

## **Form ADV Part 2A**

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This 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 (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.

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

## **ITEM 2 - MATERIAL CHANGES**

The last amendment of the Royal Alliance Associates, Inc. Form ADV, Part 2A, was September 2015. Since that amendment, Royal Alliance Associates, Inc. has made material changes to the Form ADV Part 2A as follows:

Item 9, Disciplinary Information: Disclosure was added to reflect that Royal Alliance entered into an Acceptance, Waiver and Consent (“AWC”) order with the Financial Industry Regulatory Authority (“FINRA”) regarding an alleged failure to identify and apply sales charge discounts to certain customers’ eligible purchases of unit investment trusts (“UITs”) and alleged failure to establish, maintain and enforce a supervisory system to ensure that customers receive sales charge discounts on all eligible UIT purchases.

### ITEM 3 - TABLE OF CONTENTS

ITEM 1: COVER PAGE -----	1
ITEM 2: MATERIAL CHANGES -----	2
ITEM 3: TABLE OF CONTENTS -----	3
ITEM 4: ADVISORY BUSINESS -----	5
VISION2020 Wealth Management Platform – Advisor Managed Portfolios -----	5
VISION2020 Wealth Management Platform – Model Portfolios Program -----	6
VISION2020 Wealth Management Platform – SMA and UMA Program -----	6
Third-Party Advisory Services -----	6
Financial Planning -----	7
Non-Discretionary Investment Services -----	7
Retirement Plan Consulting Services -----	8
ITEM 5: FEES AND COMPENSATION -----	9
VISION2020 Wealth Management Platform – Advisor Managed Portfolios -----	9
VISION2020 Wealth Management Platform – Model Portfolios Program -----	9
VISION2020 Wealth Management Platform – SMA and UMA Program -----	10
Third-Party Advisory Services -----	10
Financial Planning -----	10
Non-Discretionary Investment Services -----	11
Retirement Plan Consulting Services -----	11
Seminars -----	12
Negotiation of Fees -----	12
Additional Fees and Expenses -----	12
Wrap Account Pricing -----	13
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT -----	14
ITEM 7: TYPES OF CLIENTS -----	14
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS -----	15
Methods of Analysis -----	15
Associated Risks -----	15
ITEM 9: DISCIPLINARY INFORMATION -----	16
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS -----	17
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS -----	18
Privacy Notice -----	19
ITEM 12: BROKERAGE PRACTICES -----	20
ITEM 13: REVIEW OF ACCOUNTS -----	21
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION -----	21
General -----	21
Wrap Accounts -----	21
Mutual Funds -----	22
Variable Annuities -----	22
Third Party Advisory Services -----	22

Revenue Sharing Disclosure -----	22
Client Referrals -----	23
ITEM 15: CUSTODY -----	23
ITEM 16: INVESTMENT DISCRETION -----	24
ITEM 17: VOTING CLIENT SECURITIES -----	24
ITEM 18: FINANCIAL INFORMATION -----	24
ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISORS -----	24

## **ITEM 4 - ADVISORY BUSINESS**

Royal Alliance Associates, Inc. has been an independent broker-dealer for more than two decades. The firm has built a strong reputation within the Financial Services Industry through its open-architecture model and commitment to technology and service.

Royal Alliance Associates, Inc. is registered with the Financial Industry Regulatory Authority ("FINRA") as a broker-dealer engaged in the offer and sale of securities products. Royal Alliance Associates, Inc. is also registered as an investment adviser with the Securities and Exchange Commission ("SEC"), SEC File No. 801-54859, in order to offer investment advisory products and services to its advisory clients. Such services are offered through certain Financial Advisers ("FAs") who have registered as its Investment Adviser Representatives ("Advisory Representative"). Registration does not imply a certain level of skill or training. Royal Alliance is owned by AIG Advisor Group, Inc. and is an indirect subsidiary of American General Life Insurance Company, with its ultimate parent being, American International Group, Inc. ("AIG").

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 "we", "us" or "our".

We have been an SEC registered Investment Adviser since 1997 and manage, as of 12/31/14, \$2,108,590,841 of assets on a discretionary basis and \$1,794,333,151 on a non-discretionary basis.

Each of our Advisory Representatives may offer all or any combination of the advisory programs described below to our clients ("you" or "your").

### **Impending Sale of the AIG Advisor Group**

On January 18, 2016, AIG entered into an agreement to sell its equity interest in AIG Advisor Group, Inc., the parent of the Firm, to Amsterdam Parent Corp. ("Purchaser"), which is a subsidiary of Lightyear Fund III, L.P., a private equity investment fund managed by an affiliate of Lightyear Capital LLC, PSPIB Lunar Investments Inc., a direct, wholly-owned investment vehicle of the Public Sector Pension Investment Board, and certain other private funds. The transaction is expected to close during the second quarter of 2016, subject to regulatory approvals and other customary closing conditions

This change will have no impact on your relationship with your Adviser, the qualified custodian of your assets, or your client agreement with the Firm. If and when the transaction closes, it will result in an indirect change of control of the Firm and, as such, the Firm will become an indirect subsidiary of the Purchaser. Under the Investment Advisers Act of 1940, as amended, the indirect change of control of the Firm is considered an "assignment" of your client agreement, for which your consent is required. By receiving this Disclosure Brochure and simultaneously signing the client agreement, you consent to the pending assignment.

### **VISION2020 WEALTH MANAGEMENT PLATFORM – ADVISOR MANAGED PORTFOLIOS**

The Wealth Management Platform – Advisor Managed Portfolios Program ("Advisor Managed Portfolios") provides comprehensive investment management of your assets through the application of asset allocation planning software as well as the provision of execution, clearing and custodial services through Pershing, LLC ("Pershing").

Advisor Managed Portfolios provides risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, and portfolio optimization and re-balancing tools. Utilizing these tools, and based on your responses to a risk tolerance questionnaire ("Questionnaire") and discussions that we have together regarding, among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation, we construct a portfolio of investments for you. This portfolio may consist of mutual funds, exchange traded funds, equities, options, debt securities, variable life, variable annuity sub-accounts (certain restrictions may apply) and other investments.

