

## **Form ADV Part 2A**

**Royal Alliance Associates, Inc.**

**10 Exchange Place  
Suite 1410  
Jersey City, NJ 07302  
(800) 821-5100  
[www.royalalliance.com](http://www.royalalliance.com)**

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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. Royal Alliance is registered with the Securities and Exchange Commission (SEC) as a registered investment adviser. Registration does not imply any level of skill or training. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about 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

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes. The last amendment of the Royal Alliance Associates Inc. Form ADV, Part 2A, was May 23, 2017. Since the last amendment, Royal Alliance Associates, Inc. has made material changes to the Form ADV Part 2A as follows:

- Item 4 -Advisory Services (Third Party Advisory Services): Disclosure has been added to address limited situations where advisory representatives are paid as solicitors outside the scope of a traditional third party money manager program.
- Item 5 – Fees and Compensation: Disclosure has been added to describe the no transaction fee programs that clients may participate in.
- Item 5 – Fees and Compensation: Disclosures have been enhanced to clarify various fee and expense components for Third Party Money Manager, Model Portfolios and SMA-UMA programs. You and your advisor should consider the overall fees and expenses when selecting managers.
- Item 5 – Fees and Compensation: Disclosure regarding client investments in affiliated mutual funds has been removed as the Firm no longer has such affiliate relationships.
- Item 5 – Fees and Compensation (Third Party Advisory Services): Disclosure regarding revenue sharing arrangements with certain third party money managers and product sponsors has been added.
- Item 5 – Fees and Compensation (Retirement Plan Consulting Services): Disclosure noting commissions as a method to bill for Retirement Plan Services has been removed.
- Item 5 – Fees and Compensation (Additional Fees and Expenses): Client trade confirmation fee and paper surcharge has been eliminated.
- Item 5 - Fees and Compensation (Additional Fees and Expenses): Disclosure regarding SEC transaction fees has been removed. This disclosure now appears in the Vision2020 Wealth Management Program Form ADV, Part 2A (Appendix-1) brochures) within Item 4.
- Item 5 – Fees and Compensation (Additional Fees and Expenses): Disclosure regarding the appropriateness of how to choose mutual fund share classes has been revised
- Item 5 – Fees and Compensation (Additional Fees and Expenses): Disclosure regarding compensation received and corresponding conflicts of interest presented when investment adviser representatives act in dual capacities has been revised.
- Item 5 – Fees and Compensation (Additional Fees and Expenses): Disclosure regarding wrap account pricing has been moved from Item 14 to Item 5.
- Item 5 – Fees and Compensation (Additional Fees and Expenses): Disclosure regarding options for assets invested in retirement plan accounts has been added. This disclosure also describes investment adviser representatives' conflicts of interest when recommending rollovers.
- Item 10 –Other Financial Industry Activities and Affiliation: Ridgeworth Capital Management affiliation has been removed.
- Item 14 – Client Referrals and other Compensation (Other Compensation): Disclosure regarding incentives for investment adviser representatives that are deemed to be “top producers” has been revised.
- Item 14 – Client Referrals and other Compensation (Other Compensation): Disclosure has been updated to remove verbiage that repayments of loans are typically dependent on meeting agreed-upon production levels.

- Item 14 – Client Referrals and other Compensation (Client Referrals): Disclosure has been enhanced to further reflect arrangements under which the Solicitors introduce potential advisory clients to the Firm in exchange for a referral fee.
- Item 14 – Client Referrals and other Compensation (Indirect Compensation and Revenue Sharing): Disclosure has been updated to reflect Firm’s current revenue sharing arrangements.

**Will I receive a brochure every year?**

We may, at any time, update this brochure. Any material changes will either be sent to you as a summary of those changes or, depending on the extent of these changes, you will receive the entire updated brochure.

**May I request additional copies of the brochure?**

Absolutely. You may request and receive additional copies of this brochure in one of three ways:  
Contact your Advisor with whom you are working with.

