

**Managed Assets Program**

**Part 2A – Appendix 1**

**Program Brochure**

**For**

**Royal Alliance Associates, Inc.**

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

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 – Appendix 1 (“Appendix 1”), was March 2016. There have been no additions or updates of material information since the last update of this Appendix 1. Since the last amendment, updates have been made to the following items:

Item 9: Additional Information – Disclosure of disciplinary action title changed from “Disclosure of Disciplinary Action Relevant to Solicitor Arrangements” to “Disclosure of Disciplinary Action Relevant to Failure to Reasonably Supervise Registered Representatives”.

Item 9: Other Financial Industry Activities and Affiliations – Disclosure regarding a conflict of interest when recommending SunAmerica Funds has been removed.

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## ITEM 4 - SERVICES, FEES AND COMPENSATION

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", "our" or the "Firm". Royal Alliance Associates, Inc., in its role as securities broker-dealer, will be referred to as "Royal Alliance".

Royal Alliance Associates, Inc. sponsors the Managed Assets Program ("MAP" 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.

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

MAP is an investment management program that provides you with access to multiple third party investment managers who provide investment advice to your portfolios consisting of individual stocks, bonds, exchange traded and mutual funds.

You can choose a variety of investment managers across asset classes and investment styles for a complete asset allocation strategy, or seek an investment manager for a single asset class. Each investment manager ("Manager") will manage your assets in a Separately Managed Account ("SMA"). The SMA can be complemented by mutual funds ("Funds") or Exchange Traded Funds ("ETFs") as described below.

We have a master agreement with service provider, Envestnet, Inc. ("Envestnet"), which in turn has a separate agreement with each Manager in the Program. We do not exercise investment discretion over assets allocated to Managers; rather, each Manager has investment discretion to effect transactions according to its investment style and strategy through our clearing firm, Pershing, LLC ("Pershing"), as broker-dealer, for Program assets assigned to it for management. Your Advisory Representative can execute non-discretionary transactions for assets allocated to Funds.

Envestnet provides Program services that include; (i) client profiling and proposal capability tools; (ii) access to tools for viewing and managing client data and producing desktop performance reports; (iii) research, timely information and recommendations regarding the qualification, investment philosophies, policies and performance of the Managers; (iv) model portfolios for accounts receiving management services; (v) information and professional evaluations regarding the qualifications and performance of investment companies made available through Envestnet's managed account platform; (vi) field sales and education resources; (vii) preparation and distribution of periodic performance measurement reporting with respect to your assets invested through the Program; (viii) Information Systems (ix) calculation services for selected fund allocations for investment rebalancing; (x) shareholder reconciliation; (xi) operational and administrative services in connection with Program account set-up and maintenance; (xii) calculation services for calculation of fees; and (xiii) the recommendation of multiple Managers, or Manager and Fund combinations for the purpose of assisting your Advisor in providing consulting services to you.

The Program offers you the following investment options:

#### *Single Asset Category Proposal*

This proposal allows you to select investments either by asset class (e.g. US Large Cap Equity) or by investment style (e.g. US Large Cap Growth Equity). You can select one or more Managers within a single selected asset class or investment style.

A proposal is generated through your responses to the Investor Profile Questionnaire ("Questionnaire") and a discussion with you regarding among other things, your investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation. You will consult with your Advisory Representative and select one or more Managers within an asset class or investment style.

#### *Asset Allocation Proposal*

This proposal allows you to allocate Program investments across multiple asset classes and investment styles to create a portfolio that best matches your goals and objectives. You have the option to invest in a) Managers that employ equity strategies b) those that employ fixed income strategies or a combination thereof. Asset Allocation Proposals may also include Funds to complement the above referenced manager strategies.