Each portfolio is designed to meet your individual needs, stated goals and objectives. Additionally, you have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

**For further Advisor Managed Portfolios details, please see the Advisor Managed Portfolios Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in Advisor Managed Portfolios. Please read it thoroughly before investing.**

### **VISION2020 WEALTH MANAGEMENT PLATFORM – MODEL PORTFOLIOS PROGRAM**

The Wealth Management Platform - Model Portfolios Program ("Model Program") offers you managed asset allocation models ("Asset Allocation Models") of mutual funds, exchange traded funds ("ETFs"), or a combination thereof, diversified across various investment styles and strategies. The Asset Allocation Models are constructed by managers ("Program Managers") such as Russell Investment Management Company and Morningstar Associates, LLC.

Based upon your risk tolerance, the Model Program utilizes a system that selects a specific Asset Allocation Model. After the Asset Allocation Model is chosen, we, with the assistance of the Model Program sponsor, will open a Model Program account. Your assets will be invested in the specific investments contained within the recommended Asset Allocation Model. You have the opportunity to place reasonable restrictions on investments held within the Model Program account.

**For further Model Program details, including a full list of Program Managers, please see the Model Program Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in the Model Program. Please read it thoroughly before investing.**

### **VISION2020 WEALTH MANAGEMENT PLATFORM – SMA AND UMA PROGRAM**

The Wealth Management Platform – SMA and UMA Account Program ("Wealth Managed Account Program" or "WMA") provides you with the opportunity to invest your assets across multiple investment strategies and asset classes by implementing an asset allocation strategy. WMA is a Wrap Account program that offers these advisory services along with brokerage and custodial services for a single, annual, asset-based advisory fee.

We will present you with a WMA asset allocation model ("WMA Model") for your approval which will consist of: 1) third party money managers ("WMA Managers") who will manage your WMA account according to a particular equity or fixed income model or strategy, or 2) no-load mutual funds ("Funds"), or 3) exchange traded funds ("ETFs") or any combination thereof (individually or collectively, "WMA Investments"). WMA Investments will be managed according to the selected WMA Model. WMA Investments are held within a separately managed account or a series of separately managed accounts (collectively, "SMA Account") or in one, unified managed account ("UMA Account").

We will suggest a WMA Model to you based on your responses to a risk tolerance questionnaire ("Questionnaire") and discussion that we have together regarding among other things, investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation. In addition, you have the opportunity to place reasonable restrictions on investments held within your WMA account.

**For further WMA details, please see the WMA Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in WMA. Please read it thoroughly before investing.**

### **THIRD PARTY ADVISORY SERVICES**

We can also offer you the services of various third party investment advisors ("Third-Party Advisory Services") for the provision of certain investment advisory programs including mutual fund wrap and separately managed account programs. In addition to the advisory relationship that you will have with these third parties, you will also enter into an advisory relationship with us by signing our client agreement.

*If you are interested in learning more about any of these services, please note that a complete description of the programs, services, fees, payment structure and termination features is available via the applicable Third Party Advisory Service's disclosure brochures, investment advisory contracts, and account opening documents.*

In connection with these arrangements, we will provide assistance in the selection and ongoing monitoring of a particular Third-Party Advisory Service. Factors that we consider in the selection of a particular third-party advisor may include but may not be limited to: i) our assessment of a particular Third-Party Advisory Service; ii) your risk tolerance, goals, objectives and restrictions, as well as investment experience; and iii) the assets you have available for investment.

You should know that the services provided by us through the use of Third-Party Advisory Services are under certain conditions directly offered by them to you. The fees charged by Third-Party Advisory Services who offer their programs directly to you may be more or less than the combined fees charged by the Third Party Advisory Service and us for our participation in the investment programs. However, when using the services of Third-Party Advisory Services directly, you do not receive our expertise in developing an investment strategy, selecting a Third-Party Advisory Service, monitoring the performance of your account and changing a Third- Party Advisory Service provider when appropriate.

## **FINANCIAL PLANNING**

We can provide you with a one-time Financial Plan that will include a review of your financial circumstances, financial goals and a written report of recommendations. This information normally would cover present and anticipated assets and liabilities, including insurance, savings, investments, and anticipated retirement or other employee benefits. We may also create a cash flow analysis or work with and advise you as to the rearrangement of cash flow in order to fund certain long-term objectives such as buying a house, planning for college, retirement, etc.

The program developed for you will usually include general recommendations for a course of activity or specific actions to be taken by you. For example, recommendations may be made that you obtain insurance or revise existing coverage, establish an individual retirement account, increase or decrease funds held in savings accounts or invest funds in securities. We may refer you to an accountant or attorney for development of tax or estate plans.

We do not render legal, tax or accounting advice or prepare any legal documents for you. Your personal attorney will be solely responsible for providing legal advice, legal opinions, legal determinations and legal documents. Your personal tax adviser or accountant will be solely responsible for any tax or accounting services provided to you.

## **NON-DISCRETIONARY INVESTMENT ADVISORY SERVICES**

We may offer you on a one-time, ongoing, or periodic basis one or more of the following non-discretionary investment advisory services ("Non-Discretionary Services").

### **1. Investment Portfolio Monitoring**

We will monitor your portfolio(s) and provide investment advice on a non-discretionary basis to you through mail, phone or email communication. Investment advice may be provided regarding asset allocation, investment portfolio construction, investment selection, investment adviser retention or other services as agreed upon by both parties.

### **2. Other Services**

We are also available for the following non-discretionary advisory services:

- Financial Counseling – We will include assistance to you in designing personal financial goals and objectives, as well as, recommendations regarding the allocation of present financial resources among different types of assets.
- Review of Accounts – We will perform an annual review and consultation of your account. Such review and consultation typically contains advice regarding recommended changes to your investments and recommendations for implementation of proposed changes.
- Securities Research – We will provide research and advice regarding specific securities, industries or markets.

We may not qualify to, and do not render legal, tax or accounting advice or prepare any legal documents for you unless our Advisory Representative is duly licensed as an attorney or accountant in your state of residence. Your personal attorney will be solely responsible for providing legal advice, legal

opinions, legal determinations and legal documents. Your personal tax adviser or accountant will be solely responsible for any tax or accounting services provided to you.

