

# Triad Advisors, LLC

## Pinnacle Wrap Fee Program Brochure

SEC File No. 801- 55518

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<http://www.com>

January 1, 2018

**This Pinnacle Wrap Fee Program Brochure provides clients with information about the qualifications and business practices of Triad Advisors, LLC (“Triad”). If you have any questions about the contents of this Brochure, please contact us at [www.com](http://www.com) or 770-840-6042. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

Triad is a dually registered investment adviser and broker/dealer. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. We encourage you to review this brochure carefully prior to becoming a client of Triad, and if you are already a client, to review all future updates or notices of changes to this brochure as they occur.

Additional information about Triad is also available on the SEC’s website at <https://adviserinfo.sec.gov>. Information regarding Triad’s activities as a broker-dealer can also be found at <https://brokercheck.finra.org>. You can locate the information using our CRD Number, 25803.

Our investment advisory services are performed through individuals called “investment adviser representatives,” most of whom are registered with one or more state securities regulatory agencies. Registration does not imply any level of skill or training. We encourage you to review information about those individuals who may provide or offer to provide services to you, which may be found in a supplement to this brochure. Many of those same individuals are also “registered broker-dealer representatives” of Triad, meaning they are properly authorized to conduct certain broker-dealer-related activity. The two websites referred to above also provide information about any persons affiliated with Triad who are registered, or are required to be registered, as investment adviser representatives or registered broker-dealer representatives of Triad.

## Material Changes

This Pinnacle Wrap Fee Disclosure Brochure (“Pinnacle Brochure”) is prepared according to the SEC rules. This section summarizes specific material changes that have been made to the brochure.

Pursuant to the amended SEC Rules, within 120 days of the close of our firm’s fiscal year (December 31<sup>st</sup>), we will deliver either:

1. a copy of the current (updated) Pinnacle Brochure that includes or is accompanied by the summary of material changes, or
2. a summary of material changes that includes an offer to provide a copy of the current (updated), Pinnacle Brochure.

We may further provide other ongoing disclosure information about material changes as necessary as well as provide you with a new Pinnacle Brochure as necessary based on changes or new information, at any time, without charge.

Please notify us if there have been any changes to your financial situation, your objectives, or if you would like to place or modify any reasonable restrictions in the management of your account. Currently, our full Pinnacle Brochure which includes detailed information on the changes summarized below, and your investment adviser representative’s personalized disclosure brochure may be requested by contacting your investment adviser representative or our Compliance Department at 770-840-6042 or [compliance@triad-advisors.com](mailto:compliance@triad-advisors.com).

### ***Material Changes Since the Last Update- Pinnacle Wrap Brochure***

This Pinnacle Brochure dated January 1, 2018 serves as a replacement to the Pinnacle Brochure dated March 30, 2017. Material changes since the last update are noted below in the following sections:

1. Under the section titled “Client Referrals and Other Compensation: Mutual Fund Share Classes Paying 12b-1 Fees and Other Compensation,” we have added information on conflicts of interest Triad has in selecting various mutual fund share classes and how the firm and its representatives address these conflicts.
2. Under the section titled “Client Referrals and Other Compensation: Bank Deposit Sweep Program,” we have added information on additional compensation we receive for cash swept into the Bank Deposit Sweep Program (“BDSP”) & the Ladenburg Insured Cash Account Program (“ICAP”).
3. Effective December 31, 2017, and pursuant to Section 607.1112(2) of the Florida Business Corporation Act and Section 605.1041(2) of the Florida Revised Limited Liability Company Act (“Florida LLC Act”), Triad Advisors, Inc. has converted from a Florida corporation to a Florida limited liability company. As a result of the conversion, our name has changed from “Triad Advisors, Inc.” to “Triad Advisors, LLC.” Therefore, we commenced doing business as “Triad Advisors, LLC” on January 1, 2018. With the exception of this name change, there are no other material changes resulting from the conversion. Notably, there has been no change in our ownership and the same business entity continues to exist with no merger or asset sale taking place. As provided further in Section 605.1046 of the Florida LLC Act, the effect of the conversion is that the converting entity becomes the converted entity without interruption, and all rights, privileges, property, debts and obligations convert along with the converting entity. Accordingly, Triad Advisors, LLC has succeeded to Triad Advisors, Inc.’s registration as an investment adviser with the SEC by means of Succession by Amendment, whereby a new investment adviser, formed solely as a result of a change in form of organization with no change in control or management, may amend the SEC registration of the predecessor adviser by filing an amended Form ADV within thirty days. Triad Advisors, LLC timely filed its Succession by Amendment on January 2, 2018.

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## Services, Fees and Compensation

**Clients should read and consider the information contained in this brochure. There is no assurance that the objectives of any client will be achieved.**

### *Advisory Services*

Triad is an SEC-registered investment adviser and broker-dealer. Established in 1998, Triad is owned by Ladenburg Thalmann Financial Services Inc. (“LTFS”). LTFS is listed on the NYSE MKT Stock Exchange, formerly known as the American Stock Exchange, under the symbol LTS.

Each client has an investment adviser representative. Investment adviser representatives are frequently also broker-dealer representatives of Triad, which means that he or she is also licensed to sell or offer securities products to clients. In addition, the investment adviser representative is an advisory representative of Triad or is an advisory representative of an independently registered investment adviser.

If your investment adviser representative is a Triad investment adviser representative, Triad is providing advisory services to you in addition to brokerage and program services, as described in this brochure. If your investment adviser representative is acting as a representative of an independently registered investment adviser, that independently registered investment adviser is providing advisory services to you, and you will receive a disclosure brochure from that firm. For the purposes of this document, the term “Advisory Firm” refers to either Triad or the independently registered investment adviser, whichever is providing advisory services to you.

Clients who wish to participate in the Pinnacle Wrap Fee Program generally enter into an Investment Advisory Agreement (“Advisory Agreement”). The Advisory Agreement will set forth which Advisory Firm is providing consulting services to you.

Your Advisory Firm, through your investment adviser representative, provides investment management services through separate accounts established at Triad in the name of each client, and manages the investments of clients in personal, joint, trust, retirement and other types of accounts. Investment adviser representatives have the ability to customize asset allocation, investment selection, and investment strategies to meet the client’s individual financial situation and investment goals. Accounts may be managed on either a non-discretionary or discretionary basis, as selected by the client in the Advisory Agreement. In non-discretionary accounts, the client must consent to each transaction. In discretionary accounts, the client grants the investment adviser representative the authority to place orders for transactions in the client’s account without obtaining the client’s permission for each transaction. Any limitations on the Advisory Firm’s discretion will be described in the Advisory Agreement. The investment adviser representative may manage and provide advice on mutual funds, stocks, bonds, exchange-traded funds (“ETFs”), limited partnerships (“LPs”), options, variable annuity sub-accounts, and other types of securities as approved by Triad. Investment adviser representatives may also advise a client regarding assets that are not held in a Triad account.

Clients inform their investment adviser representatives of the investment objectives, risk tolerance, investment time horizon, and any investment policies, guidelines, or reasonable restrictions applicable to the assets they designate for investment. Based on this information, the investment adviser representative may provide advice and/or manage client accounts by purchasing and/or selling stocks, bonds, mutual funds, exchange-traded funds (ETFs), options, and variable annuity sub-accounts. Investment adviser representatives generally manage Pinnacle Accounts on a non-discretionary basis. This means that they will purchase or sell securities for accounts only as authorized by the client. Under certain circumstances, a client may grant the investment adviser representative discretionary trading authority over an account. Clients grant this discretion in the Advisory Agreement. This means that the investment adviser representative will buy and sell securities without consulting the client in advance.

