

# **VISION2020 Advisor Program**

## **Part 2A – Appendix 1**

### **Program Brochure**

**For**

**Royal Alliance Associates, Inc.**

**One World Financial Center**

**New York, NY 10281**

**(800) 821-5100**

**[www.royalalliance.com](http://www.royalalliance.com)**

**March, 2011**

This wrap fee program brochure provides information about the qualifications and business practices of Royal Alliance Associates, Inc. If you have any questions about the contents of this brochure, please contact us at 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. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - MATERIAL CHANGES**

Since our last annual amendment, dated December, 2009, we have added disclosure language regarding trade confirmation fees and made changes to conform to the new disclosure requirements required under the new Form ADV Part 2A - Appendix 1.

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## **ITEM 4 - SERVICES, FEES AND COMPENSATION**

Royal Alliance Associates, Inc. sponsors the VISION2020 Advisor Program ("V2A" or "Program"). 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 through its Registered Representatives ("Representatives"). The Firm is also registered with the Securities and Exchange Commission ("SEC") as an investment adviser ("Corporate Registered Investment Adviser" or "Corporate RIA") to offer certain investment advisory products and services. Registration does not imply a certain level of skill or training.

Some of the Firm's Representatives provide investment advice for a fee and have registered as Investment Advisory Representatives ("Advisory Representatives") of its Corporate RIA. Some of the Firm's Representatives provide investment advice for a fee and are Advisory Representatives of unaffiliated registered investment advisers ("Independent RIAs").

Henceforth, Royal Alliance Associates, Inc., in its role as Program Sponsor, will be referred to as "we", "us" or "our". Royal Alliance Associates, Inc., in its role as securities broker-dealer, will be referred to as "Royal Alliance".

The Program is presented to the client ("you") by Advisory Representatives of the Corporate RIA or by Advisory Representatives of Independent RIAs. The Corporate RIA and Independent RIAs will collectively be referred to as "Advisor". "Advisory Representatives" will refer to Advisory Representatives of both the Corporate and Independent RIAs.

To join the Program, you will enter into an investment advisory client agreement ("Client Agreement") with your Advisor and establish a brokerage account ("Program Account") with Royal Alliance on a fully disclosed basis.

### **Advisory Services**

The Program begins with your Advisory Representative working with you to identify your investment goals and objectives as well as risk tolerance. Your Advisory Representative will then create an initial portfolio allocation designed to complement your financial situation and personal circumstances. The portfolio allocation may consist of stocks, bonds, options, exchange-traded funds, mutual funds and other securities ("Program Investments") which, upon your agreement, will be managed in your Program Account.

The investment strategies utilized in the Program depend upon your investment objectives and goals as provided to your Advisory Representative. Model portfolios, option trading and/or margin may be employed as a part of the chosen strategy. Portfolios are constructed along basic investment objective categories, however you and each client have the opportunity to place reasonable restrictions on the type of investments to be held in your Program Account.

Your Advisor may manage your account on a discretionary or non-discretionary basis. We define discretionary management 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. Non-discretionary management means that your Advisor does not have the ability to perform the aforementioned without your consent. However, your Advisor may periodically rebalance your account to maintain the initially agreed upon asset allocation without your consent. You will evidence your consent for discretionary or non-discretionary management by providing your initials to the designated areas of the Client Agreement.

### **Program Costs**

The Program is offered alternatively as an account with separate advisory fees and transaction charges ("Non-Wrap Fee") or as an account where no separate transactions charges apply and a single fee is paid for all advisory services and transactions ("Wrap Fee"). In both Wrap Fee and Non-Wrap Fee accounts, you pay a

quarterly fee ("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.

In computing the market value of assets, mutual fund shares will be calculated at their respective net asset values as of the valuation date in accordance with each mutual fund prospectus. With respect to accounts that utilize margin, the "net worth" or "net equity" value of the account, not the long or short market value, will be used to determine the your Account Fee. With respect to accounts that purchase or sell option contracts, the positive or negative value of the option will be included in the net equity value of the account for purposes of determining the Account Fee. Please be aware that option contracts are a "wasting" asset, in that they have value only through the date on which they expire. If call option contracts are sold in conjunction with securities held in a Program Account, (often referred to as covered call options) the cash received on the sale of the option may have the effect of temporarily increasing the net equity value of the Program Account, and thus increasing the amount of the Account Fee. In the event that substantial additions to, or withdrawals from, the account are made during any given quarter, the Account Fee will be adjusted on a pro-rata basis to the account from which the charge was debited, based on the market value of the assets at such time to reflect the addition or withdrawal.