A proposal is generated through discussions with you and your responses to the Questionnaire. You will inform your Advisor of, among other things, your investment objectives, risk tolerance, investment time horizon, account restrictions, and overall financial situation. The proposal includes a presentation of individual management strategies and includes a proposed long-term strategy for allocation of Program assets among a combination of major asset classes in the capital markets as well as select Funds, if applicable. Following the proposal presentation, you will consult with your Advisor and select one or more Managers and/or Funds. There may be more management strategies and Funds participating in the Managed Assets Program that would be considered suitable for you, based on your Questionnaire responses. You are always free to alter the presentation's asset allocation, manager strategy or Fund recommendations.

Your asset allocation proposal is based upon, and generally correlated to, Questionnaire responses provided by you and is provided to assist you in making informed asset allocation decisions. In determining whether to adopt, modify or reject a proposed asset allocation, you should consider all of your assets, income and investments. You have the option to impose a maximum on the percentage of assets your Advisory Representative should propose to be allocated to certain asset classes. Any maximum you impose on an allocation to a particular asset class typically results in an asset allocation proposal which deviates from the allocation your Advisor would otherwise propose. Unless you impose such a maximum, it is likely that the asset allocation proposed to you will be very similar to that proposed to other clients with similar investment objectives, risk tolerances and investment time horizons.

For reporting purposes, performance is reported as a composite of all the asset classes in which you are invested.

#### *Associated Multi-Strategy Portfolio ("AMSP") Proposal*

This proposal allows you to choose a Manager that employs a model portfolio that is diversified among investment styles and/or asset classes ("AMSP Model"). The Manager can elect to manage the AMSP personally or use affiliated personnel or managers ("Affiliates") to manage different portions of your account. Depending on the financial relationships between the Affiliates and the Manager, the Manager and its personnel may have a conflict of interest in the allocation of your assets. In managing Program assets, the Manager may cause the relative positions in your account to be inconsistent with the parameters of the selected AMSP Model by changing an Affiliate or the AMSP Model's asset allocation at any time upon written notice to you. Any such changes to an AMSP Model can cause your account to incur a different aggregate fee than the selected AMSP Model.

A proposal is generated through responses to your Questionnaire and discussion with you regarding, among other things, your investment objective, risk tolerance, investment time horizon, account restrictions, and overall financial situation.

### *Diversified Multi-Strategy Portfolio ("DMSP") Proposal*

This proposal allows you to use an asset allocation model that assigns specified percentages of Program Assets to be managed in accordance with a designated strategy.

#### *Standard DMSP Proposal*

Under the Standard DMSP Proposal, you will receive an initial DMSP Asset Allocation Model ("DMSP Model") created by Envestnet which is objectively correlated to information provided through discussions with you and responses provided by you in the Questionnaire.

Each Standard DMSP Model contains Equity Managers, Fixed Income Managers, ETFs or any combination thereof.

#### *Customized DMSP Proposal:*

Under the Customized DMSP Proposal, you will receive an initial DMSP Model created by Envestnet which is objectively correlated to information provided through discussions with you and responses provided by you in the Questionnaire.

Each Customized DMSP Model contains Equity Managers, Fixed Income Managers, ETFs or any combination thereof.

You then have the option to customize the model and (i) select the particular asset categories and percentage allocations for your Assets; (ii) select the ETFs and/or Managers used to provide investment advice from a list of Managers on an ongoing basis.

For both Standardized and Customized DMSP Proposals, Placemark Investments ("Overlay Manager") will coordinate Manager trading activity including whether and how to implement trading instructions received from the Managers. Overlay Manager's objective is to facilitate diversification, and upon your request, Program Account rebalancing and management of tax implications of Manager activities.