If you receive Non-Discretionary Advisory services, you may purchase securities or insurance products offered through us pursuant to a plan or consultation. Advisory Representatives typically receive commissions as Registered Representatives of Royal Alliance or insurance agents in connection with such transactions. Thus, the Advisory Representative may have a conflict of interest when providing these services because they may receive additional compensation if you choose to execute transactions through them in this capacity. Advisory Representative and Royal Alliance will also be additionally compensated if you choose to implement recommendations by retaining Advisory Representative to provide other investment advisory products or services. You are under no obligation to purchase products or services recommended by us or our Advisory Representatives.

## **RETIREMENT PLAN CONSULTING SERVICES**

We offer retirement consulting services to employee benefit plans (collectively, “Plan”) and their fiduciaries. The services are designed to assist the plan sponsor (the “Company”) in meeting its management and fiduciary obligations to the plan under ERISA. Retirement consulting services are provided pursuant to a retirement plan client services agreement, and will consist of general or specific advice, that may include services other than investment advisory services. Retirement plan consulting services may include one or more of the following:

1. Investment Advisory Services and Investment Advice Including Investment Policy Statement Review
2. Plan Review
3. Platform Provider Search and Plan Set Up
4. Fee and Cost Review
5. Acting as Third Party Service Provider Liaison
6. Investment Advice to Participants
7. Plan Benchmarking
8. Plan Conversion
9. Assistance in Plan Merger
10. Legislative and Regulatory Updates
11. Plan Corrections
12. Investment Manager Search and Monitoring
13. Participant Education and Communication

The Company may also engage us to provide a review of executive benefits, for separate compensation.

We will determine with the Company in advance the scope of services to be performed and the fees for all requested services. Prior to engaging us to provide pension consulting services, the Company will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the relevant fees and fee paying arrangements. The services outlined above that we provide are explained in more detail in the written agreement. We will also provide additional disclosures about our services and fees, where required by ERISA.



When we perform our agreed upon services, we will not be required to verify the accuracy or consistency of any information received from the Company.

We will serve in a nondiscretionary ERISA fiduciary capacity with respect to some but not all of the services that we provide which will be further explained in the written agreement we sign with the Company. The Company is always free to seek independent advice about the appropriateness of any recommendations made by us.

## **ITEM 5 - FEES AND COMPENSATION**

### **VISION2020 WEALTH MANAGEMENT PLATFORM – ADVISOR MANAGED PORTFOLIOS PROGRAM**

We may offer Advisor Managed Portfolios as an account where no separate transactions charges apply and a single fee is paid for all advisory services and transactions ("Wrap Account"). In a Wrap Account, the wrap fee can be set-up so that either Royal or the Adviser Representative pays the underlying ticket charges for securities transactions. In cases where the Adviser Representative pays the ticket charges, the Adviser Representative may be incentivized to trade less frequently which results in the adviser retaining a greater portion of the wrap fee.

We may also offer Advisor Managed Portfolios with separate advisory fees and transaction charges ("Non-Wrap Account"). As such, in addition to the quarterly account fee described below for advisory services, you will also pay separate per-trade transaction charges.

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. If you terminate your participation in this program, you will be entitled to a pro rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after the date upon which the notice of termination is received. Certain Advisors who are investment adviser representatives of unaffiliated investment adviser firms can charge the quarterly fees in arrears based on either the account value at the end of the quarter or the average daily balance of the account value for the preceding quarter.

Each of our Advisory Representatives negotiates their own account fee schedule.

Mutual funds and exchange traded funds invested in the account have their own internal fees which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus).

Fund fees may 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.

Advisory account fees are not assessed on investments in affiliated mutual funds held in a qualified retirement account opened by a Royal Alliance Advisory Representative. For qualified retirement advisory accounts, Royal Alliance and your Advisory Representative do not retain 12b-1 fees paid by funds. For non-qualified advisory accounts Royal Alliance and the Advisory Representative may retain the 12b-1 fees when applicable.

For complete fee details, including account fee schedule guidelines and a list of transaction charges, please see the Advisor Managed Portfolios Wrap Fee Program Brochure.

### **VISION2020 WEALTH MANAGEMENT PLATFORM – MODEL PORTFOLIOS PROGRAM**

We offer the Model Program as an account where no separate transactions charges apply and a single fee is paid for all advisory services and transactions ("Wrap Account").

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. If you terminate your participation in this program, you will be

entitled to a pro rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after the date upon which the notice of termination is received.

Each of our Advisory Representatives negotiates their own account fee schedule. The account fees paid by client include portions paid to Royal Alliance, your Advisory Representative, the custodian, and the third party money managers selected. Mutual funds and exchange traded funds invested in the account have their own internal fees which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus). Adviser Representatives may have an incentive to select third party money managers with lower platform fees in order to increase their own fees. Royal Alliance and your Advisory Representative do not retain 12b-1 fees paid by funds.

For complete fee details, including account fee schedule guidelines, please see the Model Program Wrap Fee Brochure.

### **VISION2020 WEALTH MANAGEMENT PLATFORM – SMA AND UMA PROGRAM**

We offer WMAP as an account where no separate transactions charges apply and a single fee is paid for all advisory services and transactions ("Wrap Account").

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. If you terminate your participation in this program, you will be entitled to a pro rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after the date upon which the notice of termination is received.

Each of our Advisory Representatives negotiates their own account fee schedule. The account fees paid by client include portions paid to Royal Alliance, your Advisory Representative, the custodian, and the third party money managers. Mutual funds and exchange traded funds invested in the account have their own internal fees which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus). Adviser Representatives may have an incentive to select third party money managers with lower platform fees in order to increase their own fees. Royal Alliance and your Advisory Representative do not retain 12b-1 fees paid by funds.

For complete fee details, including account fee schedule guidelines, please see the WMAP Wrap Fee Program Brochure.

### **THIRD PARTY ADVISORY SERVICES**

Compensation in connection with Third Party Advisory Services generally consists of five elements: i) management fees paid to Third Party Advisory Services; ii) management fees paid to us as outlined in the client agreement that you sign with us; iii) transaction costs – if applicable – which may be paid to purchase and sell such securities; iv) custody fees; v) revenue sharing paid to Royal Alliance and vi) fees paid to us for administrative and supervisory services. Your account will be held with the Third Party Advisory Service custodian where your fees will be assessed and deducted.

For further details, please see the applicable Third Party Advisory Service's disclosure brochures, investment advisory contracts and account opening documents.