Download the brochure from the SEC website at [www.adviserinfo.gov](http://www.adviserinfo.gov). Select “investment adviser firm” and type in our Firm name.

Contact the Investment Advisory Compliance Department at 800-821-5100, Fast Track 514.

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## ITEM 4 - ADVISORY BUSINESS

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 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).

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", "our" or the "Firm".

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.

We have been an SEC Registered Investment Adviser since 1997 and manage, as of 12/31/16, \$2,947,572,901 of assets on a discretionary basis and \$2,472,245,595 on a non-discretionary basis.

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

### 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") or, on a limited basis, National Financial Services, LLC ("NFS").

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. Your Advisory Representative has the option to allocate your portfolio amongst a mix of stocks, bonds, options, exchange-traded funds, mutual funds and other securities ("Program Investments") which are based on your investment goals, objectives, and risk tolerance.

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 BlackRock Investment Management, LLC and Vanguard Advisers, Inc.

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) 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 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 money managers (“Third-Party Money Managers” or “TPMMs”) for the provision of certain investment advisory programs including mutual fund wrap and separately managed account programs. In doing so, we normally act in a “co-advisory” capacity. Royal Alliance does not serve as broker-dealer for your Third-Party Money Manager account.

When acting in a co-advisory capacity, Royal Alliance and the Third-Party Money Manager are jointly responsible for the ongoing management of your account. In connection with this arrangement, your Advisory Representative will provide assistance in the selection and ongoing monitoring of a particular Third-Party Money Manager. Factors we consider in the selection of a particular Third-Party Money Manager include, but are not limited to: i) our assessment of a particular Third-Party Money Manager; ii) your risk tolerance, goals, objectives and restrictions, as well as investment experience; and iii) the assets you have available for investment.

In addition to the advisory relationship that you will have with these Third-Party Money Managers, you will also enter into an advisory relationship with us by signing our client agreement.

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

You should know that the services provided by us through the use of Third-Party Money Managers are under certain conditions directly offered by them to you. The fees charged by Third-Party Money Managers who offer their programs directly to you may be more or less than the combined fees charged by the Third Party Money Manager and us for our participation in the investment programs.

In limited circumstances, an Advisory Representative may act purely in a solicitor capacity when referring you to a TPMM. When acting as a solicitor for the TPMM program, the Firm and your Advisory Representative do not provide advisory services in relation to the TPMM program. Instead, your Advisor will assist you in selecting one or more TPMM programs believed to be suitable for you based on your stated financial situation, investment objectives, and financial goals. The TPMM will be responsible for assessing the suitability of their products against your risk profile and are compensated for referring you to the TPMM program. This compensation generally takes

the form of the TPMM sharing a percentage of the advisory fee you pay to the TPMM. When we act as a solicitor for a TPMM program, you will receive a written solicitor disclosure statement describing the nature of our relationship with the TPMM program, if any; the terms of our compensation arrangement with the TPMM program, including a description of the compensation that we will receive for referring you to the TPMM program. Please consult the applicable Third Party Money Manager's agreement for further information.

## **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**

Non-Discretionary Investment Advisory Services ("Non-Discretionary Services") are available on a one-time, ongoing, or periodic basis for one or more of the following 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 is provided on any or all of the following: 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 are not qualified 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, in these circumstances Advisory Representatives will have a conflict of interest when providing these services because they would likely receive additional compensation if you choose to execute transactions through them in this capacity. The Advisory Representative and Royal Alliance will also be additionally compensated if you choose to implement recommendations by retaining the 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, “Plans”) 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 the Employee Retirement Income Security Act (“ERISA”). Retirement consulting services are provided pursuant to a retirement plan consulting services agreement, and will consist of general or specific advice, that includes services other than investment advisory services. Retirement plan consulting services include one or more of the following:

Analyze Plan Design	Render Participant Investment Advice
Attend plan committee meetings	Review 404(a)(5) Disclosures for Completeness
Conduct employee education meetings	Review 408(b)(2) Disclosures for Completeness
Conduct group enrollment meetings	Review ERISA Section 404(c) Compliance
Conduct one on one participant meetings	Review ERISA Spending Accounts or Plan Expense Recapture Accounts (PERAs)
Construct Model Portfolios	Review Fidelity Bond
Deliver participant communications	Review Fiduciary Insurance Policy
Develop and maintain a fiduciary file	Review Plan Committee Governance and Structure
Develop participant education and communication strategy	Review Plan’s Investment Objectives
Generate and evaluate service providers Requests for Information (RFIs)	Review progress against Education Strategy goals
Generate and evaluate service providers Requests for Proposals (RFPs)	Review Qualified Default Investment Alternative (QDIA)
Monitor service providers	Support contract negotiations with service providers
Provide fiduciary education to plan committee	Assist in development of Investment Policy Statement (IPS)
Provide investment monitoring and reporting	Provide phone/e-mail support to participants
Provide ongoing support for Plan Operation	Provide service provider transition/plan conversion support
Provide periodic benchmarking of fees, services and investments	Recommend and monitor Investment Options
Recommend Plan Menu Design	

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 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 the 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 non-discretionary 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.

## **SEMINARS**

Our Advisory Representatives are permitted to hold investment-related seminars and/or educational events to existing clients, prospective clients, and the general investing public. The seminars feature general investment-related advice for educational purposes and can include both securities and non-securities topics. No specific individualized investment advice regarding investment objectives or investment related needs of the attendees, listeners, or audience is rendered during seminars. However, participants are free to schedule meetings with the Advisory Representatives(s) in an effort to obtain personalized investment advice. Please see "Fees and Compensation" below for further details related to the investment advisory fee charged for these seminars.

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

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

We 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 the Firm or the Advisory Representative pays the underlying ticket charges for securities transactions. In cases where the Advisory Representative pays the ticket charges, the Advisory Representative may be incentivized to trade less frequently which results in the Advisory Representative retaining a greater portion of the wrap fee. The Firm has policies and procedures to monitor and reduce the risk of this occurring.

We 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 may 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.

Each of our Advisory Representatives negotiates his or her own account fee schedule.

Mutual funds and ETFs 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).

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.

In certain instances, you may be eligible to purchase certain mutual funds and exchange-traded funds without incurring transaction charges subject to certain conditions. For details, please refer to Item 4 (No Transaction Fee Programs) of the Advisor Managed Portfolios wrap fee brochure. If your assets are held in a certain type of Wrap Account, an incentive may exist for your Advisory Representative to purchase mutual funds or exchange-traded funds that are part of the No Transaction Fee Programs to avoid paying a transaction fee.

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 his or her own account fee schedule. The account fees paid by client include portions paid to your Advisory Representative ("Advisor Fees"), as well as to the Firm, the custodian, and the third party money managers selected ("Program Fees"). Advisor fees are set independently regardless of manager selected. Mutual funds and ETFs invested in the account also have their own internal fees ("internal fund expenses") which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus). Since fees billed to your Model Portfolio account are comprised of both program fees and advisor fees, Advisory Representatives may have an incentive to select third party money managers with lower program fees in order to manage the overall fee charged to you. You and your Advisory Representative should consider the overall fees and expenses, including internal fund expenses, when selecting managers and other portfolio investments.

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 his or her own account fee schedule. The account fees paid by client include portions paid to your Advisory Representative ("Advisor Fees"), as well as to the Firm, the custodian, and the third party money managers selected ("Program Fees"). Advisor fees are set independently regardless of manager selected. Mutual funds and ETFs invested in the account also have their own internal fees ("internal fund expenses") which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus). Since fees billed to your WMAP account are comprised of both program fees and advisor fees, Advisory Representatives may have an incentive to select third party money managers with lower program fees in order to manage the overall fee charged to you.. You and your Advisory Representative should consider the overall fees and expenses, including internal fund expenses, when selecting managers and other portfolio investments.