Any restrictions on the management of an account imposed by a client may cause the investment adviser representative to deviate from the investment decisions or recommendations that the investment adviser representative would otherwise make with respect to the account.

### ***Execution of Trades***

Triad will act as broker-dealer for Pinnacle Accounts. For more information, see the section titled “Brokerage Practices” below.

### ***Custody***

National Financial Services, LLC (“NFS”), an unaffiliated entity, acts as custodian for Pinnacle Accounts.

### ***Fees and Compensation***

Your Advisory Firm earns management fees as compensation for investment management services. These fees are described in the Advisory Agreement and are negotiable. Management fees are typically determined by adding the investment adviser representative’s fee to the service fees Triad charges for brokerage services in the account. Both the investment adviser representative’s fee and the service fees are calculated according to a percentage of the account value, including cash in the account. The account value used to calculate the management fee will usually be the average daily balance in the account for the preceding billing period. Generally, for accounts on margin, management fees are calculated based on the net equity of the account, which is the value of cash and securities minus the amount of margin debt. The account value will be based on information provided by the custodian of the assets, the client or other third party, as applicable. Triad relies on the financial and other information that the client, any custodian, or any other third party provides to Triad. Triad does not independently verify this information nor does Triad guarantee the accuracy of such information. Clients generally instruct the custodian to accept instructions from Triad to debit the management fee from one or more of client’s accounts.

Management fees may be paid either quarterly or monthly, as specified in the Advisory Agreement. Fees will typically be paid in advance for the month or quarter in which the services will be provided. If quarterly, then shortly after the beginning of each calendar quarter, the account will be charged a prorated portion of the annual management fees, calculated by dividing the number of days in that quarter by the number of days in the year. If monthly, then shortly after the beginning of each month, the account will be charged a prorated portion of the annual management fee, calculated by dividing the number of days in that month by the number of days in the year. For new accounts, the initial management fee will typically be charged within sixty days after the account is funded. If the date of the initial charge of management fees falls within the quarter or month after the account was funded, the initial charge shall consist of the first full quarter or month plus a prorated fee for that portion of the prior quarter or month after the account became funded. On termination of any Advisory Agreement or the client relationship, unearned fees will be refunded to the client.

Clients may choose to use certain account assets to obtain a non-purpose or other loan or line of credit from an unaffiliated lender. The balance on collateralized loans will not offset the gross account value for purposes of calculating the management fee.

Your investment adviser representatives may manage the assets of some clients through the Managed Account Solutions (MAS) program. MAS is an effective asset management tool that provides robust research, proposal generation, advanced order management, billing and performance reporting. Under the MAS program, Envestnet Asset Management (“Envestnet”), an unaffiliated registered investment adviser, provides a platform used by the representative to manage the assets. In such cases the client will sign a separate agreement that describes what services your Advisory Firm, Triad and Envestnet will provide and the fees to be paid for those services. The fees are based on a percentage of the account value, and will generally not exceed 2.75%. For representative-managed accounts on the MAS program, accounts with margin balances are billed on the gross market value of all securities within the account. This results in a higher fee than would be paid under a non-MAS program managed account. Client assets managed under the MAS platform can be maintained in either a Pinnacle or non-wrap fee account.

The management fees charged by your Advisory Firm also do not cover any of the following separate charges the client may incur: debit balances or related margin interest, the costs associated with exchanging foreign currencies, odd-lot differentials, IRA fees, transfer taxes, exchange fees, wire transfer fees, extensions, non-sufficient funds, mailgrams, legal transfers, bank wire charges, postage fees, SEC fees or other fees or taxes required by law.

### ***Pinnacle Account***

The Pinnacle Account is a “Wrap Fee” account. The client pays a quarterly Wrap Fee which is calculated based on a percentage of the value of the client’s account. Fees are payable quarterly or monthly in advance, and are automatically deducted from the account pursuant to the Advisory Agreement and not billed separately.

The Wrap Fees to be paid under the Pinnacle Account are described in the Advisory Agreement. The Wrap Fee rate may be either a simple percentage (for example, a maximum rate of 1.50%) or will be a blended rate, using two or more of the rate tiers set forth in the Advisory Agreement. The Wrap Fee covers the advisory services provided by the investment adviser representatives, execution of transactions through Triad, and custodial services provided by NFS (unless otherwise agreed between the custodian and the client). A portion of the Wrap Fees will be paid to Triad as transaction-related service fees. These service fees are higher than the service fees paid in connection with the Apex Account. The Pinnacle Account has no minimum account size. Wrap Fees are negotiable. Wrap Fees may be slightly higher as compared to a non-“wrap fee” account of similar size and complexity.

The Wrap Fee consists of two parts — one payable to the investment adviser representatives and the other to Triad for brokerage-related service fees. The portion of the Wrap Fee attributable to compensation to the investment adviser representative varies from one investment adviser representative to another, but will generally be based on a percentage of the account value and will not exceed 2.47% of the account on an annual basis.

The service fees are payable to Triad based on the following schedule and are negotiable:

<b>Account Value</b>	<b>Service Fee</b>
\$0 — \$150,000	<b>.28%*</b>
\$150,001 — \$500,000	<b>.28%</b>
\$500,001 — \$1,000,000	<b>.21%</b>
\$1,000,001 — \$2,000,000	<b>.18%</b>
\$2,000,001 — \$3,000,000	<b>.15%</b>

The service fees are calculated by multiplying the account value to the corresponding fee percentage shown above. \*Each account will be assessed a \$280 minimum service fee.

The Pinnacle Account may cost clients more money than what they would pay if they were purchasing services separately based on the following factor. An asset-based service fee arrangement typically assumes a normal amount of trading activity under average circumstances. Prolonged periods of account inactivity may result in higher costs to the client than the client would incur if transaction charges were paid separately. A client may fare better in another type of account available in the market that charges on a per-transaction basis.

In deciding between a wrap and non-wrap fee account, and in deciding whether or not to grant discretion to the representative, a client should also consider the transactions costs and/or tax consequences that might result from rebalancing. Rebalancing involves restoring your original asset allocation by shifting your funds among investment categories to regain ratios that may have been decided initially upon designing your portfolio or decided during the course of your relationship with your Advisory Firm. Frequent rebalancing may incur additional costs and/or tax consequences compared to less frequent rebalancing.

Either party may terminate the Advisory Agreement on written notice and a pro rata portion of any Wrap Fee paid by the client in advance will be remitted to the client based on the number of days left in the quarter.

### ***Other Compensation and Conflicts of Interest***

Your investment adviser representative may also receive a portion of the margin interest charged to the client. The receipt of this margin interest creates a conflict of interest in that the representative is incentivized to recommend that a client incur margin debt. This conflict of interest is mitigated by the review of each client's application for margin to ensure it is consistent with the client's stated needs, objectives and financial situation. Please see the section titled "Types of Investments and Risks: Margin & Lending Risk" for additional information.

