, acting as portfolio manager, is provided the necessary information by the client and recommends a portfolio appropriate for the client. This information includes the client's selected asset allocation and any investment restrictions requested by the client.

The portfolio managers have access to all information provided by clients to RAA. Through personal discussions with clients and account reviews, goals and objectives, based on a client's circumstances, are established. During the Firm's data-gathering process, RAA determines the client's individual objectives, time horizons, risk tolerance, and liquidity needs. RAA then develops a client's personal investment guidelines and creates and manages a portfolio based on that policy. Information obtained from the client is used to identify risk tolerance, objectives, and appropriate asset allocation.

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

Clients cannot speak directly to portfolio managers, except those that are IARs of RAA. Any questions or issues regarding the client's account or the investments selected for the client's portfolio should be directed to RAA or RAA IAR. RAA will work with Envestnet to resolve issues related to Envestnet portfolio managers.



## Item 9 - Additional Information

### Disciplinary Information

#### **Disclosure of Disciplinary Action Relevant to Mutual Fund Share Classes and Wrap Accounts:**

On March 14, 2016, Royal Alliance Associates, Inc., SagePoint Financial, Inc. and FSC Securities Corporation (collectively, the “Advisor Group Firms”) consented to the entry of an Order Instituting Administrative and Cease-and-Desist Proceedings (“Order”) by the U.S. Securities and Exchange Commission (the “SEC”). The Order focuses on two specific issues related to our fee-based advisory business conducted between 2012 and 2014 at the Advisor Group Firms. In summary, the SEC found that the Advisor Group Firms placed certain advisory clients invested in the Advisor Managed Portfolios program in mutual fund share classes with higher expense costs when lower expense cost share classes of those funds were available. The SEC found that this financial incentive, to place non-qualified advisory clients in higher fee share classes, presented a conflict of interest that should have been disclosed to clients. The SEC also concluded that the Advisor Group Firms failed to adopt written compliance policies or procedures governing mutual fund share class selection. In addition, the SEC found the Advisor Group Firms failed to timely monitor certain wrap advisory accounts for inactivity pursuant to Advisor Group’s written compliance policies and procedures.

Without admitting or denying the SEC’s findings, the Advisor Group Firms agreed to cease and desist from committing or causing any violations and any future violations of Sections 206(2), 206(4) and 207 of the Investment Advisers Act and Rule 206(4)-7 thereunder. The Advisor Group Firms agreed to jointly pay disgorgement of \$1,956,460 and prejudgment interest of \$93,399, a civil penalty of \$7,500,000 and to retain a qualified independent compliance consultant. To address the issues presented in the Order, the Firm has implemented new policies and procedures relating to mutual fund share class selection designed to expand the number of lower cost share classes available to advisory clients, provide training on share class selection, and require the rebating of 12b-1 fees to all advisory clients going forward. The Firm has also enhanced its Form ADV disclosures. In addition, the Firm has enhanced its policies and procedures for the review and on-going use of wrap accounts managed by the Firm’s Investment Advisory Representatives.

#### **Disclosure of Disciplinary Action Relevant to Unit Investment Trust Sales Charge Discounts:**

Effective December 2, 2015, without admitting or denying the findings, Royal Alliance (the “Firm”) entered into an Acceptance, Waiver and Consent (AWC) order with the Financial Industry Regulatory Authority (“FINRA”) regarding the Firm’s alleged failure to identify and apply sales charge discounts to certain customers’ eligible purchases of unit investment trusts (UITs) resulting in customers paying excessive sales charges of approximately \$204,000. The findings also stated the Firm paid restitution to all affected customers. FINRA also alleged the Firm failed to establish, maintain and enforce a supervisory system and Written Supervisory Procedures (WSPs) reasonably designed to ensure that customers receive sales charge discounts on all eligible UIT purchases. The Firm has enhanced its policies and procedures related to identifying and applying sales charge discounts for eligible UIT purchases. Pursuant to the order, the Firm’s payment of the \$225,000 fine was completed on December 18, 2015.