**Methods of Calculating Account Fees**

Your Account Fee may be billed using the "Tiered" or "Linear" method. To illustrate, please refer to the sample billing schedule below:

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

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

Please discuss fee calculation methods and the effect on your Program Account with your Advisory Representative.

**Negotiation of Account Fees**

Subject to the maximum Account Fee limitations imposed by the fee schedules that follow, each Advisory Representative: (i) negotiates with clients their own Account Fee schedule, and (ii) determines on a client by client basis the accounts that will be included in the same "household" for purposes of calculating the Account Fee. The actual Account Fee schedule will be set forth in the Client Agreement.

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

**[This space intentionally left blank. Fee schedules to follow.]**

## Fee Schedules

**Wrap Fee Option:** If you select the Wrap Fee option, you will pay a single, all-inclusive Account Fee\*. Please consider that depending upon the level of the Account Fee charged, the amount of portfolio activity in your account, the value of services that are provided under the Program, and other factors, the Account Fee may or may not exceed the aggregate cost of such services if they were to be provided separately. You pay a single fee because either your Advisory Representative pays the transaction charges for you or because we pay the transaction charges for you. Please see below for the associated fee schedules:

### Wrap Fee Schedule

	Advisory Representative Pays Transaction Charges		We Pay Transaction Charges		
Total Account Value	Administrative Fee <sup>1 2</sup>	Maximum Advisory Fee <sup>3</sup>	Administrative Fee <sup>1 2</sup>	Maximum Advisory Fee <sup>3</sup>	Maximum Total Account Fee Paid by Client
\$50,000 to \$99,999	0.250%	2.250%	n/a	n/a	2.50%
\$100,000 to \$249,999	0.200%	2.300%	0.400%	2.100%	2.50%
\$250,000 to \$499,999	0.175%	2.075%	0.375%	1.875%	2.25%
\$500,000 to \$749,999	0.150%	1.850%	0.350%	1.650%	2.00%
\$750,000 to \$1,249,999	0.125%	1.625%	0.325%	1.425%	1.75%
\$1,250,000 to \$1,999,999	0.100%	1.400%	0.300%	1.200%	1.50%
\$2,000,000 to \$4,999,999	0.075%	1.175%	0.275%	0.975%	1.25%
\$5,000,000 to \$24,999,999	0.050%	1.200%	0.250%	1.000%	1.25%
Over \$25,000,000	0.025%	0.975%	0.225%	0.775%	1.00%

\*A \$51.50 per-transaction fee may apply for certain short-term redemptions of mutual funds as described in the section entitled, "Other Transaction Charges" that follows.

**Non-Wrap Fee Option:** Clients who select the Non-Wrap Fee option will pay separate Transaction Charges in addition to the Account Fee. Please see below for the Account Fee schedule followed by the Transaction Charge schedule.

<sup>1</sup> **Administrative Fee:** A portion of the Total Account Fee is allocated to the Administrative Fee, which covers administrative, and supervisory services provided by Royal Alliance as well as transaction, execution, clearing and custodial services as provided by the clearing broker-dealer. The Administrative Fee is set on a sliding scale depending on the size of the assets in the account.

<sup>2</sup> **VISION2020Advisor Administrative Fee Discount:** Advisory Representatives may qualify for a discounted Administrative Fee Schedule. The discount will be based upon the aggregated total client assets under management, which your Advisory Representative maintains in the Program. The discount ranges from a 10% to 55% reduction of the Administrative Fee. If your Advisory Representative receives a discounted Administrative Fee, your Advisory Representative's compensation will increase by the amount of the discount received, but your Total Account Fee and cost will remain unchanged.

<sup>3</sup> **Advisory Fee:** The Advisory Fee is paid to Advisory Representatives for the provision of their personal advisory services rendered in qualifying you for investment in the Program, as well as for ongoing supervision and/or portfolio monitoring of Program Investments. The amount of Advisory Fees charged to clients is determined by each Advisory Representative up to an amount not to exceed the fee breakpoint set for each level of investment as described above.