Most investment adviser representatives providing services to Advisory Firm clients are also registered broker-dealer representatives of Triad. In addition to management fees, Triad or its representatives may earn other fees, commissions or other payments in connection with the recommendation or sale of certain products. These payments often create conflicts of interests because the representative may have an incentive to recommend those products because of the additional compensation to the representative or additional revenue to Triad. These payments, other similar forms of revenue or benefit, and the conflicts of interests associated with them are discussed in detail in other sections of this Brochure. More specifically, in the subsections below titled "Third-Party Payments," and "Income Distribution Partner Program," the payments and conflicts of interests are described. In the section below titled "Client Referrals and Other Compensation," the payments and conflicts of interests are described in the subsections titled "Compensation Received by Triad for Referrals," and, under the further heading "Compensation Received by Triad from Other Third Parties," the subsections "Shared Spreads," "Marketing and Other Incentives," "Asset-Based Payments or Transfer-Fee Reimbursements from Custodians," "Non-Publicly Traded Products," "Revenue Sharing and Referral Arrangements with our Clearing Firm," "Financial Incentives to Representatives," "Other Revenue Sharing," "Bank Deposit Sweep Program," "Syndicate Offerings," and "Mutual Fund Share Classes Paying 12b-1 Fees and Other Compensation." Conflicts of interests are also discussed below in the section titled "Other Financial Industry Activities or Affiliations." Clients and prospective clients are encouraged to review these sections carefully and to ask any questions about them you may have.

The investment adviser representative or your Advisory Firm may provide certain clients with quarterly performance reports and may charge a quarterly fee for these reports in addition to the Wrap Fee. The investment adviser representative will provide clients to be charged this fee with additional information about the fee, including the amount.

Additionally, fees and commissions payable to your Advisory Firm or its representatives or Triad's representatives may also be higher for some products and services than others, and the remuneration and profitability resulting from these products and services may be greater than the remuneration and profitability resulting from other products or services available to the client, either through Triad or an unaffiliated service provider. Triad has policies and procedures in place to prevent conflicts of interest from influencing recommendations made by our broker-dealer representatives and to assure that recommendations are consistent with our duties to clients.

### ***Other Charges and Fees Paid by Clients***

In addition to the fees described in this section, and the other payments Triad's representatives may receive as described above, the client will often pay additional fees to third parties, either directly or indirectly, relating to certain types of investments. For example, each mutual fund, ETF or private fund in which a client may invest also bears its own investment advisory fees and other expenses. These fees are typically deducted from the fund value and are reflected in the share price. Third-party money managers charge asset management fees, which are in addition to the advisory fees charged by your Advisory Firm. Accounts may require a minimum advisory fee or quarterly maintenance fee that will be detailed in the applicable Advisory Agreement. Variable annuity companies generally impose internal fees and expenses on client variable annuity expenses, including contingent deferred sales charges and early redemption fees. Complete details of such internal expenses are specified and disclosed in each variable annuity company's prospectus. Other types of investments have different expenses, and clients are encouraged to review any prospectus or other offering document relating to each investment carefully.



## **Account Requirements and Types of Clients**

### ***Account Requirements***

Triad does not impose an account minimum. Your Advisory Firm, if different from Triad, may impose an account minimum. Each Pinnacle Account will be assessed a \$280 minimum service fee per year.

### ***Types of Clients***

Pinnacle is designed to assist individual clients and institutions such as pension and profit sharing plans, trusts, estates, charitable organizations, and corporations.

## **Portfolio Manager Selection and Evaluation**

Investment adviser representatives are the only portfolio managers available through the Pinnacle Account. None of the entities that are associated with Triad through common ownership with LTFS acts as a portfolio manager. Clients select the investment adviser representatives; Triad does not recommend or replace investment adviser representatives for the Pinnacle Wrap Fee Program. Neither Triad nor any third party reviews portfolio manager performance information, and performance information may not be calculated on a uniform and consistent basis.

### ***Individual Needs of Clients and Restrictions***

Investment adviser representatives tailor their advisory services to the individual needs of the client. Clients inform their investment adviser representatives of their investment objectives, risk tolerance, and investment time horizon and provide their investment adviser representatives with any applicable investment policies, guidelines, or reasonable restrictions. Clients may impose reasonable restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. Any restrictions imposed by a client may cause the investment adviser representative to make different recommendations than he or she would in the absence of such restrictions. Thus, the account may not perform as well as it would have if such restriction had not been implemented.

### ***Performance-based Fees***

Your Advisory Firm does not charge any fees based on a share of capital gains on or capital appreciation of the assets of a client, commonly known as “performance based fees,” in the Pinnacle Account.

### ***Methods of Analysis, Investment Strategies and Risk***

One or more of the methods and strategies described in this section may be used by the client’s investment adviser representatives. Each Advisory Firm other than Triad uses an investment style and management philosophy as described in that manager’s brochure. Each method of analysis employed by Triad has specific risks associated with it, as more fully described below.

The investment strategies used to manage accounts may include long-term purchases, short-term purchases, short sales, margin transactions, and options trading. Strategies that involve frequent trading of securities may affect investment performance, particularly through increased brokerage and transaction costs and taxes.

Your investment adviser representatives may use subscription-based data to conduct research and to analyze individual securities. They may also use third-party support services to design portfolios or implement strategies. Examples of third-party sources used to assist in managing assets are S&P Research, LAMP Analytics, Bloomberg, Morningstar Workstation, and Thomson Reuters. Representatives may also use ETF & fund screening tools, economic news services, statistical ratings publications, asset allocation software, financial newspapers, magazines, corporate rating services publications, timing services, annual reports, prospectuses, filings with the SEC and company press releases.

Your investment adviser representatives may also use various methods of analysis such as charting analysis, fundamental analysis, technical analysis, or cyclical analysis. There is no guarantee that any of these types of analysis will result in favorable performance. These are described below.

### ***Fundamental analysis***

Fundamental analysis involves analyzing individual company information such as its financial statements, product line, the experience and expertise of management, and the outlook for the company. Similar information relating to the industry or other market sector is also analyzed. The resulting data is used to measure the “true value” of



the security compared to the current market value. The risks of fundamental analysis include: 1) that information obtained may be incorrect and 2) that the security may be already fairly valued based on factors not apparent in the analysis.

### ***Technical analysis***

Technical analysis involves using chart patterns, momentum, volume, relative strength and similar measures of a stock's historical performance in an effort to select securities that may outperform their relevant market index. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where such trends develop, unforeseen factors could shorten them. Another limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may suggest investment decisions be made in response to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.

### ***Cyclical Analysis***

Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy. Therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would result from these changing trends.

### ***Charting analysis***

Charting-based analysis involves the use of patterns in performance charts. We may use charting techniques to search for patterns which might identify favorable conditions for buying and/or selling a security.

### ***Types of Investments and Risks***

Investing in securities involves risk of loss that each client should be prepared to bear before deciding to invest. Triad does not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is not a predictor or indicator of future performance. It is impossible to name all possible types of risks, but among the risks that accompany many of the strategies, investment products, and asset classes that Triad recommends to its clients are:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can, as a whole, go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without real reason, and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading.** Clients should note that Triad may engage in short-term trading transactions. These transactions may result in short term

gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. Triad endeavors to invest client assets in a tax efficient manner, but all clients are advised to consult with their tax professionals regarding the transactions in client accounts.