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 six elements:

i) management fees paid to Third Party Money Manager; ii) management fees paid to us as outlined in the client agreement that you sign with us; iii) transaction costs – if applicable – which are charged when purchasing and selling such securities; iv) custody fees; v) revenue sharing paid to the Firm 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.

Each of our Advisory Representatives negotiates their own account fee schedule. The account fees paid by client include portions paid to your Advisory Representative ("Advisor Fees"), as well as to the Firm, the custodian, and the third party money managers selected ("Program Fees"). Mutual funds and exchange traded funds invested in the account also have their own internal fees ("internal fund expenses") which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus). Since fees billed to your account for Third Party Advisory Services are typically comprised of both Program Fees and Advisor Fees, Advisory Representatives may have an incentive to select third party advisory services with lower platform program fees in order to manage the overall fee charged to you. You and your Advisory Representative should consider the overall fees and expenses, including internal fund expenses, when selecting managers and other portfolio investments.

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

Each of our Advisory Representatives negotiates his or her own management fee schedule; however, management fees charged by the Third Party Advisory Service in connection with their services are not negotiable.

Royal Alliance maintains certain revenue sharing arrangements with certain Third Party Advisory Services and product sponsors (please refer to Item 14, Other Compensation). As a result, Royal Alliance may set favorable terms to encourage our Advisory Representatives to recommend certain Third Party Asset Manager services to you.

## **FINANCIAL PLANNING**

Financial planning services are charged either 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 fee 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 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, basis points based upon a percentage of Plan assets, or a combination thereof. Fees will 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:

- 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 - \$20,000,000	10-100 bps of AUM
\$20,000,001 - \$40,000,000	5-50 bps of AUM
\$40,000,000 and above	3-25 bps of AUM

**SEMINARS**

Our Advisory Representatives are permitted to host seminars on various financial topics that 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. As a result of these and other factors, the sponsors of the advisory programs offered also set different limits on fees that we may charge you. 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. Royal Alliance and your Advisory Representative do not retain 12b-1 fees paid by funds.

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.

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

Advisory Representatives may receive commissions or other fees or compensation in relation to any investment or insurance product placed through or with Royal Alliance as a broker-dealer outside your Model Program account. Therefore, Advisory Representatives have a conflict of interest in recommending such products, as does any commission-based broker or fee based solicitor.

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. The Firm and its Advisory Representatives have a financial incentive to recommend or select share classes that have higher expense ratios because such share classes generally result in higher compensation. The Firm has taken steps to minimize this conflict of interest by implementing additional training for Advisory Representatives, increasing the proportion of institutional share classes that are available on the platform and rebating Rule 12b-1 fees on both qualified and non-qualified client accounts. Regardless, however, clients should not assume that they will be invested in the share class with the lowest possible expense ratio.

In an advisory program, the appropriateness of a particular mutual fund share class should be determined based on the presence and nature of selling agreements with the mutual fund sponsors.

## **WRAP ACCOUNTS**

For Advisory Programs that we offer Wrap Account pricing, the fee for transactions executed in your account are included in your quarterly account fee. As a result, we may charge you a higher quarterly account fee for a Wrap Account than a Non-Wrap account with separate advisory fees and transaction charges. 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.

For certain Advisor Managed Portfolio wrap accounts, Royal Alliance will assess the transaction charges to our Advisory Representatives. As a result, Advisory Representatives may also have incentive to trade your Wrap Account less often or to trade your account with certain securities where transaction charges may be waived by the clearing firm or product sponsor (please refer to Item 15, Other Compensation).