### Non-Wrap Fee Schedule

<b>Total Account Value</b>	<b>Administrative Fee<sup>1</sup></b>	<b>Maximum Advisory Fee<sup>1</sup></b>	<b>Maximum Total Account Fee Paid by Client</b>
\$50,000 to \$99,999	0.250%	2.050%	2.30%
\$100,000 to \$249,999	0.200%	2.100%	2.30%
\$250,000 to \$499,999	0.175%	1.875%	2.05%
\$500,000 to \$749,999	0.150%	1.650%	1.80%
\$750,000 to \$1,249,999	0.125%	1.425%	1.55%
\$1,250,000 to 1,999,999	0.100%	1.200%	1.30%
\$2,000,000 to \$4,999,999	0.075%	0.975%	1.05%
\$5,000,000 to \$24,999,999	0.050%	1.000%	1.05%
Over \$25,000,000	0.025%	0.775%	0.80%

### Transaction Charges

#### Transaction Fee Schedule (Qualified & Non-Qualified Accounts)

<b>Exchange Listed Equities including ETFs (purchases &amp; sales)</b>	\$30.00
<b>OTC Equities (purchases &amp; sales)</b>	\$30.00
<b>Options (purchases &amp; sales)</b>	\$35.00
<b>Listed Bonds (purchases &amp; sales)</b>	\$50.00
<b>Bonds (Corp., Treasury, Municipal &amp; Money Mkt) &amp; CDs (purchases &amp; sales)</b>	\$50.00
<b>UITs (purchases &amp; sales)</b>	\$50.00

#### Load Mutual Funds @NAV (Qualified & Non-Qualified Accounts)

<b>Purchases &amp; Redemptions</b>	\$25.00
<b>Dollar Cost Averaging</b>	\$1.50
<b>Systematic Redemption</b>	\$1.50
<b>Internal Exchanges</b>	\$5.00

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<sup>1</sup> Please see disclosures on previous page for definitions and further information.

## No Transaction Fee (NTF) No-Load Mutual Funds

### Qualified Accounts

<b>Purchases (initial) of \$500 or more</b>	\$0.00
<b>Purchases (initial) Less Than \$500</b>	\$25.00
<b>Purchases (subsequent) of \$500 or more</b>	\$0.00
<b>Purchases (subsequent) Less Than \$500</b>	\$25.00
<b>Redemptions held 3 months or longer</b>	\$0.00
<b>Redemptions held Less Than 3 months</b>	\$51.50
<b>Systematic Redemptions of \$100 or more</b>	\$0.00
<b>Systematic Redemptions Less Than \$100</b>	\$25.00

### Non-Qualified Accounts

<b>Purchases (initial) of \$2,500 or more</b>	\$0.00
<b>Purchases (initial) Less Than \$2,500</b>	\$25.00
<b>Purchases (subsequent) of \$500 or more</b>	\$0.00
<b>Purchases (subsequent) Less Than \$500</b>	\$25.00
<b>Redemptions held 3 months or longer</b>	\$0.00
<b>Redemptions held Less Than 3 months</b>	\$51.50
<b>Systematic Redemptions of \$100 or more</b>	\$0.00
<b>Systematic Redemptions Less Than \$100</b>	\$25.00

### No-Load Mutual Funds (Qualified & Non-Qualified Accounts)

<b>Purchases (initial &amp; subsequent)</b>	\$25.00
<b>Redemptions (initial &amp; subsequent)</b>	\$25.00

### Other Transaction Charges

Advisor also participates in the FundVest Focus and FundVest Institutional programs, whereby Advisory Representatives can offer you no-load or load at NAV mutual funds without incurring transaction costs subject to a minimum purchase amount. If a fund is sold prior to a 3 month hold/redemption period, a \$51.50 charge will be passed on to you, under both wrap and non-wrap fee contracts. This charge may be in addition to other fees, charges, and restrictions imposed by the mutual fund company for short-term trading and redemptions.

### Advisory Services to Variable Annuity Sub-Accounts

Your Advisory Representative may utilize the Program tools to manage Variable Annuity products ("Program VAs") that are maintained outside of a standard Program Account. Although the Variable Annuities and their respective Sub-Accounts will be represented on various Program reports (i.e. Performance Reporting) the Variable Annuities are held directly at the Variable Annuity Sponsor.