- **Risks Related to Investment Term.** If you require us to liquidate your portfolio during a period in which the price of the security is low, you will not realize as much value as you would have had the investment had the opportunity to regain its value, as investments frequently do, or had we been able to reinvest in another security.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Interest-rate Risk.** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Inflation Risk.** The rate of inflation may exceed the rate of return on an investment.
- **Reinvestment Risk.** Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk.** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. For example, Treasury Bills are highly liquid, while real estate properties are not. Some securities are highly liquid while others are highly illiquid. Illiquid investments carry more risk because it can be difficult to sell them.
- **Financial Risk.** Excessive borrowing to finance a business' operations decreases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk.
- **Margin & Lending Risk.** Some clients borrow funds to purchase securities using "margin loans" for which the client's portfolio serves as collateral for repayment. Use of margin increases a portfolio's risk as price swings are amplified in a margin account and clients can lose more funds than deposited if the value of securities decline. Triad may be required to cease trading or liquidate securities in an advisory account to meet a "margin call" or credit line loan demand pursuant to an executed margin or non-purpose loan agreement between the client and the lender or custodian. The client may lose more than his or her original investment.
- **Risks specific to sub-advisors and other managers.** If we invest some of your assets with another adviser, including a private placement, there are additional risks. These include risks that the other manager is not as qualified as we believe them to be, that the investments they use are not as liquid as we would normally use in your

portfolio, or that their risk management guidelines are more liberal than we would normally employ.

### ***Risks Associated with Particular Investments***

Described below are some risks associated with specific types of investments that an investment adviser representative may recommend. Many of these investments are usually sold by use of a prospectus or other offering document. Clients should review those documents carefully for more detailed information regarding risk.

### ***Closed-End Funds***

Closed-end funds are illiquid and may not be readily marketable. In an effort to provide investor liquidity, the funds may offer to repurchase a certain percentage of shares from time to time. Thus, clients may be unable to liquidate all or a portion of their shares in these types of funds when they desire to do so.

### ***Exchange-Traded Funds***

ETFs are typically investment companies that are legally classified as open end mutual funds or unit investment trusts. However, they differ from traditional mutual funds in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the “spread.” The spread varies over time based on the ETF’s trading volume and market liquidity, and is generally lower if the ETF has high trading volume and high market liquidity. Conversely, the spread is generally higher if the ETF has low trading volume and low market liquidity. ETFs may be closed and liquidated at the discretion of the issuing company.

### ***Exchange-Traded Notes (“ETNs”)***

An ETN is a senior unsecured debt obligation designed to track the total return of a particular company, sector, market index or other benchmark. ETNs may be linked to a variety of assets, such as commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. An ETN is not a mutual fund and does not have a net asset value. Rather, the ETN trades at the prevailing market price. Some of the more common risks of an ETN are: 1) the repayment of the principal, interest (if any) and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer’s ability to pay; or 2) the trading price of the ETN in the secondary market may be adversely impacted if the issuer’s credit rating is downgraded. The asset or asset class to which the ETN is linked may carry specific risks not associated with a particular index or sector. ETNs may be closed and liquidated at the discretion of the issuing company.

### ***Leveraged and Inverse ETFs, ETNs and Mutual Funds***

Leveraged ETFs, ETNs and mutual funds, are designed to provide a multiple of the return of an underlying index, typically on a daily basis. Some of these products are not diversified and can be based on commodities or currencies. Inverse ETFs, ETNs and mutual funds are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from, and are generally riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they do not exactly replicate the performance of the index because of fund expenses and other factors. Continual daily resetting of returns within the product may add to the underlying costs and increase disparity. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions are magnified over time. Because of these distortions, these products should be actively monitored, as frequently as daily, and may not be appropriate as an intermediate or long-term holding. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may have higher expense ratios and may be less tax-efficient than more traditional ETFs, ETNs and mutual funds.

### ***Structured Products***

Structured products are securities whose performance is tied to that of another asset such as a security, a group of securities, an index, a commodity, a debt obligation, or a foreign currency. Structured products are senior

unsecured debt of the issuing bank or broker-dealer and are subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, while others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the structured product, and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Structured products frequently limit the upside participation in the reference asset, meaning that if the underlying asset appreciates the structured product may not appreciate accordingly. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

### ***Options***

An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells their option in the secondary market nor exercises it prior to its expiration will necessarily lose their entire investment in the option. An option writer may be assigned an exercise at any time during the period the option is exercisable. Starting with the day it is purchased, an American-style option is subject to being exercised by the option holder at any time until the option expires. This means that the option writer is subject to being assigned an exercise at any time after they have written the option until the option expires or until they have closed out their option position in a closing transaction. By contrast, the writer of an European-style or capped option is subject to assignment only when the option is exercisable or, in the case of a capped option, when the automatic exercise value of the underlying interest hits the cap price. For more information regarding the risks of options, please read the "*Characteristics and Risks of Standardized Options*" brochure, which can be found at [www.optionsclearing.com](http://www.optionsclearing.com).

### ***High-Yield Bonds and Other Debt Obligations***

High-yield bonds and other debt obligations are issued by companies or municipalities that do not qualify for "investment-grade" ratings by one or more rating agencies. These bonds carry a greater risk of failure to repay both principal and interest and a greater risk of default than those obligations that are rated investment-grade. The potential deterioration of an issuer's financial health or a downgrade in its rating will increase the risk of default. There is also the risk that the bond's market value will decline because of the issuer's deterioration or rising interest rates. An investor may not be able to liquidate a bond before maturity.

### ***Private Funds and Managed Futures***

Private funds and managed futures funds may be purchased by clients meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to: 1) the risk of investment loss due to the use of leveraging and other speculative investment practices; 2) the lack of liquidity; and 3) performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. These funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that a client will be able to redeem the fund during the repurchase offer.

### ***Business Development Companies ("BDCs")***

BDCs are typically closed-end investment companies. Some BDCs primarily invest in the corporate debt and equity of private companies and may offer attractive yields generated through high credit risk exposures amplified through leverage. As with other high-yield investments, such as floating-rate/leveraged loan funds, private REITs and limited partnerships, investors are exposed to significant market, credit and liquidity risks. In addition, fueled

by the availability of low-cost financing, BDCs run the risk of over-leveraging their relatively illiquid portfolios. Due to the illiquid nature of non-traded BDCs, investors' exit opportunities may be limited only to periodic share repurchases by the BDC at high discounts.

### ***Variable Annuities***

A variable annuity is a life insurance contract that has an investment component. Its value can therefore fluctuate with market conditions. Clients choose how to participate in financial markets by choosing among several "subaccounts" available within the annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.

### ***Voting Client Securities***

As a matter of firm policy and practice, our firm does not have any authority to vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their accounts.

From time to time securities held in your portfolio may be the subject of class action litigation. The decision regarding whether to file a proof of claim in a class action, to opt in or opt out of a settlement, or other similar questions involve legal judgment. We do not instruct or give advice to you on whether or not to participate as a member of class action lawsuits, and we will not file claims on your behalf. If you request additional assistance, we will provide any transaction information pertaining to your account that may be helpful and/or needed in order for you or your custodian to file a proof of claim or take other action with respect to a class action.

## **Client Information Provided to Portfolio Managers**

As described in "Services, Fees and Compensation" above, clients inform their investment adviser representatives of their investment objectives, risk tolerance, and investment time horizon and give their representative any applicable investment policies, guidelines, or reasonable restrictions. Based on this information, the investment adviser representatives provide investment recommendations and/or manage client accounts. Clients should promptly inform their investment adviser representative of material changes in their financial circumstances or investment objectives. The investment adviser representative will periodically discuss, at least once a year, whether the management of the account continues to reflect the investment objectives and financial requirements of the client.