#### *Periodic Rebalancing of DMSP Accounts*

In managing your Program Account, the relative positions in your Program Account can become inconsistent with the parameters of the selected DMSP Model. As such, you can elect to have your Program Account rebalanced on either an annual or quarterly basis ("Periodic Rebalancing") in the event that the value of your assets in a particular asset category deviates by more than 5% from the target DMSP Models. Rebalancing will be accomplished by buying and selling shares of the relevant securities in order to bring the relative position held in each of the securities back to the parameters of the appropriate DMSP Model. The Overlay Manager will have discretion to decide which securities within an asset category shall be purchased and/or sold. You acknowledge that the purchase and sale of securities ordinarily will result in taxable gain or loss. Unless you have elected to have your Program Account managed in a tax-efficient manner, as described below, Overlay Manager will not consider tax issues when rebalancing your Program Account. Please note that your Program Account must be invested for at least 90 days to be eligible for quarterly rebalancing and for at least one year to be eligible for annual rebalancing.

#### *Tax Management of DMSP Proposals:*

By requesting tax management, you request that Overlay Manager manage your Program assets in a manner that minimizes the potential tax burden that would be accrued as a result of realizing short-term gains in your Program Account ("Tax-Managed Strategy"). Please note that the Tax-Managed Strategy bears an additional asset based fee. Management in a Tax-Managed Strategy can lead the Manager to take actions in your Program Account that differ from the actions taken in other clients' Program Accounts where a Tax-Managed Strategy has not been selected. If you selected the Tax-Managed Strategy and the Periodic Rebalancing option, Overlay Manager will take tax consequences into consideration in determining whether and how to rebalance your Program Account.

You understand that if Overlay Manager determines that the tax consequences outweigh the potential benefits of Periodic Rebalancing, your Program Account will not be rebalanced in accordance with the rebalancing schedule that you selected.

### **Account Restrictions**

Subject to Manager approval, you have the option to impose reasonable restrictions on the management of your Program assets, including the inclusion or exclusion of particular securities and industry classes. Any restrictions you impose on your account typically cause a Manager to deviate from investment decisions it would otherwise make in managing assets. Unless you impose restrictions on the management of assets, it is likely that your assets will be managed in a manner very similar to that of other clients with similar investment objectives and risk tolerances using the same management strategy.

### **Transaction Aggregation**

Each Manager will typically aggregate transactions in the same security on behalf of more than one client to facilitate best execution and to possibly reduce the price per share and/or other costs. Each Manager effects the aggregated transactions in a manner designed to ensure that no participating client is favored over any other client. With respect to the aggregated order, each client will participate at the average share price for all of the Manager transactions in that security on that business day. When possible, securities bought or sold in an aggregated transaction are allocated pro-rata to the participating client's accounts in proportion to the size of the orders placed for each account. Under certain circumstances, the Manager will increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares for particular clients. When a Manager is unable to fully execute an aggregated order, the Manager will allocate such transactions on a pro-rata basis or in a manner the Manager determines in good faith to be a fair and equitable allocation.

### **Manager and Fund Termination**

Managers, management strategies, ETFs and Mutual Funds will be added or removed from the Program based on many factors, either internal or external to the Manager or Fund.

We or Investnet, may terminate the participation of any Manager, management strategy, ETF or Fund in the Program at any time and in any manner. While we may discuss with clients whether such action is necessary or desirable, we are under no obligation to do so. In the event of any such termination, you will be given reasonable advance notice of the termination and the opportunity to select new Managers and/or Funds within 30 days. If you fail to select a new Manager and/or Fund after receiving such notice, the assets managed by the terminated Manager will typically be transferred to a Royal Alliance brokerage account which is not managed by the terminated Manager and over which Royal Alliance exercises no investment discretion. Alternatively, you have the option to continue to engage the Manager who managed the terminated strategy to manage the assets outside of the Program upon our consent.

### **Program Costs**

You pay a quarterly, Program Account Fee ("Account Fee" or "Wrap Fee"), in advance, based upon the market value of the Program assets as of the last business day of the preceding calendar quarter. The Wrap Fee covers management, administrative and transaction costs. Depending upon the level of the Wrap Fee, the amount of portfolio activity in your Program Account, the value of custodial and other services provided under the Program and other factors, the Wrap Fee may or may not exceed the aggregate cost of such services if they were to be provided to you separately. In computing the market value of Program assets, Fund shares will be calculated at their respective net asset values as of the valuation date in accordance with each Fund prospectus. In the event that substantial additions to, or withdrawals from, your account are made during any given quarter, the applicable Account Fee will be adjusted on a pro-rata basis, based on the market value of the assets at such time to reflect the addition or withdrawal.