Program VAs may only be managed as part of an existing client group, consisting of one or more Program Accounts. Your Advisory Representative may use the various Program tools to manage the Program VA's Sub-Accounts in accordance with your risk tolerance. However, the Advisory Representative will not direct reallocations of the Sub-Accounts through the Program. In such cases when a reallocation is required, the Advisory Representative will direct and execute such reallocation transactions directly through the Variable Annuity Sponsor.

### Variable Annuity Fee Schedule

<b>Total Account Value<sup>1</sup></b>	<b>Administrative Fee<sup>1</sup></b>	<b>Maximum Advisory Fee<sup>1</sup></b>	<b>Maximum Total Account Fee Paid by Client</b>
\$50,000 to \$99,999	0.25%	2.25%	2.50%
\$100,000 to \$249,999	0.20%	2.10%	2.30%
\$250,000 to \$499,999	0.175%	1.875%	2.05%
\$500,000 to \$749,999	0.150%	1.650%	1.80%
\$750,000 to \$1,249,999	0.125%	1.425%	1.55%
\$1,250,000 to 1,999,999	0.100%	1.20%	1.30%
\$2,000,000 to \$4,999,999	0.075%	0.975%	1.05%
\$5,000,000 to \$24,999,999	0.050%	1.00%	1.05%
Over \$25,000,000	0.025%	0.775%	0.80%

Program VAs are not assessed transaction charges since all reallocations are placed directly with the Variable Annuity sponsor.

### General Information Concerning Fees and Other Client Charges

Regarding Non-Wrap Fee Accounts, 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 Fee Accounts for each trade confirmation that you do not elect to receive electronically ("Paper Confirmation Fee"). 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 Advisory Representatives but are transaction charges paid to Royal Alliance and our custodian.

To avoid the Paper Confirmation Fee, if Program Account is managed on a discretionary basis and is offered using the Wrap Account format, then upon Client request, Royal Alliance will suppress trade-by-trade confirmations and present the periodic account statement, not less often than monthly, containing the information that would have been required to be disclosed to you in trade-by-trade confirmations generated pursuant to Rule 10b-10.

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<sup>1</sup> Please see disclosures on page 6 for definitions and further information.

## *Mutual Funds*

Please be aware that Account Fees are charged on all mutual fund shares that are designated as Program Investments, including shares on which you may have previously paid a sales charge. Also, to the extent that cash used for investments in an account comes from redemptions of your other non-managed mutual fund investments, you should consider the cost, if any, of the sales charge(s) previously paid and redemption fees that would be incurred. Such redemption fees would be in addition to the Account Fee on those assets. Please be aware that such redemptions and exchanges between mutual funds that participate in the Program might have tax consequences, which should be discussed with your independent tax adviser.

Notwithstanding the foregoing paragraph, no Account Fees will be charged on any mutual funds, unit investment trusts or annuities transferred to accounts which were purchased within the past two years if a commission was paid to your Advisory Representative.

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

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

## *Variable Annuities*

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.

## *Retirement Accounts*

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.

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

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

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

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

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

### **Types of Clients**

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

### **Minimum Account Size**

The minimum account size is \$50,000 for Wrap Accounts where Advisory Representative pays Transaction Charges; \$100,000 for Wrap Accounts where we pay the Transaction Charges; \$50,000 for Non-Wrap Accounts.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION**

Your Advisory Representative is the sole portfolio manager available with respect to the Program. Advisors select their Advisory Representatives based on various criteria including experience. You should refer to the relevant Form ADV of the Firm with which your Advisory Representative is associated.

## **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Your personal identification, account and holdings data are disclosed to your Advisor to enable your Advisor to help determine the Program Investments that may be suitable for you.

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

We share your personal account data in accordance with our privacy policy detailed below.

### **Privacy Notice**

We have adopted the following privacy policy:

"Maintaining your trust and confidence 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 Adviser 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.
- We do 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 Advisory Representative. We permit Advisory Representatives that terminate their affiliation with us 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 Advisory Representative's new financial institution, please contact **Royal Alliance Associates, Inc., Attn: Legal Department, One World Financial Center, 15<sup>th</sup> Floor, New York, NY 10281.\***

### 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 VISION2020 Wealth Management Corporation.
- **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, 15<sup>th</sup> 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.