Each of our Advisory Representatives negotiates their own management fee schedule, however management fees charged by the Third Party Advisory Service in connection with their services may not be negotiable.

### **FINANCIAL PLANNING**

Financial planning services may be charged on an hourly or fixed fee arrangement based upon the fee schedules below and as agreed upon between you and our advisory representative. Fees are negotiable and will vary depending upon the complexity of your situation and services to be provided. Similar financial planning services may be available elsewhere at lower cost to you.

- Fixed or flat fees for a financial plan will range from \$500 - \$10,000, depending on the nature and complexity of your circumstances. Fixed fees are payable fifty percent (50%) upon the signing of your Client Agreement (and are nonrefundable) and the balance is due upon delivery of the financial plan.
- Hourly Fees will range from \$50 - \$300 per hour, depending on the nature and complexity of your circumstances. Hourly fees for the Financial Plan will be billed to you after the services are performed and are due upon receipt of the bill.

When you receive financial planning services, you may also purchase securities or insurance products offered through Royal Alliance pursuant to the plan or consultation. Our Advisory Representatives may receive commissions (and this may be their primary method of compensation) as Registered Representatives of Royal Alliance or insurance agents in connection with such transactions. Thus, we may have a conflict of interest when providing financial planning services to you as there may be an incentive for us to recommend specific courses of action through our financial planning services that may lead to our Advisory Representatives receiving additional compensation.

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 our providing you with financial planning services, or any advisory service that we offer.

### **NON-DISCRETIONARY INVESTMENT ADVISORY SERVICES**

Fees will be based on several factors. These include time and labor, complexity of the services provided, and special circumstances involved. Each of our Advisory Representatives negotiates their own fee schedule based on the fee schedules outlined below.

- Fixed Fee – A fixed fee will range from \$500 - \$10,000, depending on the nature and complexity of each Client's circumstances.
- Hourly Fee - An hourly basis will range from \$50 - \$300 per hour, depending on the nature and complexity of each Client's circumstances. An estimate for total hours will be determined at the start of the advisory relationship.

When you receive Non-Discretionary Services, you may also purchase securities or insurance products offered through Royal Alliance pursuant to the plan or consultation. Our Advisory Representatives may receive commissions as Registered Representatives of Royal Alliance or insurance agents in connection with such transactions. Thus, we may have a conflict of interest when providing these services to you as there may be an incentive for us to recommend specific courses of action through our Non-Discretionary Services that may lead to our Advisory Representatives receiving additional compensation.

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 our providing you with Non-Discretionary Services, or any advisory service that we offer.

### **RETIREMENT PLAN CONSULTING SERVICES**

Each of our Advisory Representatives will determine whether to bill the Company for Retirement Plan Consulting Services at a pre-determined hourly rate, a fixed fee, commissions, basis points based upon a percentage of Plan assets, or a combination thereof. Fees may be billed quarterly in advance or in arrears. In special circumstances other fee paying arrangements may be negotiated. The above referenced terms will be disclosed in the client agreement we sign with the Company.

The client agreement may be terminated by us or the Company at any time upon 30 days' prior written notice. Upon termination, we will deliver a final billing statement for unbilled work performed prior to termination, and the Company will have a period of 30 days within which to deliver payment. If we bill the Company in advance, our fee will be credited back to the Company on a pro-rata basis for the unused portion of the billing period. When we calculate the credit, we will subtract any unbilled work we performed for the Company prior to termination.

Each of our Advisory Representatives negotiates their own fee schedule based on the fee schedules outlined below:

- Commissions: As broker of record for the Plan, based on the scope of services agreed upon and the payout rate(s) of the underlying investment product (selected by the Company or other named fiduciary) for the Plan, compensation may be in the form of commissions, 12b-1 fees, and/or finder's fees paid by the product vendor.  
Range: 20 to 150 bps of Plan assets in the applicable investment product(s)
- Fixed Fee: Based on the scope of services agreed upon in engagement, reasonable in light of geographical location, complexity of engagement, size of Plan, and other relevant factors.  
Range: \$1,000 - \$100,000
- Hourly Fee: Based on estimate of hours needed as provided in engagement (Company must approve in writing hours above original engagement); reasonable in light of geographical location, complexity of engagement, size of Plan, and other relevant factors.  
Range: \$50 - \$300 per hour
- Basis Points: Based on specific asset levels in Plan at dates provided in the engagement.  
Range: \$0 to \$20,000,000 10-100 bps of AUM  
\$20,000,001 to \$40,000,000 5-50 bps of AUM  
\$40,000,001 and above 3-25 bps of AUM

## **SEMINARS**

Our Advisory Representatives may host seminars on various financial topics that may encourage clients to seek investment advisory services or purchase securities or insurance products. Fees for the seminars generally range from \$0 to \$300 per session. Fees may be negotiable for group rates and are negotiated based upon the number of attendees and the content of the seminar. Fees are due before the seminar or on the day of the seminar, as set forth in the seminar announcement. Cancellation and refund provisions for prepaid fees are disclosed in the seminar announcement or invitation.

## **NEGOTIATION OF FEES**

Fees are negotiated on a case-by-case basis, depending on a variety of factors, including the nature and complexity of the particular service, your relationship with us and our Advisory Representative, the size of the Account, the potential for other business or clients, the amount of work anticipated and the attention needed to manage your Account. Please note that the same or similar services to those described above may be available elsewhere to you at a lower cost.

## **ADDITIONAL FEES AND EXPENSES**

Mutual fund investments in the programs that we offer are no-load or load at NAV. Your mutual fund investments may be subject to early redemption fees, 12b-1 fees and mutual fund management fees as well as other mutual fund expenses. These fees are in addition to the fees and expenses referenced above. Please review the mutual fund prospectus for full details.

Variable annuity companies generally impose internal fees and expenses on your variable annuity investment, including contingent deferred sales charges and early redemption fees. In addition, variable annuity companies generally impose mortality charges of approximately 1.25% annually. These fees are in addition to the fees and expenses referenced above. Complete details of such internal expenses are specified and disclosed in each variable annuity company's prospectus. Please review the Variable Annuity prospectus for full details.

Regarding Non-Wrap Accounts that we offer you, in addition to the per-trade transaction charges referenced above, you will also be subject to per-trade confirmation fees as disclosed on your trade confirmation (typically \$4.00 per trade).