You should be aware that the Account Fee described will be imposed on all Fund shares that you designate as Program assets, including shares on which you may have previously paid a sales charge. Also, to the extent that cash used for investments in the Program comes from redemptions of your other 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 your Account Fee on those assets. Please be aware that such redemptions and exchanges between Funds that participate in the Program may have tax consequences which should be discussed with your independent tax advisor.

### **Negotiation of Account Fees**

Subject to the maximum Account Fee limitations imposed by the fee schedules that follow, each Advisory Representative negotiates with clients their own Account Fee schedule. 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. Account Fee schedules to follow.]**



## SCHEDULE OF ACCOUNT FEES <sup>1</sup>

### Equity Separately Managed Accounts (not held within Diversified Multi Strategy Portfolios)

Total Account Value	Program Fee <sup>2</sup>	Maximum Advisory Fee <sup>3</sup>	Maximum Account Fee
\$100,000 to \$500,000	1.00%	1.75%	2.75%
\$500,001 to \$1,000,000	.95%	1.75%	2.70%
\$1,000,001 to \$2,000,000	.90%	1.75%	2.65%
\$2,000,001 to \$3,000,000	.85%	1.75%	2.60%
\$3,000,001 to \$4,000,000	.80%	1.75%	2.55%
\$4,000,001 to \$5,000,000	.78%	1.75%	2.53%
Over \$5,000,000	.75%	1.75%	2.50%

### Fixed Income Separately Managed Accounts (not held within Diversified Multi Strategy Portfolios)

Total Account Value	Program Fee	Maximum Advisory Fee	Maximum Account Fee
\$100,000 to \$500,000	.75%	1.25%	2.00%
\$500,001 to \$1,000,000	.70%	1.25%	1.95%
\$1,000,001 to \$2,000,000	.65%	1.25%	1.90%

<sup>1</sup> The Account Fee is composed of two components, a Program Fee and an Advisory Fee.

<sup>2</sup> The Program Fee covers the following: Investment management services provided by the Manager(s); Program services that Envestnet provides (as described on Page 4); Execution of transactions with respect to Program assets and custodial services provided by Pershing; Program administrative services that we provide. As recorded in the Schedule of Account Fees above, the Program Fee will range from .35% to 1.00% of the value of the total account. A portion of the fee is remitted to the Managers who generally charge between .20% and .45% for investment management services and to Envestnet and Pershing for services that they respectively provide. The remainder of the Program Fee is retained by us.

<sup>3</sup> The Advisory Fee is paid to Advisory Representative for personal advisory services provided. The Advisory Fee will vary from Advisory Representative to Advisory Representative but will not exceed the maximum fees outlined above.

<b>\$2,000,001 to \$3,000,000</b>	.60%	1.25%	1.85%
<b>\$3,000,001 to \$4,000,000</b>	.55%	1.25%	1.80%
<b>\$4,000,001 to \$5,000,000</b>	.50%	1.25%	1.75%
<b>Over \$5,000,000</b>	.45%	1.25%	1.70%

#### **Asset Allocation Proposal – Mutual Funds**

Maximum Account Fee is 1.25% regardless of Total Account Value

#### **Diversified Multi Strategy Portfolios Only\* – Separately Managed Accounts**

<b>Total Account Value</b>	<b>Program Fee</b>	<b>Maximum Advisory Fee</b>	<b>Maximum Account Fee</b>
<b>\$100,000 to \$500,000</b>	1.10%	1.80%	2.90%
<b>\$500,001 to \$1,000,000</b>	1.05%	1.80%	2.85%
<b>\$1,000,001 to \$2,000,000</b>	1.00%	1.80%	2.80%
<b>\$2,000,001 to \$5,000,000</b>	.95%	1.80%	2.75%
<b>\$5,000,001 to \$7,500,000</b>	.90%	1.80%	2.70%
<b>\$7,500,001 to \$10,000,000</b>	.85%	1.80%	2.65%
<b>Over \$10,000,000</b>	.80%	1.80%	2.60%