## **Client Contact with Portfolio Managers**

Clients are free to contact investment adviser representatives for questions or consultation in regards to their accounts. There are no restrictions placed on clients' ability to contact and consult with investment adviser representatives.

## **Additional Information**

### ***Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the adviser or the integrity of their management. The following pertains to Triad:

FINRA filed a complaint against Triad on March 22, 2007 (Case #2006003971501). From 1/1/06 – 3/31/06, Triad failed to report 62 of 100 corporate bond trades within the time period prescribed by FINRA Rule 6230 and in violation of FINRA Rules 2110 and 3010. During the same period, Triad failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with Rule 6230 and in violation of Rules 2110 and 3010. Triad was censured and paid a monetary fine of \$10,000. FINRA filed an administration complaint against Triad on March 12, 2014 (Case #2011025792001). On March 12, 2014, Triad entered into an Acceptance Waiver and Consent with FINRA resolving the complaint. The complaint concerned consolidated reports, branch audits, supervision, net capital, and Regulation S-P. Triad consented to a censure, a monetary fine of \$650,000, restitution to customers totaling \$375,000, and a review and revision to its consolidated reporting and branch audit processes.

The State of Florida instituted an administrative proceeding against Triad on July 22, 2015 (Case #OFR 2015-277). Florida alleged that a registered branch of Triad's broker-dealer failed to maintain a checks received blotter and that Triad failed to maintain a copy of the approval of the branch's stationery and a record of the broker-dealer representative's outside business activity. The matter was resolved by consent, with Triad agreeing to pay a monetary fine of \$7,500 and agreeing to cease and desist certain activity.

FINRA filed an administration complaint against Triad on February 23, 2016 (Case #2014042544301), due to Triad's failure to apply sales charge discounts to certain customers' eligible purchase of unit investment trusts ("UITs") in violation of FINRA Rule 2010. During the same time period, FINRA alleged that Triad failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases in violation of NASD Rule 3010 and FINRA Rule 2010. On February 26, 2016, Triad consented to a censure, a \$125,000 fine and restitution to customers totaling \$102,631.62.

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

In addition to being a registered investment adviser, Triad is a registered full service broker-dealer. Triad is a wholly owned subsidiary of LTFS, a publicly traded diversified financial services company.

Other companies that are owned by LTFS and thus affiliated with Triad are:

<b>Name</b>	<b>Type of Company</b>	<b>Owners</b>
Ladenburg Thalmann & Co., Inc. (LTCO)	Broker-Dealer	100% LTFS
Ladenburg Capital Agency, Inc.	Insurance Company	100% LTFS
Ladenburg Thalmann Asset Management, Inc. (LTAM)	Registered Investment Adviser	100% LTFS
Investacorp., Inc.	Broker-Dealer	100% LTFS
Investacorp. Advisory Services Inc.	Registered Investment Adviser	100% LTFS
Premier Trust, Inc.	Trust Company	100% LTFS
Securities America Financial Corporation (SAFC)	Holding Company	100% LTFS
KMS Financial Services, Inc.	Broker-Dealer/ Registered Investment Adviser	100% LTFS
HCHC Acquisition, Inc.	Broker-Dealer/ Registered Investment Adviser	100% LTFS
Highland Capital Brokerage	Insurance Company	100% LTFS
Securities Service Network, Inc. (SSN)	Broker-Dealer	100% LTFS
Triad Hybrid Solutions, Inc.	Registered Investment Adviser	100% LTFS
Ladenburg Thalmann Fund Management, LLC	Registered Investment Adviser	50% LTAM
Ladenburg Thalmann Annuity Insurance Services, LLC	Insurance Brokerage Company	100% LTFS
Securities America, Inc.	Broker-Dealer	100% SAFC
Securities America Advisors, Inc.	Registered Investment Adviser	100% SAFC
Arbor Point Advisors, LLC	Registered Investment Adviser	80% SAFC
SSN Advisory, Inc.	Registered Investment Adviser	100% SSN
Triad Insurance, Inc.	Insurance Company	100% Triad

Triad has material relationships or agreements with certain of the above-named affiliates as further described below.

#### ***Ladenburg Thalmann & Co. Inc.***

LTCO is a registered broker-dealer. LTCO acts as a dealer with respect to certain securities, and as such, may execute transactions for Triad clients as principal. Certain securities, such as over-the-counter stocks and fixed

income securities are traded primarily in “dealer” markets. In such markets, securities are directly purchased from, or sold to, a financial institution acting as a dealer, or “principal.” Dealers executing principal trades typically include a “mark-up,” “mark-down,” and/or “spread” (“Spread”) in the net price at which transactions are executed. Triad may recommend that clients invest in securities issued in an initial public and secondary offering transactions for which LTCO acts as an underwriter and/or a member of the selling group or in which Triad acts as a member of the selling group. Triad has a conflict of interest in recommending these transactions for several reasons. First, LTCO receives all or a portion of the gross Spread in connection with such sales. If Triad is a member of the selling group, Triad and its investment adviser representatives may also receive a portion of the Spread. LTCO has an interest in assuring that its offerings are successful by having a large number of securities purchased, and in connection with certain offerings, LTCO has an obligation to purchase and resell a certain number of securities. Thus, because of its affiliation with LTCO, Triad has incentives to recommend these investments for these reasons, rather than based on a client’s needs.

Triad addresses this conflict of interest in the following ways. First, Triad has policies and procedures in place to assure that recommended principal transactions are suitable, and that clients receive best execution with respect to principal trades, regardless of whether the trade is executed by LTCO or an unaffiliated dealer. After receiving disclosures about a specific principal transaction with LTCO, clients have the opportunity to reject the transaction before it is completed, to the extent required by applicable law.

#### ***Ladenburg Thalmann Asset Management, Inc. (“LTAM”)***

LTAM is an investment adviser registered with the SEC. LTAM specializes in market analysis, due diligence, fund selection, and asset allocation and diversification strategies. Triad and LTAM participate in the Strategic Partners Program, which is described more fully below under the heading “Compensation and Reimbursement of Expenses to Ladenburg Thalmann Financial Services and its Affiliates.”

LTAM is among the third-party managers we recommend to our clients. Triad has a conflict of interest in recommending the services of LTAM because Triad and its affiliates earn more total compensation when a client selects an affiliate as a third-party manager than Triad and its affiliates would earn if the client selects an unaffiliated third-party manager. Furthermore, investment adviser representatives may receive compensation that varies depending on the third-party managers recommended regardless of whether the manager is affiliated with Triad. Thus, our investment adviser representatives have an incentive to recommend certain managers over others. Triad addresses these conflicts of interest through its policies and procedures that, among other things, require investment adviser representatives to make suitable recommendations, to act as a fiduciary to our clients, and, in the case of retirement accounts, to act solely in our clients’ best interests.

#### ***Premier Trust***

Premier Trust, Inc. is a Nevada chartered trust company. Triad will refer clients to Premier Trust for estate planning services. This is a conflict of interest, in that Triad has an incentive to refer clients to Premier Trust rather than other providers of similar services. Triad manages this conflict of interest by considering whether Premier Trust can adequately serve the clients’ needs and whether any efficiencies or other benefits to the client will result from this referral. Premier Trust provides full disclosure with respect to its trust and administrative services and related costs.