An additional fee of \$1.50 will apply for both Wrap and Non-Wrap Accounts for each trade confirmation that you do not elect to receive electronically or that is not suppressed, when applicable. You may also be subject to an additional, per-trade transaction charge on the selling of certain securities as disclosed on your trade confirmation (generally less than \$1.00 on trades of \$50,000 or less). These fees are not shared with us but are transaction charges paid to Royal Alliance and our custodian.

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

In addition to providing advisory services, our Advisory Representatives will likely also sell you securities products and other investment and insurance products in their capacity as registered representatives of Royal Alliance and as licensed insurance agents. We will receive additional compensation in connection with this activity and the amount of compensation will depend on the type of product purchased. We will have a greater financial incentive to sell certain products as opposed to others (for example, in the case of mutual funds those that have a higher 12b-1 fee than others). 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. Adviser Representatives may purchase certain securities products outside of an advisory account, but which are held in the client's advisory account. Though these assets are not subject to the advisory account fee, you should be aware that the purchases are subject to commissions or loads which are earned by the Advisory Representative.

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.

Mutual funds generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to the more commonly offered retail share classes (typically, Class A, B and C shares), mutual funds may also offer institutional shares classes and other share classes that are specifically designed for purchase in an account enrolled in fee-based investment advisory programs. Institutional share classes or classes of shares designed for purchase in an investment advisory program usually have a lower expense ratio than other shares classes. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio.

Your Advisory Representative's assessment of the appropriate share class is based on a range of different considerations, including but not limited to: the asset-based advisory fee that is charged; whether transaction charges are applied to the purchase or sale of mutual funds; the overall cost structure of the advisory program; operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the mutual fund sponsors and the ability to access particular share classes through the custodian); share class eligibility requirements; and the availability of revenue sharing, distribution fees, shareholder servicing fees or other compensation associated with offering a particular class of shares.

In selecting or recommending particular share classes, Advisory Representatives may (but are not required to) consider the overall profitability of the account or client relationship. Accordingly, the advisory fees that are charged on an account basis or in the aggregate at the relationship level may take into consideration the mutual fund share classes in which the clients are invested. Clients that are invested in institutional share classes may have higher advisory fees. Similarly, clients that are invested in retail share classes may be charged lower advisory fees or may receive 12b-1 rebates or other fee offsets designed to minimize the impact of being invested in a more expensive share class. Please contact your Advisory Representative for more information about share class eligibility.

### **WRAP ACCOUNT PRICING**

For Advisory Programs that we offer Wrap Account pricing for, please consider that depending upon the level of the wrap fee charges, the amount of portfolio activity in the account, the value of services that are provided under the investment program, and other factors, the wrap fee may or may not exceed the aggregate cost of services if they were to be provided separately. Generally, wrap programs are relatively less expensive for actively traded accounts. However, they may result in higher overall costs to the Client in accounts that experience little trading activity.

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Not applicable. We do not charge performance-based fees.

## ITEM 7 - TYPES OF CLIENTS

Our Advisory Representatives provide investment advisory services to:

- individuals
- pension and profit sharing plans
- trusts
- estates or charitable organizations
- corporations
- other business entities

Our minimum account size requirements for opening an account with us are as follows:

Program	Requirements
VISION2020 Wealth Management Program – Advisor Managed Portfolios	\$50,000
VISION2020 Wealth Management Program – Model Portfolios	\$25,000 – Russell and Russell Tax-Managed \$25,000 – LWI – SA Funds \$50,000 – LWI – DFA Funds \$50,000 – Morningstar \$50,000 – SEI \$50,000 – Innealta Capital \$25,000 – Clark Capital \$50,000 – CLS
VISION2020 Wealth Management Program – SMA and UMA Program	\$100,000 – SMA \$50,000 – UMA
Third Party Advisory Services	Each Third Party Advisory Service sets their own minimums.
Financial Planning	No minimum
Non-Discretionary Investment Services	No minimum
Retirement Plan Consulting	No minimum

*All account minimums may be waived in the sole discretion of the Program Sponsor.*

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Our Advisory Representatives may rely on various types of tools and methods to assist in recommending or selecting investment strategies to you, including asset allocation and various types of software. You should note that our advisory services are generally designed for strategic long-term investing. However, short-term tactical investment strategies may also be made available to accommodate certain circumstances. Investment returns are highly dependent on the value of underlying securities which are impacted by trends in the various investment markets. Under the Third Party Advisory Services Program, each third party asset manager will have its own methods of analysis, investment strategies and unique investment risks that should also be reviewed and considered.

### Methods of Analysis:

When analyzing investments that may be right for you, we may use Fundamental and Technical Analysis. Fundamental analysis is security analysis grounded in basic factors such as company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Information such as interest rates, GNP, inflation and unemployment may be used to predict the direction of the economy and therefore the stock market. Technical analysis is the practice of using statistics to determine trends in security prices and make or recommend investment decisions based on those trends. Technical analysis focuses on matters such as trade volume, demand, and volatility to help determine the market forces at work on a certain security or on the securities market as a whole.

### Associated Risks:

When using Fundamental Analysis, we generally rely on, among other things, company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Data we review is generally considered reliable but we cannot guarantee nor have we verified its accuracy. In addition, the data that we review is sometimes subjective in nature and open to interpretation. Even if our data and interpretation of the data is correct, there may be other factors that determine the value of securities other than those considered in Fundamental Analysis.

When using Technical Analysis we review statistics to determine trends in security prices and make our investment decisions based on those trends. This analysis may only be able to predict how an investment will perform short-term. In addition, this analysis does not take into account, the more fundamental properties of what an investment may be worth such as company performance and balance sheet variables which may play a part in determining the value of an investment.

When pursuing our strategic long-term investing strategies, we are assuming the Financial Markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall Financial Markets advance. In addition, purchasing investments long-term may create an opportunity cost, "locking-up" assets that may be better utilized in the short-term in other investments.

We generally recommend stocks, bonds and mutual funds to you.

Investing in **stocks** involves the assumption of risk including:

- Financial Risk: which is the risk that the companies we recommend to you may perform poorly which will affect the price of your investment.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities we recommend to you with it.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.
- Political and Governmental Risk: which is the risk that the value of your investment may change with the introduction of new laws or regulations.