#### **Disclosure of Disciplinary Action Relevant to Supervision of Variable Annuity Products Sold by Royal Alliance:**

Effective June 30, 2015 Royal Alliance entered into a Consent Order with the State of Nevada, Department of Business and Industry, Division of Insurance (“NDOI”). Without admitting or denying the allegations, Royal Alliance consented to the described sanctions, the entry of findings, and a fine of \$21,000. Royal Alliance also agreed to report to the NDOI any complaints or potential complaints from purchasers of annuities by residents of Nevada for the period of January 1, 2007 through December 31, 2012 (the “Market Conduct Examination”) and subsequent self-audit utilizing a grading system by Royal Alliance relevant to 810 sales transactions for the same period. Royal Alliance IA Brochure – 2018.2 18 Current as of August 8, 2018

In the Order, the NDOI found deficiencies in the ability of Royal Alliance to demonstrate supervision, oversight, procedures, controls, documentation, and reports to the NDOI, in place at the time annuity products were sold, including certain violations of the Nevada Administrative Code ("NAC") 688A.460(2) and NAC 688A.455(1).

In the Order, the NDOI recognized the remedial actions taken by Royal Alliance which included the implementation of appropriate safeguards to assure suitable sales transactions and the adequate supervision of the sales of those transactions, including the adoption of written procedures, control structures, and continuous monitoring assessment. Moreover, the NDOI acknowledged that Royal Alliance implemented appropriate audit safeguards, including a formal audit process, and documentation controls for its sales transactions.

#### **Disclosure of Disciplinary Action Relevant to Failure to Reasonably Supervise Registered Representative:**

On April 28, 2009, as a condition of its Offer of Settlement with the Securities and Exchange Commission (SEC), Royal Alliance Associates, Inc. (Royal Alliance) which is registered as a broker-dealer and an investment adviser, consented to an Order Instituting Administrative Proceedings, Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b)(4) of the Securities Exchange Act of 1934 (Exchange Act) (the "Order"), without admitting or denying the findings therein. Royal Alliance was censured, assessed a civil monetary penalty of \$500,000, and required to pay disgorgement of \$1.

In the Order, the SEC found that Royal Alliance failed to reasonably supervise one of its registered representatives with a view to preventing and detecting his violations of federal securities laws during the period from January 1999 through December 2004. The registered representative at issue operated a one-person satellite office in Arizona and was found to have violated Sections 206(1) and (2) of the Investment Advisers Act of 1940 (Advisers Act) and 10(b) of the Exchange Act and 10b-5 thereunder.

In the Order, the SEC recognized the remedial actions taken by Royal Alliance which included, but was not limited to: (i) the utilization of an outside consultant to recommend improvements to its supervisory and compliance practices and its implementation of those recommendations, (ii) the strengthening of its satellite exam procedures and implementation of processes for supervising those exams, (iii) the enhancement of its surveillance system, and (iv) the increased training of its examiners and non-registered personnel in its branch offices.

#### **Other Financial Activity and Affiliations**

The Signator Managed Account Platform includes certain affiliated mutual funds. There is no explicit incentive for a RAA IAR to recommend an affiliated mutual fund over other mutual funds.

#### *Corporate Structure*

Royal Alliance 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). Advisor Group, Inc. is a network of independent broker-dealers and investment advisers.

#### *Broker-Dealer Registration*

As noted in Item 4, Royal Alliance Associates, Inc. is dually registered as both a broker-dealer with FINRA engaged in the offer and sale of securities products and as an Investment Adviser with the SEC in order to offer investment advisory products and services to its advisory clients.

All of our Advisory Representatives are associated with Royal Alliance as Registered Representatives. Our Advisory Representatives can recommend the purchase of securities offered by Royal Alliance. If you purchase these products through them, they will receive normal commissions which will be in addition to customary advisory fees. As such, Advisory Representatives may have an incentive to sell you commissionable products in addition to providing you with advisory services when such commissionable products may not be suitable. Alternatively, they may have an incentive to forego providing you with advisory services when appropriate, and instead recommend the purchase of commissionable investments, if they deem that the payout for recommending

the purchase of these investments would be higher than providing management advice on these products for an advisory fee. Therefore, a conflict of interest could exist between their interests and your interests.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

All such transactions are effected in compliance with the Advisers Act and other applicable law, including our duty to seek best execution.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with providing you with any advisory service that we offer.