#### ***Highland Capital Brokerage***

Highland Capital Brokerage (“HCP”) is an insurance company licensed with the Alabama Insurance Department. HCP offers insurance solutions and point of sale support in fields such as life insurance, annuities, and long-term care products. Highland Capital Brokerage gives Triad’s investment adviser representatives open access to over 80 different insurance carriers. As a result, they are able to offer clients a variety of insurance products. Triad may recommend the purchase of insurance products in connection with financial planning and related consulting services. Such recommendations constitute a conflict of interest whenever Triad or the investment adviser representative recommends insurance products for which they will receive commissions or other compensation. To address this conflict, Triad has policies and procedures in place to ensure that the insurance products recommended are well suited to clients. Clients are under no obligation to purchase insurance products through any particular insurance agency or representative.



### ***Triad Insurance Inc.***

Triad Insurance, Inc. (“TII”) is solely owned by Triad. TII is an insurance company licensed with the Georgia Insurance Office and Safety Fire Commissioner. Certain Triad investment adviser representatives are licensed to sell life and annuity insurance products through TII, and various other companies. TII and the appropriately licensed investment adviser representative will receive compensation for the sale of such products. Triad may recommend the purchase of insurance products in connection with financial planning and related consulting services. Such recommendations constitute a conflict of interest whenever Triad or the investment adviser representative recommends insurance products for which they will receive commissions or other compensation. To address this conflict, Triad has policies and procedures in place to ensure that the insurance products recommended are well suited to clients. Clients are under no obligation to purchase insurance products through any particular insurance agency or representative.

### ***Compensation and Reimbursement of Expenses to Ladenburg Thalmann Financial Services Inc. (“LTFS”) and Affiliates***

As stated above, LTFS and Triad are affiliated with several SEC registered investment advisory firms, which include LTAM, SAI, APA, THS, SSN, Investacorp and KMS (together “Ladenburg Thalmann Advisors”). Ladenburg Thalmann Advisors have also created the Strategic Partners Program for independent investment advisers. Investment advisers are selected to participate in the Strategic Partners Program based on several criteria including, investment strategy, investment performance, transaction reporting capabilities and training and wholesaling support. In exchange for certain benefits, such as an opportunity to participate in Ladenburg Thalmann’s national conferences and broader access to our representatives, investment advisers in the Strategic Partners Program pay either a portion of the revenue generated by distributing their products and services or a specified annual dollar amount. Ladenburg Thalmann Advisors representatives may also receive reimbursements, marketing and distribution allowances, due diligence fees, or other compensation based on deposits and/or assets under management directly from third-party asset manager program sponsors. These payments may reimburse Triad or the Ladenburg Thalmann Advisors for the costs of marketing, distribution, business and client development, educational enhancement, and/or due diligence reviews incurred by Ladenburg Thalmann Advisors and/or Ladenburg Thalmann Advisors representatives relating to the promotion or distribution of the program sponsor’s products or services. The receipt of these reimbursements creates a conflict of interest in that it provides Ladenburg Thalmann Advisors, including Triad, with an incentive to recommend the products of the program sponsors based on the receipt of the above-described reimbursements rather than clients’ investment goals and objectives, thus creating a conflict of interest. To address this conflict, Triad has policies and procedures in place that are designed to ensure that the investment products selected are tailored to clients’ investment goals and objectives.

Ladenburg Thalmann Advisors Strategic Partners pay a flat annual fee. In addition to a flat fee, which may be up to \$400,000 per year, Strategic Partners pay basis points on sales of assets, or a percentage of the Partner’s net advisory fee derived from assets invested through their models. None of the payments made by the firms participating in the program are paid or directed to any representative who utilizes the services of these investment advisers. For a list of Strategic Partners and additional information on the program please contact your representative or visit [www.com.com/customer-information](http://www.com.com/customer-information).

### ***Fixed Insurance***

Ladenburg Thalmann affiliates include licensed insurance agencies which receive commissions in connection with the sale of fixed insurance products by licensed representatives. Ladenburg Thalmann, in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for marketing, training, and distribution support. None of these additional payments, however, are paid or directed to any representative/insurance agent who sells these products. In addition, these representatives/insurance agents do not receive a greater or lesser commission for sales of these insurance products from which Ladenburg Thalmann receives revenue sharing payments. The marketing, educational, and distribution activities paid for with revenue sharing, however, could lead our representatives/insurance agents to consider insurance products that make revenue sharing payments to Ladenburg Thalmann – as opposed to insurance sponsors that do not make such payments – when recommending insurance products to their clients, thus creating a conflict of interest. To address this conflict of interest, Ladenburg Thalmann and Triad have policies and procedures in place to ensure that insurance products recommended meet clients’ investment goals and objectives.

### ***Other Business Names and Logos***

Investment adviser representatives may have their own legal business entities whose business names and logos may appear on marketing materials as approved by Triad, or client statements approved by the custodians. These businesses are legal entities of the investment adviser representative and not of Triad or the custodians.

Additionally, the business entity may provide services other than as an investment adviser representative as disclosed herein and also provided to clients in each investment adviser representative's personalized disclosure brochure supplement; however, investment advisory services of the investment adviser representatives are provided through Triad.

### ***Third-Party Lending Referral Arrangements***

Investment adviser representatives may refer clients to a third-party lending institution to obtain a loan using account securities as collateral. Triad may receive a fee from this arrangement with a third-party lending firm. This creates a conflict of interest. Triad has policies and procedures in place to prevent conflicts of interest from influencing recommendations made by our investment adviser representatives and to assure that recommendations are consistent with our duties to clients. Any fee so received will not reduce a client's management fee.

### ***Code of Ethics***

Our firm has adopted a Code of Ethics for all supervised persons of the firm. The Code of Ethics describes our high standard of business conduct and our fiduciary duty to our clients. All supervised persons at our firm must acknowledge the terms of the Code of Ethics and personal securities transactions and holdings annually, or as amended.

Our Code of Ethics Rules are designed to ensure that our personnel:

- observe applicable legal and ethical standards (including compliance with applicable state and federal securities laws), in the performance of their duties;
- at all times place the interests of our clients first;
- disclose all actual or potential conflicts;
- adhere to the highest standards of loyalty, candor and care in all matters relating to our clients;
- conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or conflict of interest or any abuse of their position of trust and responsibility;
- refrain from using any material non-public information in securities trading; and
- report promptly any violations of the Code of Ethics to Triad's chief compliance officer using an internal reporting system.

The Code of Ethics also establishes policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding client's non-public personal information, including clients' portfolio holdings information. Under the general prohibitions of these policies, our personnel may not:

- effect securities transactions while in the possession of material, non-public information regarding the securities;
- disclose such information to others;
- participate in fraudulent conduct involving securities held or to be acquired by any client; or
- engage in frequent trading activities that create or may create a conflict of interest, limit their ability to perform their job duties, or violate any provision of these rules.

Our personnel are required to conduct their personal investment activities in a manner that is not detrimental to our advisory clients. They are not permitted to transact in securities except under circumstances specified in the Code of Ethics. However, as described below, there may be circumstances where our investment adviser representatives may buy and sell, on behalf of their clients, securities of issuers or other investments in which they own securities or otherwise have an interest. The policy requires all Access Persons (defined as investment personnel, which includes portfolio managers, assistant portfolio managers, research analysts and trading room personnel, officers of Triad, and other designated persons) to report all personal transactions in securities not otherwise exempt under the policy. All reportable transactions are reviewed for compliance with the Code of Ethics.