Investing in **bonds** involves the assumption of risk including:

- Interest Rate Risk: which is the risk that the value of the bond investments we recommend to you will fall if interest rates rise.
- Call Risk: which is the risk that your bond investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.
- Default Risk: which is the risk that the bond issuer may be unable to pay you the contractual interest or principal on the bond in a timely manner or at all.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the bond.

Investing in **mutual funds** involves the assumption of risk including:

- Manager Risk: which is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities contained within the mutual funds we recommend to you.
- Industry Risk: which is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the mutual fund.

Listed above are some of the primary risks associated with the way we recommend investments to you. Please do not hesitate to contact us to discuss these risks and others in more detail. In instances where we recommend that a third party manage your assets, please refer to the third party's ADV and associated disclosure documents for details on their investment strategies, methods of analysis and associated risks.

***Investing in securities involves risk of loss that you should be prepared to bear.***

## **ITEM 9 - DISCIPLINARY INFORMATION**

### **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.

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 Solicitor Arrangements:**

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 reasonably to 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.

### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

All of our Advisory Representatives are associated with Royal Alliance as Registered Representatives. Our Advisory Representatives may recommend the purchase of securities offered by Royal Alliance. If you purchase these products through them, they will receive normal commissions which may 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 may 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.

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 on a limited basis, National Financial Services, LLC ("NFS"). Pershing and NFS are registered broker-dealers and investment advisers.

In addition to our association with Royal Alliance, we have Related Persons (as defined below) that are:

- 1) other broker-dealers
- 2) investment companies
- 3) investment advisers
- 4) lawyers or law firms
- 5) banking institutions
- 6) accounting firms
- 7) insurance companies
- 8) real estate broker/dealers
- 9) pension consultants
- 10) commodity pool operator or commodity trading advisor

Related Persons are defined as entities that we control or control us or are under common control with us.

## **ITEM 11- 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.

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 may 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 also be recommended to you.

Our Advisory Representatives, from time to time, may 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.

For example, our Advisory Representatives may recommend SunAmerica Funds (including SunAmerica cash sweep vehicles) which are available for use within investment programs and are managed by SunAmerica Asset Management Company (SAAMCo), a Related Person. A conflict of interest may exist to the extent the Related Person makes payments to us, our Advisory Representatives, or other Related

Persons of ours, as a result of recommending shares and securities offered by Related Persons. Specifically, when an advisory client invests in SunAmerica Funds, the client is subject, directly and indirectly, to two separate advisory fees. These benefit Royal and/or its Related Persons. First, the client directly pays the advisory account fees charged by Royal. Second, the client indirectly pays the internal fund management fees paid by the fund to SAAMCo, the affiliate of Royal.

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.

### **Privacy Notice:**

We have adopted the following privacy policy:

Maintaining the trust and confidence of our clients is a high priority. That is why we want you to understand how we protect your privacy when we collect and use information about you, and the steps that we take to safeguard that information. This notice is provided to you on behalf of Royal Alliance Associates, Inc.

**Information We Collect:** In connection with providing investment products, financial advice, or other services, we obtain non-public personal information about you, which may include:

- Information we receive from you on account applications, such as your address, date of birth, Social Security Number, occupation, financial goals, assets and income;
- Information about your transactions with us, our affiliates, or others; and
- Information received from credit or service bureaus or other third parties, such as your credit history or employment status.

**Categories of Parties to Whom We Disclose:** We will not disclose information regarding you or your account with us, except that we may disclose under the following circumstances:

- To your authorized Financial Advisor and his or her manager;
- To our parent companies or affiliates, to the extent permitted by law;
- To entities that perform services for us or function on our behalf, including financial service providers, such as a clearing broker-dealer, investment company, or insurance company;
- To consumer reporting agencies;
- To third parties who perform services on our behalf;
- To your attorney, trustee or anyone who represents you in a fiduciary capacity;
- To our attorneys, accountants or auditors; and
- To government entities or other third parties in response to subpoenas or other legal process as required by law or to comply with regulatory inquiries.
- Royal Alliance Associates, Inc. does not sell customer lists or customer information to third parties.
- We may disclose non-public personal information about you in connection with the transfer of your account to another financial institution at your request or the request of your advisor. Royal Alliance Associates, Inc. permits Financial Advisor and Investment Advisers that terminate their affiliation with Royal Alliance Associates, Inc. to make copies of their client files.\* If you do not want Royal Alliance Associates, Inc. to disclose your non-public personal information with your advisor's new financial institution, please contact Royal Alliance Associates, Inc., Attn: Legal Department, One World Financial Center, 15th Floor, New York, NY 10281.

\*If you reside part-time or full-time in a state that requires your affirmative consent before we provide your non-public personal information to certain third-parties – such as in connection with the transfer of your advisor to another financial institution – we will obtain such consent as required.

**How We Use Information:** Information may be used among the affiliate companies that perform support services for us, such as data processors, technical systems consultants and programmers, or companies that help us market products and services to you for a number of purposes, such as:

- To protect your accounts from unauthorized access or identity theft;
- To process your requests such as securities purchases and sales;
- To establish or maintain an account with an unaffiliated third party, such as a clearing broker-dealer providing services to you and/or Royal Alliance Associates, Inc.;
- To service your accounts, such as by issuing checks and account statements;
- To comply with Federal, State, and Self-Regulatory Organization requirements; and
- To keep you informed about financial services of interest to you.

**Our Security Policy:** We restrict access to nonpublic personal information about you to those individuals who need to know that information to provide products or services to you and perform their respective duties. We maintain physical, electronic, and procedural security measures to safeguard confidential client information.

**Closed or Inactive Accounts:** If you decide to close your account(s) or become an inactive customer, our Privacy Policy will continue to apply to you.

**Complaint Notification:** Please direct complaints, questions, or issues regarding the Privacy Policy to: Chief Privacy Officer, One World Financial Center, 15th Floor, New York, NY 10281.

**Changes to This Privacy Policy:** If we make any substantial changes in the way we use or disseminate confidential information, we will notify you.

## **ITEM 12 - BROKERAGE PRACTICES**

We do not engage in any soft dollar practice.