## **OPTIONS FOR ASSETS INVESTED IN RETIREMENT PLAN ACCOUNT**

If you have an employer-sponsored retirement plan, you may have several choices as to what to do with your assets when you retire or change jobs. Generally, you might choose one of the following options:

1. Keep your assets in the employer's plan (if allowed)
2. Rollover your assets into an individual retirement account, commonly referred to as an IRA
3. Rollover your assets to another employer-sponsored plan
4. Take a distribution in cash from the plan

Your Advisory Representative may have a financial incentive to recommend an IRA rollover because of the compensation he/she may receive when you transfer funds from an employer-sponsored retirement plan or from another IRA. This potential conflict also pertains to situations where you are a participant in a plan where your Advisory Representative is a fiduciary. You should carefully discuss and weigh the advantages and disadvantages of each option with your Advisory Representative before making your decision.

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

Neither Royal nor its Advisory Representatives 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. As a result, this disclosure item is not applicable.

## **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:

<b>Program</b>	<b>Requirements</b>
VISION2020 Wealth Management Program – Advisor Managed Portfolios	\$50,000
VISION2020 Wealth Management Program – Model Portfolios	The program minimum for model portfolios is \$5,500. The specific minimum varies according to the model portfolio selected.
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 at the sole discretion of the Program Sponsor.*

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

Our Advisory Representatives 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 are also 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 are 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 are 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 can 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 cannot be assured. 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 creates 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 perform poorly, which 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 will be affected by 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 a bond issuer is unable to pay 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 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.

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.

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

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.

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 advisors

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. It is also available on the Firm's website at [www.royalalliance.com](http://www.royalalliance.com).

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.

## **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, 10 Exchange Place, Suite 1410, Jersey City, NJ 07302.

\*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 is 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 non-public 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.

**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 and 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.

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 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 purchase or sale of a security affected 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 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**

#### **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 in connection with investment products and services offered to clients. These forms of compensation are in addition to client advisory fees we receive and may create an incentive to recommend certain investment products and advisory services.

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

#### **TOP PRODUCER OPPORTUNITIES**

Royal Alliance offers additional educational, training and home office support services for those Advisory Representatives that meet overall revenue production goals. While these goals are not specific to any type of product or service offered, they provide a financial incentive for Advisory Representatives to recommend investment products and advisory services in general.

#### **LOANS**

We provide loans to certain Advisory Representatives as incentive to establish, maintain, or expand their broker-dealer and advisory relationships with us. The repayments of such loans are typically dependent on the Advisory Representative retaining affiliation with us through the end of the loan period. These loans create a conflict of interest for your Advisory Representative to retain affiliation with us in order to avoid repayment of the loan.

#### **INDIRECT COMPENSATION AND REVENUE SHARING**

Royal maintains revenue sharing arrangements with certain mutual funds, variable insurance product, fixed insurance products, direct participation programs, alternative investments, 529 plans, unit investment trusts (UITs) (all preceding products referred to as "Packaged Product" or "Packaged Products") and third party money

managers. The Packaged Products providers and third party money managers are hereinafter referred to as (“Strategic Partner” or Strategic Partners”). Strategic Partners are selected, in part, based on the competitiveness of their products, their technology, their customer service and their training capabilities. Strategic Partners have more opportunities than other companies to market and educate our Advisory Representatives on investments and the products they offer.

In addition to the customary sales charges, Royal receives compensation (“revenue sharing payments”) from its Strategic Partners. Revenue sharing payments are typically calculated as a fixed fee or as an annual percentage of the amount of assets held by clients, or as a percentage of annual new sales, or as a combination of both. Strategic Partners may pay Royal differing amounts of revenue sharing, for which the Strategic Partner receives different benefits. Please see descriptions of revenue sharing payments received by Royal below.

A potential conflict of interest exists in that we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product from one particular sponsor instead of another. Your Advisory Representative also indirectly benefits from Strategic Partner payments when the money is used to support costs relating to product review, marketing or training, or for waiver of ticket charges, as described below. Your Advisory Representative does not receive any compensation associated with the revenue sharing payments.