Our investment adviser representatives may buy or sell, for their own accounts, securities that are also held by their clients. Conversely, they may buy and sell securities for client accounts which they themselves may own. Investment adviser representatives may also recommend, buy or sell securities for client accounts at or about the same time that they may buy or sell the same securities for their own accounts. All of the above transactions create conflicts of interest. To address these conflicts of interest, these transactions are permitted if in compliance with our policy on personal securities transactions. Reports of personal securities transactions by our investment adviser representatives are reviewed by our firm's compliance department quarterly or more frequently if required. Triad and investment adviser representatives may perform advisory services for various other clients, or give advice or take actions for those other clients that differ from the advice given to the client. The timing or nature of any action taken for a client's account may also be different from those taken for the accounts of other clients. This presents a conflict of interest. Triad has policies and procedures in place to prevent conflicts of interest from influencing recommendations made by our investment adviser representatives and to assure that recommendations are consistent with our duties to clients.

Our Code of Ethics is available to clients and prospective clients from our firm upon request. We will furnish a copy to you upon request.

A full copy of our Privacy Policy is provided to all clients at the beginning of our relationship, and is provided each year thereafter. A client may request a copy of our Privacy Policy at any time and a copy will be furnished upon request.

### ***Brokerage Practices***

The following describes the brokerage practices applicable to Triad. For brokerage practices applicable to your Advisory Firm, if it is a firm other than Triad that participates in the Pinnacle Wrap Fee Program, it is described in that firm brochure. Triad seeks to assure that clients receive "best execution" for transactions in their accounts. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, safety of customer funds, execution capability, commission rates and responsiveness. Accordingly, although Triad will negotiate competitive rates with our custodian, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates, either generally or with respect to specific client account transactions. In recommending broker-dealers for custodial services, Triad considers the following:

- Quality of overall execution services provided;
- Promptness of execution;
- Creditworthiness, financial condition, and business reputation;
- Research (if any) provided;
- Promptness and accuracy of reports on execution;
- Ability and willingness to correct errors;
- Ability to access various market centers;
- The custodian's facilities and technology;
- Commission or transaction charged to clients; and
- Execution and operational capabilities of the broker-dealer

### ***Order Aggregation and Block Trades***

When the purchase or sale of a particular security is appropriate for more than one client account, trades for advisory clients may be aggregated. We may simultaneously enter orders to purchase or sell the same securities for the account of two or more clients. It is our practice that these orders be "batched" for ease of execution. This is done principally to ensure that clients are treated fairly and that one client is not advantaged at the expense of another client. Trades with advisory clients may be aggregated with those of other clients of your representative or the personal trades of your representative's accounts as well. Aggregate orders will not reduce your transactions costs. There may be several prices at which the securities transactions are executed, even though the orders were entered as one order for all accounts. Your investment adviser representative may aggregate all, none or some of

client trades based on, among other things, a client's investment guidelines and restrictions (including those on the use of discretion by the representative) the type of securities and the size of the order.

Triad's policies do not require your investment adviser representative to aggregate or block trade client orders. When a representative chooses not to aggregate client orders for the same security a conflict of interest exists. In such instances, the adviser must decide which client order to place first which may result on one client receiving a better execution price over another client and could lead to certain client accounts receiving more favorable order executions over time. Triad does not monitor representatives choosing not to aggregate orders to determine whether any one client or group of clients is systematically disadvantaged over time. It is our practice to treat all subject accounts equally when a block trade occurs, averaging the execution prices of the related trades and applying the average price to each transaction and account. Allocations of "batched" trades also may be rounded up or rounded down to avoid odd lot or small holdings in any client account. Triad may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades and the liquidity of the securities. If the firm does not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money. Clients that are not included in block trading of other client accounts may receive a higher or lower price than clients that have been included in a block trading order. In order to ensure that no client or group of clients is favored over another, Triad retroactively reviews the block trading activity with respect to clients that are not included in block trades with other clients of a representative for the same security on the same date.

### ***Research and Other Benefits***

As a broker-dealer, Triad receives certain services and products, such as fundamental research reports, technical and portfolio analyses, pricing services, economic forecasting and general market information, historical database information and computer software that assists Triad's representatives in their investment management process, from our only custodian, NFS. NFS may also sponsor and make available to Triad other products and services that benefit Triad but may not benefit all clients' accounts. These benefits may include educational events, conferences or meetings relating to the programs or brokerage services generally. Other potential benefits may include occasional business entertainment of personnel of Triad by NFS personnel, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Triad in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (including order allocation or aggregation), provide research, pricing information and other market data, facilitate payment of Triad's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of client accounts, including accounts not maintained at NFS. NFS may also make available to Triad other services intended to help Triad manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications, conferences, roundtables and webinars on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. The receipt of such services creates a conflict of interest. Triad addresses this conflict of interest by periodically assessing the best execution capabilities of the broker-dealers we use.

In addition, as broker-dealer, Triad may execute fixed income trades through Advisors Asset Management ("AAM"). A Triad broker-dealer representative may choose to execute through AAM due to their access to the bond markets, trading support services, and the ability to view competitive offerings. Triad does not receive products, research or services (i.e. soft dollars) in connection with this relationship. However, as a broker-dealer, Triad receives referral payments from AAM for having directed a volume of transactions to it for execution of orders for client accounts, which may include advisory accounts. This creates a conflict of interest. Triad has policies and procedures in place to prevent conflicts of interest from influencing recommendations made by our investment adviser representatives and to assure that recommendations are consistent with our duties to clients. This compensation does not affect the price that clients pay for securities or the transaction charges they pay. More information about these payments is available upon request.

### ***Third-Party Payments***

When Triad recommends certain mutual funds to its clients, or purchases such funds with discretion, Triad may also receive sales charges (sometimes called “loads”) or distribution or service fees, including fees from the sale of certain mutual funds, including money market funds, pursuant to a “12(b)-1 distribution plan” or other similar plan. These fees, commonly known as “12b-1 fees,” are paid to Triad by mutual fund sponsors as compensation for distribution or administrative services, and are distributed from the fund’s total assets and therefore will reduce the net asset value of the fund, which in turn reduces a client’s overall return. A description of these fees is contained in the mutual fund’s prospectus.

Investment adviser representatives may also have heightened conflicts of interest when recommending funds that pay compensation such as 12b-1 fees, because the Investment Adviser Representative may receive a portion of that compensation. Triad has policies and procedures in place to prevent conflicts of interest from influencing recommendations made by our investment adviser representatives and to assure that recommendations are consistent with our duties to clients.

Triad also receives payments pursuant to other arrangements we have in place with affiliated and non-affiliated entities, including: sales charges, commissions, periodic fees, periodic expenses paid from product assets such as 12b-1 fees from mutual funds and the funds available in variable annuities, financial planning and advisory service fees, and a portion of the organization and offering fees and expenses for REITs, limited partnerships and other nonpublic securities offerings. These arrangements create conflicts of interest. Triad has policies and procedures in place to prevent conflicts of interest from influencing recommendations made by our investment adviser representatives and to assure that recommendations are consistent with our duties to clients.