We utilize Pershing (and to a limited extent NFS) to execute advisory account transactions and to custody advisory assets in connection with investment advisory programs we offer you. Transactions executed through Pershing NFS are subject to our duty to obtain "best execution", i.e., a price that is as favorable to you as possible under the prevailing market conditions. While we make every attempt to obtain the best execution possible, there is no assurance that it will be obtained. You should consider whether our programs result in costs or other disadvantages to you as a result of possibly less favorable trade executions.

For advisory programs where Royal serves as the introducing broker, Royal keeps the difference between the transaction charges charged to clients and the costs paid to the clearing broker (either Pershing or NFS).

In connection with the provision of Third Party Advisory Services, our choice of custodian will be limited to those choices offered by the Third Party Advisory Service.

We may aggregate your orders with those of other clients in a bunched trade or trades when securities are purchased or sold. For each account that we include in the bunched trade, we must reasonably believe that the bunched order is consistent with our duty to seek best execution and may benefit you and each client participating in the aggregated order. The average price per share of each bunched trade is allocated to each account that participates in the bunched trade. Accounts that participate in the same bunched trade are charged transaction costs, if applicable, in accordance with their advisory contracts.

If a bunched order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation. Partial fills will be allocated in a way that does not consistently advantage or disadvantage particular client accounts and are generally filled pro-rata among participating accounts.

The aggregation and allocation practices of mutual funds and third party managers that we recommend to you are disclosed in the respective mutual fund prospectuses and third party manager disclosure documents which will be provided to you.

### **ITEM 13 - REVIEW OF ACCOUNTS**

Each security purchase or sale effected by our Advisory Representative in your Account is monitored for suitability by an appointed supervisor. In addition, our Advisory Representatives 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 may receive, 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

### **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

You should be aware of and consider potential conflicts of interest related to direct and indirect forms of compensation and benefits that we and our Advisory Representatives may receive from third parties (such as mutual fund managers, third party asset managers, and through our executing broker) in connection with the sale of investment products and services to clients. These forms of compensation are in addition to client advisory fees we receive and create an incentive to recommend certain investment products based on the potential compensation received.

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. In particular we note the following:

#### **General**

The Sponsors of the advisory programs that we offer you set the fee limits that we charge you with some advisory programs having higher fee limits than others. As such, there may be an incentive for us to recommend to you advisory services or programs with higher limits. In addition, we may be charged certain usage fees and expenses to use certain advisory programs which may decrease the amount of money we make when offering investment advice to you. Therefore, there may be an incentive to provide you with advisory programs and services that may be cheaper for us to use but not as suitable to your needs.

In addition, Royal Alliance offers our Advisory Representatives educational, training and incentive programs for those Advisory Representatives that meet certain sales production goals. There may be an incentive for us to manage your account in ways that assist us in meeting these production goals even if such strategies may not always be suitable for your account.

Royal Alliance has provided some of our Advisory Representatives with funding in the form of loans as incentive to establish, maintain or expand their broker-dealer relationships with Royal Alliance. Such loans are typically used to assist in the transition and expansion of their practices. All or a portion of the loans require cash repayments of principal and interest if specific production goals are not achieved over a specified time frame. Any year in which the practice achieves its production goals initiates pro rata loan forgiveness by Royal Alliance. Thus, there may be an incentive for our Advisory Representatives to offer advisory services and programs to you that may not be suitable in an effort to achieve specific production goals.

#### **Wrap Accounts**

When we offer you a Wrap Account, the fee for transactions executed in your account are included in your quarterly account fee. However, Royal Alliance will still assess the transaction charges to our Advisory Representatives. This may influence us to charge you a higher quarterly account fee than we would otherwise

charge you in an effort to recoup from you the transaction charges Royal Alliance charges our Advisory Representatives. We may also have incentive to trade your account less often to lessen our transaction fees or to trade your account with certain securities where Royal Alliance reduces or eliminates the transaction charges (such as the Focus Elite and FundVest Programs mentioned below) to our Advisory Representatives even if such trading strategies may not always be suitable for your account.

## **Mutual Funds**

Our Advisory Representatives participate in the Focus Elite and FundVest Programs, provided by Royal Alliance. In these programs, transaction charges for purchasing securities that participate in these programs may be reduced or waived. This may provide us with incentive to invest your account in these securities over securities that do not participate in these programs to reduce our transaction costs even if such investments may not always be suitable for your account. Royal Alliance may share revenue with certain Mutual Fund sponsors as outlined in our Revenue Sharing Disclosure below.

## **Variable Annuities**

We have a Related Person who sponsors Variable Annuities. This may provide us with incentive to recommend that you invest in Variable Annuities sponsored by our Related Person even if such investments may not always be suitable for your account. Royal Alliance may share revenue with certain Variable Annuity sponsors as outlined in our Revenue Sharing Disclosure below.

## **Third Party Advisory Services**

Royal Alliance maintains certain revenue sharing arrangements with certain Third Party Advisory Services and product sponsors as discussed in its Revenue Sharing Disclosure. This may lead Royal Alliance to set favorable program terms to encourage our Advisory Representatives to recommend these products and services to you. Please see the Revenue Sharing Disclosure below for further details.

Certain Third Party Advisory Service programs may provide our Advisory Representatives with the opportunity to attend training or education conferences. Such conferences include the payment or reimbursement of travel, meals and lodging expenses for attendees. Payment/reimbursement of expenses is not contingent upon sales targets or contests, but rather on total assets managed on their respective Third

Party Advisory Service platforms. We may have an incentive to recommend Third Party Advisory Service programs that provide us with the above referenced opportunities over those that do not.

Further, in certain Third-Party Advisory Service programs, you may direct the transactions for your account through Royal Alliance's executing broker, Pershing. Royal Alliance may recommend that our Advisory Representatives recommend these programs to you because it will receive more aggregate compensation than would be received if these transactions were effected elsewhere.

## **Revenue Sharing Disclosure**

Royal Alliance Associates, Inc. (Royal) maintains revenue sharing arrangements with certain mutual funds, annuities, life insurance, direct participation programs (DPPs), real estate investment trusts (REITs), 529 plan providers, and third party money managers. Certain mutual fund advisers pay revenue sharing on all assets while others exclude certain share classes, for example revenue sharing may be paid only on A share class assets and not on I share class assets. These sponsors have greater access to our advisors to provide training and other educational presentations and product information so that they can serve investors better. Please visit the "Client Information and Disclosures" section of our Web site [www.royalalliance.com](http://www.royalalliance.com) to see a list of sponsors who participate in these revenue sharing arrangements.