\*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 Advisory Representative to another financial institution – we will obtain such consent as required.”

## **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS**

### **Client-Advisor Relationship**

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

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

## **ITEM 9 - ADDITIONAL INFORMATION**

### **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.

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

All Advisory Representatives that offer V2A to you are also Royal Alliance Representatives. Advisory Representatives may recommend that you purchase securities offered by Royal Alliance. If you purchase these products through them, they will receive normal commissions which may be in addition to your 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 Royal Alliance reviews security sales for suitability by an appointed supervisor, you should be aware of the incentives that Advisory Representatives may have to sell certain securities products and are encouraged to ask them about any conflict presented.

Please be aware that you are under no obligation to purchase products or services recommended by your Advisor, Advisory Representative or any Royal Alliance Representative in connection with providing you with any advisory program that they offer.

Program Accounts and general securities accounts for Royal Alliance brokerage customers are maintained and custodied on a fully disclosed basis by Pershing, LLC ("Pershing") which is both a registered broker-dealer and an investment adviser.

In addition to our role as Broker-Dealer and Investment Adviser, we have Related Persons (as defined below) that are:

1. other broker-dealers
2. investment companies
3. investment advisers
4. future commission merchants, commodity pool operators or commodity trading advisors
5. banking institutions
6. accounting firms
7. insurance companies
8. real estate broker/dealers

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

Your Advisor may have different financial industry affiliations and activities than those listed above. Please see the ADV Part 2A of your Advisor that will be provided to you for further industry affiliation and activity details and for any associated conflicts of interest.

### **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 of ethics and to avoid any actual or potential conflict of interest or any abuse of an employee's position of trust and responsibility;
- The principle that investment adviser personnel should not take inappropriate advantage of their positions;
- The fiduciary principle that information concerning the identity of security holdings and your financial circumstances is confidential; and
- The principle that independence in the investment decision-making process is paramount.

We 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.

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.

Examples of the above referenced follow:

1. Advisory Representatives may recommend SunAmerica Funds which are available for use within the Program 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 or Advisory Representatives as a result of recommending shares and securities offered by Related Persons.

2. AIG Federal Savings Bank, doing business as SunAmerica Trust Company (STC), is a Related Person who may act as trustee or administrator for certain employee benefit accounts, individual retirement accounts and other retirement or pension plan accounts. STC charges transactional and other fees for its services that are separate from any fees or services provided by us. STC may also act as custodian in certain Third-Party Advisory Services' programs or for certain managed accounts. While you are not required to use STC over other approved custodians or trust banks, you should be aware that a potential conflict of interest exists in our approving or recommending STC to the extent that STC earns fees in connection with services provided to you.

While Royal Alliance reviews security sales for suitability by an appointed supervisor, you should be aware of the incentives that Advisory Representatives may have to sell certain securities products and are encouraged to ask them about any conflict presented.

## **Review of Accounts**

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

## **Client Referrals and Other Compensation**

As Program Sponsor, we receive a portion of the Account Fee as described in Item 4 above. In addition, Royal Alliance is also compensated through revenue sharing arrangements it maintains with certain third parties. Please see below for Royal Alliance's revenue sharing disclosure.

For further details on compensation and other economic benefits that your Advisor may receive, please see their ADV Part 2A.

## **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. 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 our Web site at [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 \$60,000. 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 (fifteen 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). 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 fixed annuities, Royal receives a Gross Sales Payment of up to .10% (10 basis points). For variable universal life insurance, Royal receives a 6% 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. For specific information about payments from the sponsors, please see our website at [www.royalalliance.com](http://www.royalalliance.com).

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 was updated on October 12, 2010. 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 and Variable Product, Real Estate Investment Trust, Direct Participation Program and Third Party Money Manager Investors at [www.royalalliance.com](http://www.royalalliance.com).*

## **Financial Information**

Our qualified Custodian, Pershing, maintains custody of your assets, the Program does not require prepayment of fees six months or more in advance and we do not exercise investment discretion in your Program Account. As such, we have not included a balance sheet or other associated financial information.

## **ITEM 10 - REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

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