#### **Diversified Multi Strategy Portfolios Only\* – Exchange Traded Funds**

<b>Total Account Value</b>	<b>Program Fee</b>	<b>Maximum Advisory Fee</b>	<b>Maximum Account Fee</b>
<b>\$100,000 to \$500,000</b>	.55%	1.45%	2.00%
<b>\$500,001 to \$1,000,000</b>	.50%	1.45%	1.95%

<b>\$1,000,001 to \$2,000,000</b>	.45%	1.45%	1.90%
<b>\$2,000,001 to \$5,000,000</b>	.40%	1.45%	1.85%
<b>\$5,000,001 to \$7,500,000</b>	.40%	1.40%	1.80%
<b>\$7,500,001 to \$10,000,000</b>	.40%	1.35%	1.75%
<b>Over \$10,000,000</b>	.35%	1.35%	1.70%

\*An additional percentage of 0.10% is added to the Diversified Multi Strategy Portfolios Program Fee for clients who select the Tax Managed Selling option.

### **General Information Concerning Fees and Other Client Charges**

You will be charged an additional fee of \$1.50 for each hard copy trade confirmation ("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).

To avoid the Paper Confirmation Fee, upon your request, you can elect to receive trade confirmations electronically, or have Royal Alliance 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.

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

You are 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 Account Fee.

Additionally, you will bear a proportionate share of any fees and expenses associated with American Depository Receipts (ADRs)<sup>1</sup>, Global Depository Receipts (GDRs)<sup>2</sup> and Real Estate Investment trusts (REITs)<sup>3</sup> in which your assets are invested and may also bear any fees and expenses associated with converting non-US securities into ADRs or GDRs.

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<sup>1</sup> "ADRs" are receipts issued by a US bank or trust company that evidence ownership of non-US securities and are traded on a US Exchange or in the over-the-counter market.

<sup>2</sup> "GDRs" are receipts issued generally by a non-US bank or trust company that evidence ownership of non-US securities.

<sup>3</sup> "REITs" are corporations or business trusts whose shares are usually traded publicly, investing primarily in income producing real estate and/or real estate related loans or mortgages.

There are additional fees relating to IRA and Qualified Retirement Plan accounts that you typically 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) as a result of charging you the Account Fee which wraps management and transaction costs into one fee rather than having you pay for management and transaction costs 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 and banks as well as other business entities.

### **Minimum Account Size**

<b>Program</b>	<b>Requirements</b>
The Single Asset Category Proposal	\$100,000 minimum investment
Asset Allocation Proposal	\$300,000 minimum investment/ \$100,000 per manager
Associated Multi-Strategy Portfolio ("AMSP") Proposal	\$100,000 minimum investment
The Diversified Multi-Strategy Portfolio ("DMSP") Proposal	\$100,000 minimum investment

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

Managers are selected for participation in the Program by us from a list of Managers provided by Envestnet. We rely on Envestnet's recommendations and generally include all Managers recommended by Envestnet in the Program and on occasion, make an additional Manager available based on research and other information regarding the qualifications, investment philosophies, policies and performance of the Manager. We receive research and other information from Envestnet about the Manager. We rely on but do not independently verify or guarantee the accuracy or validity of the information received from Envestnet or any other source. Your Advisory Representative has sole responsibility for assisting you in the selection of Managers suitable for your investment objectives.