In addition to the customary sales charges, the sponsors make payments to Royal to participate in the program. All sponsors who participate in meetings may pay meeting fees of up to \$175,000 per year, per sponsor. For mutual funds, including mutual funds available in retirement plans, Royal receives a payment of up to 0.25 percent (25 basis points) on all sales of mutual fund shares (the "Gross Sales Payment"). Royal may also receive an additional payment, paid quarterly, of up to 0.15 percent (15 basis points) per year of the assets under management held at Royal. Royal may also receive a payment of \$10 for mutual fund purchases or exchanges which may assist in offsetting a fee normally paid by advisors. For variable annuities,

Royal receives a Gross Sales Payment of up to 0.25 percent (25 basis points). Royal may also receive an additional payment, paid quarterly, of up to 0.15 percent (15 basis points) per year of the assets under management. In addition, certain variable annuity sponsors may pay so-called Persistency payments of between 5 basis points and 25 basis points based on a formula determined by contracts with a minimum persistency of 95%, assets in excess of \$15 million, and contracts in effect more than six years. Persistency payments are fees paid by variable annuity companies, through Royal, based upon the amount of assets in a variable annuity contract managed by your financial advisor, and the length of time the assets have been held in the variable annuity. For fixed annuities, Royal receives a Gross Sales Payment of up to .10% (10 basis points). For variable universal life insurance, Royal receives a 6% to 10% marketing allowance on all paid first year commission target premium from all sources on permanent plans of life insurance (to include variable universal life, universal life, indexed universal life and whole life products). Any levelized first year commission or spread first year commission products will earn the 6% marketing allowance for the term of the spread commission (i.e.: 3 years, 5 years, etc.). For DPPs and REITs, Royal receives a Gross Sales Payment of up to 2 percent. For 529 plans, Royal receives a Gross Sales Payment of up to 0.125 percent (12.5 basis points). In addition, Royal may also receive an additional payment, paid quarterly, of up to 0.15 percent (15 basis points) per year of the assets under management. For third party money managers, Royal may receive up to 0.20 percent (20 basis points) per year of the assets under management or up to 20 percent of management fees earned on behalf of financial advisors of Royal. The following third party money managers may use mutual funds managed by their affiliates: (Russell Investments, SEI, Clark Capital and Loring Ward). In such cases Royal may receive more beneficial revenue sharing terms from the third party money manager. For specific information about payments from the sponsors, please see our website at [www.royalalliance.com](http://www.royalalliance.com) and click on "Client Information and Disclosures".

Financial advisors of Royal do not receive additional compensation from Royal in connection with sales of certain sponsors' products as opposed to other sponsors, including some mutual fund families, insurance companies, DPP sponsors, REIT sponsors or third party money managers. In connection with sales of the sponsors' mutual funds, however, Royal often absorbs all or part of the nominal "ticket charge," which is normally borne by your advisor (up to \$15 per transaction).

Because of these revenue sharing arrangements, though they do not impact advisor compensation, advisors may prefer recommending products offered by a sponsor who is participating in the revenue sharing program over other mutual funds, variable products, DPPs, REITs or third party money managers available through Royal. You should feel free to ask your advisor how he or she will be compensated for any transaction involving a sponsor's products.

*This information is current as of March 2015. Royal will update information regarding sponsors who participate in revenue sharing arrangements with Royal on its website on a regular basis. You can access this updated information, and our Disclosure Document For Mutual Fund, Insurance Products, Real Estate Investment Trust, Direct Participation Program, Third Party Money Manager Investors and Expense Reimbursements at [www.royalalliance.com](http://www.royalalliance.com) and click on "Client Information and Disclosures".*

## **Client Referrals**

We may compensate other persons for client referrals. In such a case Royal Alliance would enter into an agreement with the referral agents and pay them a portion of the advisory fee. The compensation to be paid in connection with these agreements is subject to negotiation between the Firm and the applicable referrer. The referral agent will disclose to the client at the time of the solicitation the arrangement and the compensation to be received by the referral agent.

Royal Alliance and its investment adviser representatives may offer advisory services on the premises of unaffiliated financial institutions, like banks or credit unions. In such a case, the firm will enter into networking agreements with financial institutions pursuant to which we share compensation, including a portion of the advisory fee, with the financial institution for the use of the financial institution's facilities and for client referrals.

## **ITEM 15 - CUSTODY**

Pursuant to amendments to Rule 206-4(2) under the Investment Advisers Act of 1940, we may be deemed to have custody of your account. However, your account assets are maintained at the applicable clearing broker/custodian, Pershing or NFS.

## **ITEM 16 - INVESTMENT DISCRETION**

We may manage your accounts on a discretionary or non-discretionary basis. We will only manage your account on a discretionary basis upon obtaining your consent. Your consent is typically granted and evidenced in the client agreement that you sign with us. We define discretion as: the ability to trade your account, without obtaining your prior consent, the securities and amount of securities to be bought or sold, and the timing of the purchase or sale. It does not extend to the withdrawal or transfer of your account funds.

We may give advice and take action in the performance of our duties to you, which differs from advice given, or the timing and nature of action taken, with respect to our clients' accounts.

## **ITEM 17 - VOTING CLIENT SECURITIES**

We do not have the authority to vote proxies solicited by, or with respect to, the issuers of securities held in your account. Typically, proxy materials will be forwarded to you by our custodian. We will forward proxy materials that we may receive to you. Please contact us at any time with questions you may have regarding proxy solicitations.

In addition, we do not take any action or render any advice with respect to any securities held in any accounts that are named in or subject to class action lawsuits or bankruptcy proceedings. However, we will forward you any information we receive regarding class action legal matters involving any security held in your account.

## **ITEM 18 - FINANCIAL INFORMATION**

In certain circumstances our Advisory Representatives may use investment discretion in your account, subject to your approval. We are well capitalized in full compliance with applicable regulations and do not foresee any financial conditions that may impair our fulfillment of reasonable obligations or contractual commitments to you.

## **ITEM 19 - REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

Not applicable. We are an SEC registered investment adviser.