Royal will update information regarding Strategic Partners, Third Party Money Managers and other firms who participate in revenue sharing arrangements with Royal on its website on a regular basis. For additional information, please refer to “the “Client Information and Disclosures” section of our website at [www.royalalliance.com](http://www.royalalliance.com).

#### **A. Mutual Funds and Variable Annuities**

Some Strategic Partners pay up to 25 basis points (0.25%) of your total purchase amount of a mutual fund or variable insurance product. Additionally, some Strategic Partners make a quarterly/monthly payment or additional quarterly/monthly payment based on the assets you hold in the fund or variable insurance product over a period of time of up to 18 basis points (0.18%) per year. Alternatively, Royal may receive compensation from the mutual fund or insurance company as: (1) a flat fee regardless of the amount of new sales or assets held in client accounts; or (2) the greater of such flat fee or amount based on assets and/or new sales as referenced above and any ticket charge payments referenced below.

Mutual Fund firms may also participate in Broker-Dealer’s DirectChoice Program. The Broker/Dealer can be paid up to an additional 3 basis points (.03%) of assets you hold in funds participating in the DirectChoice Program.

#### **B. Mutual Fund and Variable Annuity Ticket Charges**

When you purchase a Strategic Partner mutual fund in a Pershing or NFS brokerage account, Royal may absorb the nominal “ticket charge”, approximately \$15 for each commission and \$9 for each investment advisory transaction, which would normally be paid by you or your Advisory Representative. Generally, the mutual fund families that participate in the Strategic Partner Program subsidize some of these ticket charges through the compensation mentioned above or by paying us a per trade fee of up to \$10. Other than a purchase of a Strategic Partner variable annuity, when you purchase a variable annuity in a Pershing or NFS brokerage account, your financial advisor is charged a \$20 variable annuity transaction fee on initial investments and the same amount on subsequent investments greater than \$5000.

#### **C. Fixed Insurance Products**

Some Designated Insurance Companies pay amounts in addition to sales commissions to compensate Royal for the enhanced marketing and training opportunities. In the case of a fixed annuity, Royal may receive up to 30 basis points (.30%) of your purchase amount in revenue sharing. For other fixed insurance products, Royal may receive with a flat fee, or up to 10% of total premiums paid to a Designated Insurance Company. For a current list of Designated Insurance Companies, please see Designated Insurance Companies within the “Client Information and Disclosures” section of our website at [www.royalalliance.com](http://www.royalalliance.com).

#### **D. Assets in 529 Plans**

While Royal does not receive revenue sharing payments in relation to sales of 529 Plans, the amount of sales and/or assets in 529 Plans may be included by Strategic Partners in determining the amount of revenue sharing payments. Royal does not separately account for these payments and does not have any 529 Plan Strategic Partners.

#### **E. Direct Participation Programs and Alternative Investment Products**

In addition to retail commissions and a dealer manager reallowance of up to 150 basis points (1.5%) of the sales amount as a marketing reallowance, Royal may receive fixed amount payments from direct participation programs and alternative investment products (collectively, "Alternative Investment Product Strategic Partners") for attendance at meetings. For a current list of Alternative Investment Product Strategic Partners, please see Alternative Investment Product Strategic Partners within the "Client Information and Disclosures" section of our website at [www.royalalliance.com](http://www.royalalliance.com).

#### **F. Retirement Plan Strategic Partners Program**

Royal may also receive certain fixed dollar amount revenue sharing payments from third-party firms, including plan recordkeeping platforms as well as investment managers of mutual funds and the issuers of annuities (each a "Retirement Strategic Plan Partner"). The fixed dollar amount revenue sharing payments do not depend on the amount of the Plan's investment in any product or utilization of any Retirement Plan Partner's services. Retirement Plan Partners may also pay Broker-Dealer expenses, or provide non-cash items and services, to facilitate training and educational meetings for affiliated financial advisors, which similarly do not depend on the amount of the Plan's investment in any product or utilization of any Retirement Plan Partners' services. For a current list of our Retirement Plan Partners, please see RETIREMENT PLAN PARTNERS within the "Client Information and Disclosures" section of our website at [www.royalalliance.com](http://www.royalalliance.com).