General securities accounts for our brokerage customers are maintained and custodied on a fully disclosed basis by Pershing, LLC (“Pershing”) or for VISION2020 Wealth Management Platform accounts, Pershing or National Financial Services, LLC (“NFS”). Pershing and NFS are registered broker-dealers and investment advisers.

#### *Other Affiliated Broker-Dealers and Investment Advisers*

The following three (3) affiliates of the Firm are dually registered broker-dealers registered with FINRA and registered investment advisers with the SEC. Your Advisory Representative, however, cannot recommend the purchase of securities through such affiliates and do not conduct advisory business through them: FSC Securities Corporation, SagePoint Financial, Inc. and Woodbury Financial Services, Inc.

The Firm is also affiliated with Vision2020 Wealth Management Corp., a registered investment adviser with the SEC. We may offer investment advisory programs sponsored by Vision2020 Wealth Management Corp.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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 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 and to avoid any actual or potential conflict of interest or any abuse of an employee’s position of trust and responsibility;
- The fiduciary principle that information concerning the identity of your security holdings and financial circumstances are confidential; and
- The principle that independence in the investment decision-making process is paramount.

We will provide a copy of the Code to you or any prospective client upon request. It is also available on the Firm’s website at [www.royalalliance.com](http://www.royalalliance.com). You may also access the Firm’s privacy policy here.

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

Related Person(s) to us may have an interest or position in securities which may be recommended to you.

Our Advisory Representatives, from time to time, can recommend investment products to you, including mutual funds, variable and fixed annuities, and other insurance products, sponsored, distributed, or managed by our

Related Persons. Advisory Representatives may also recommend that you select portfolio managers that are Related Persons. These Related Persons may, from time to time, place brokerage transactions with Royal Alliance and refer you to us. Such recommendations and arrangements might create a conflict of interest because they may result in an increase in compensation for us, our Advisory Representatives and our Related Persons.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

We may recommend securities to you or buy or sell securities for your account at or about the same time we may buy or sell the same securities in our own account. As such, there may be instances where our interests may appear to be placed ahead of yours. However, our firm policy prohibits us from receiving a better price on our order, if you and us invest in the same security on the same side of the market on the same day.

### **Participation or Interest in Client Transactions**

Your IAR, 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 RAA ADV Part 2A for further details on these financial interests and associated conflicts of interest.

### **Review of Accounts**

Each purchase or sale of a security affected by our IARs in your account is monitored for suitability by an appointed supervisor. In addition, our IARs periodically review your accounts as needed, but no less than annually. Such review and consultation typically contain, when warranted, advice regarding recommended changes to your investments and recommendations for implementation of proposed changes.

You will receive monthly and/or quarterly account statements and depending on the advisory program we offer, a quarterly performance report ("QPR").

QPRs are for informational purposes only and based on information believed to be accurate, but that we have not verified. For accurate account information, you must refer to the account statement from the account custodian.

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

RAA IARs receive client referrals for advisory services. Each client receives a solicitor fee disclosure document that outlines the referral arrangement and any compensation to the individual making the referral.

NFS shares revenue associated with the use of no-transaction fee mutual funds in the Program. Such payments vary from .03% to 0.12% based on aggregate no- transaction fee mutual fund assets held with NFS. As such, there is a conflict of interest because RAA has a greater incentive to recommend investments that provide additional compensation to RAA.

RAA receives revenue sharing from third-party money managers for new sales and/or assets under management in its investment advisory programs.

For further details on compensation and other economic benefits that RAA receives, please see their ADV Part 2A.

### **Financial Information**

Your Program assets will be custodied at Pershing or NFS. 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.