On an ongoing basis, Envestnet reviews the list of recommended Managers participating in the Program to determine whether they continue to meet Envestnet's guidelines and evaluation criteria. If any relevant information is detected at any time (including qualification or performance concerns), we will generally follow Envestnet's recommendation to: 1) put the Manager or one of its strategies on review status, wherein concerns will be further reviewed and must be addressed, 2) restrict one or more Manager strategies from being

presented to new clients, or 3) remove one or more Manager strategies from the Program. The level of the restriction will depend on the severity of the concern and the ability of the Manager to satisfactorily address such concern(s).

We make no representation regarding the future performance of any investment strategy of, or security recommended by, any Manager participating in the Program. As always, past performance is not a guarantee of future results.

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

We share your personal identification, account and holdings data with Envestnet and Envestnet may share this information with Managers as needed. We also share this information with your Advisor.

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 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 Floor, New York, NY 10281.**

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

### **Complaint Notification:**

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

### **Changes to This Privacy Policy:**

If we make any substantial changes in the way we use or disseminate confidential information, we will notify you.

## **ITEM 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 assets.

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

## **ITEM 9 - ADDITIONAL 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 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 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 the Program 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 firm 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 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. lawyers or law firms
5. banking institutions
6. accounting firms
7. insurance companies
8. real estate broker/dealers
9. pension consultants



#### 10. commodity pool operator or commodity trading advisor

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

Your Advisor can 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. 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 also be recommended 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 the “Client Information and Disclosures” section of our website 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 \$175,000 per year, per sponsor. For mutual funds, including mutual funds available in retirement plans, Royal receives a payment of up to 0.25 percent (25 basis points) on all sales of mutual fund shares (the “Gross Sales Payment”). Royal may also receive an additional payment, paid quarterly, of up to 0.45 percent (45 basis points) per year of the assets under management held at Royal. Royal may also receive a payment of \$10 for mutual fund purchases or exchanges which may assist in offsetting a fee normally paid by advisors. For variable annuities, Royal receives a Gross Sales Payment of up to 0.25 percent (25 basis points). Royal may also receive an additional payment, paid quarterly, of up to 0.15 percent (15 basis points) per year of the assets under management. In addition, certain variable annuity sponsors may pay so-called Persistency payments of between 5 basis points and 25 basis points based on a formula determined by contracts with a minimum persistency of 95%, assets in excess of \$15 million, and contracts in effect more than six years. Persistency payments are fees paid by variable annuity companies, through Royal, based upon the amount of assets in a variable annuity contract managed by your financial advisor, and the length of time the assets have been held in the variable annuity. For fixed annuities, Royal receives a Gross Sales Payment of up to .10% (10 basis points). For variable universal life insurance, Royal receives a 6% to 10% marketing allowance on all paid first year commission target premium from all sources on permanent plans of life insurance (to include variable universal life, universal life, indexed universal life and whole life products). Any levelized first year commission or spread first year commission products will earn the 6% marketing allowance for the term of the spread commission (i.e.: 3 years, 5 years, etc.). For DPPs and REITs, Royal receives a Gross Sales Payment of up to 2 percent. For 529 plans, Royal receives a Gross Sales Payment of up to 0.125 percent (12.5 basis points). In addition, Royal may also receive an additional payment, paid quarterly, of up to 0.15 percent (15 basis points) per year of the assets under management. For third party money managers, Royal may receive up to 0.20 percent (20 basis points) per year of the assets under management or up to 20 percent of management fees earned on behalf of financial advisors of Royal. For specific information about payments from the sponsors, please see our website at [www.royalalliance.com](http://www.royalalliance.com) and click on “Client Information and Disclosures”.

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

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

*This information is current as of March 31, 2017. Royal will update information regarding sponsors who participate in revenue sharing arrangements with Royal on its website on a regular basis. You can access this updated information, and our Disclosure Document For Mutual Fund, Insurance Products, Real Estate Investment Trust, Direct Participation Program, Third Party Money Manager Investors and Expense Reimbursements at [www.royalalliance.com](http://www.royalalliance.com) and click on “Client Information and Disclosures”.*

## **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.