#### **G. Third Party Management Programs**

Royal also enters into revenue sharing arrangements with certain third party money managers. Third Party Managers that participate in revenue sharing arrangements are provided greater access to our financial advisors to provide training and other educational presentations and product information so that they can serve investors better. From Third Party Managers, Royal may receive up to 20 basis points (0.20%) per year of the assets under management or up to 20 basis points (0.20%) of management fees earned on behalf of Advisory Representatives of Royal. Royal may also receive up to 5 basis points (.05%) on gross sales placed with a Third Party Manager.

#### **H. Retirement Plan Advisory Accounts**

Royal does not accept the aforementioned mutual fund Strategic Partner revenue sharing payments on sales or assets held in investment advisory accounts of a plan subject to Title I of the Employee Retirement Income Security Act of 1974, described in section 4975(e)(1)(A) of the Internal Revenue Code ("IRS Code") or an individual retirement account or annuity described in Internal Revenue Code section 4975(e)(1)(B) – (F) ("Qualified Advisory Accounts"). Instead mutual fund Strategic Partners will pay a flat annual partnership fee of up to approximately \$475,000 in exchange for certain marketing and services provided.

#### **I. Clearing Firms**

NFS and Pershing provide compensation to Royal to offset its general operating expenses. Compensation received consists of a fixed dollar amount and percentage of total assets held in brokerage accounts.

#### **J. Other Cash and Non-Cash Compensation**

In addition to reimbursement of training and educational meeting costs, Royal and its Advisory Representatives may receive promotional items, meals or entertainment or other non-cash compensation from representatives of mutual fund companies, insurance companies, and Alternative Investment Products, as permitted by regulatory rules. Additionally, sales of any mutual funds, variable insurance products and Alternative Investment Products,

whether or not they are those of Strategic Partners, may qualify financial advisors for additional business support and for attendance at seminars, conferences and entertainment events. Further, some home-office management and certain other employees may receive a portion of their employment compensation based on sales of products of Strategic Partners and/or certain sponsors of Alternative Investment Products. From time to time, non-Strategic Partners may attend Broker-Dealer sponsored meetings for a fee.

## **CLIENT REFERRALS**

Royal Alliance has arrangements with individuals ("Solicitors") under which the Solicitors introduce potential advisory clients to the Firm in exchange for a referral fee. Solicitor arrangements are conducted in accordance with the SEC's "Solicitor Rule" (Rule 206(4)-3). If you are introduced to us through a Solicitor, a separate disclosure statement is provided to you advising that a referral fee is being paid to an individual that is unaffiliated with the Firm.

## **NETWORKING ARRANGEMENTS**

There is an option for Royal Alliance and its Advisory Representatives to 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**

Royal itself does not have actual custody of client assets. However, Royal, through systems access provided by its qualified custodians, Pershing and NFS, may execute authorized transactions (such as debiting fees from client accounts, etc.) on behalf of clients. If in the future, Royal is deemed to have "custody of client funds or securities" within the meaning of Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, Royal will comply with the requirements of such rule, including the rule's provision for a surprise annual audit to be conducted by an independent public accountant.

Royal provides quarterly performance reports to clients. On at least a quarterly basis, you will also receive statements from the qualified custodian. Royal urges you to carefully review the statements we send you and compare them with the statements provided by the qualified custodian. You should promptly notify us or your Adviser upon discovery of any errors, discrepancies or irregularities.

## **ITEM 16 - INVESTMENT DISCRETION**

We manage your accounts on either 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 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 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 use investment discretion in your account, subject to your approval. We are well capitalized and in full compliance with applicable regulations and do not foresee any financial conditions that will 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.