### ***Income Distribution Partner Program***

Ladenburg Thalmann created the Income Distribution Partner program for certain third party money managers, variable products, mutual fund and fixed insurance product sponsors. These product sponsors are selected to participate based on several criteria including product breadth, investment performance, training, wholesaling support, and brand recognition. In exchange for certain benefits, such as broader access to Ladenburg Thalmann representatives, sponsors participating in the Income Distribution Partners program are required to pay Ladenburg Thalmann for participation. The Ladenburg Thalmann income distribution planning desk is available to assist with the development of distribution plans for clients. The income distribution plans use suitable products available from both the Income Distribution Partners and products on the Ladenburg Thalmann approved product list. Advisors using the planning services are not required to use the products included in the proposal and do not receive a greater or lesser commission for utilizing these products. The marketing, educational, and distribution activities paid for with revenue sharing, however, could create a conflict of interest because it could lead representatives to recommend products that make revenue sharing payments to Ladenburg Thalmann, as opposed to sponsors that do not make such payments. To address this conflict, Ladenburg Thalmann and Triad have policies and procedures in place that are designed to ensure that the products selected meet clients’ investment goals and objectives. For a list of Income Distribution Partner program participants please contact your representative or visit [www.comcast.com/customer-information](http://www.comcast.com/customer-information).

### ***Distribution Partner Program***

Ladenburg Thalmann focuses on a select group of mutual fund, variable annuity and investment management companies providing greater access to our financial advisors to provide training, education presentations and product information. The purpose is to identify creative ways to help these firms increase field visibility, identify meaningful advisor networking opportunities, present timely products and grow assets. In return for these increased services, these sponsors compensate Ladenburg Thalmann in the form of revenue sharing payments. In addition to the customary sales commissions paid in connection with sales of mutual funds, variable annuities, third party models and money market funds, these sponsors make payments to Ladenburg Thalmann to participate in the program. The payments consist of amounts up to 10 basis points on a sponsor’s sales, and up to 5 basis points on assets. In addition, Ladenburg Thalmann may be reimbursed by the Distributor Partner for expenses incurred for various promotional activities including but not limited to sales meetings, conferences and seminars held in the ordinary course of business. Ladenburg Thalmann may receive a flat fee of up to \$300,000 per year,

per sponsor, for such reimbursements. For a list of Distribution Partner program participants please contact your representative or visit [www.compassadvisors.com/customer-information](http://www.compassadvisors.com/customer-information).

### ***Directed Brokerage***

Directed brokerage occurs when an investment adviser complies with the client's request to use a designated broker or custodian. The practice of directing brokerage is not required by all advisers and Triad generally does not permit it. Rather, Triad requires that clients maintain their brokerage assets in accounts at NFS. This practice may be based in part on the benefit to Triad or the availability of some of the foregoing products, services and other arrangements, and not solely on the nature, cost or quality of custody and brokerage services provided by NFS, which creates a conflict of interest. Triad has policies and procedures in place to prevent conflicts of interest from influencing recommendations made by our investment adviser representatives and to assure that recommendations are consistent with our duties to clients. Clients may be able to direct brokerage transactions to a third party for certain types of securities. Directing brokerage may cost clients more money because, as an example, Triad may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices.

### ***Review of Accounts***

Client accounts are reviewed at least annually or more frequently if so agreed. Reviews of investment accounts typically look at portfolio consistency with regards to the client's risk tolerance, investment time horizon, performance objectives, and asset allocation instructions. Account holdings, transactions, charges, and performance are also reviewed. Clients who also receive financial planning advice are reviewed on the same schedule if the client elects ongoing consulting in the Planning Agreement. Reviews cover progress toward financial independence, anticipated distributions toward family legacy goals, anticipated distributions for social capital or charitable goals, and other goals communicated by the client. In either type of review, accounts will also be reviewed upon notice of changes in a client's circumstances. These reviews are primarily conducted by the client's investment adviser representative.

In addition, Triad periodically reviews a sample of customer accounts for consistency with a client's risk tolerance, investment time horizon, performance objectives, and asset allocation instructions. Financial plans will also be reviewed by Triad's compliance department prior to the delivery to clients.

Clients are provided monthly or quarterly account statements from the qualified custodian, depending on the activity in the account. Reports include details of client holdings, asset allocation, and other transaction information. See the section titled "Custody" below for additional information on custodian and account statements.

Triad or the investment adviser representative may provide clients with additional written account review reports. Comparisons to market indices and account performance may be used to evaluate account performance in connection with these reports. We recommend comparing the account statements you receive from the independent custodian with those you receive from us. You should immediately inform us of any discrepancy noted between the custodian records and the reports you receive from us. The reports may contain or refer to information provided by clients or third parties. Triad does not independently verify information provided by a custodian, client or other third party, nor does Triad guarantee the accuracy or validity of such information. Triad is not liable in connection with its use of any information provided by a client, a custodian, or other third-party in the account review reports.

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

#### ***Compensation Paid By Triad for Referrals***

Triad compensates other persons and entities for client referrals. Triad enters into an agreement with such referral agents and pays them either a flat fee or a portion of the management fee. The referring party discloses the arrangement and compensation to the client at the time of the solicitation. The structure and arrangement of the referral agreement, as well as the compensation paid to the solicitor, will be fully disclosed to the client, which disclosure will be acknowledged in writing by the client when participating in a Triad program. The fee charged to a client is not affected by the use of a third-party solicitor in connection with client accounts, and a client will

not be charged any additional fees for the use of such services. The compensation to be paid is subject to negotiation between Triad and the referring party. These referral arrangements are designed to comply with SEC regulations as set out in 17 CFR Section 275.206(4)-3. In those states that require solicitors to be licensed or registered as an investment adviser representative, Triad will only enter into referral arrangements with persons who are so licensed.

#### ***Compensation Received by Triad for Referrals***

Triad also receives referral fees from unrelated investment adviser firms for referring clients for financial planning and/or investment advisory services. A disclosure letter will be provided to the client prior to or at the time of entering into any solicitation arrangement for financial planning and/or investment advisory services that identifies the solicitation fee. The incentive that some investment adviser representatives have to refer clients to other investment advisers creates a conflict of interest. Triad has policies and procedures in place to prevent conflicts of interest from influencing recommendations made by our investment adviser representatives and to assure that recommendations are consistent with our duties to clients.

#### ***Compensation Received by Triad from Other Third Parties***

##### ***Shared Spreads***

Fixed income transactions executed through some third-party managers are generally charged a mark-up or mark-down, and a percentage of this charge is shared with Triad. This creates a conflict of interest in that we are incentivized to use third-party managers who share these payments with us. Triad has policies and procedures in place to prevent conflicts of interest from influencing recommendations made by our investment adviser representatives and to assure that recommendations are consistent with our duties to clients.

##### ***Marketing and Other Incentives***

As set forth in “Fees and Compensation” above, Triad and the investment adviser representatives, in their capacity as registered broker-dealer representatives of Triad, may receive compensation from third parties in connection with trades executed for or investments held in advisory accounts. Certain mutual fund issuers and product sponsors may sponsor and pay for client luncheons or other events that Triad’s investment adviser representatives host. These arrangements give rise to conflicts of interest in that they may provide incentives for investment adviser representatives to recommend investment products of these sponsors. However, Triad’s commitment to its clients and the policies and procedures it has adopted are designed to limit any interference with Triad’s independent decision-making process when recommending the best investment for our clients.

##### ***Asset-Based Payments or Transfer Fee Reimbursements from Custodians***

Additionally, Triad receives additional compensation from NFS for assets held in customer accounts. More specifically, NFS has agreed to pay us a fee when it acts as custodian for certain non-Fidelity No Transaction Fee (“NTF”) mutual funds. NTF mutual funds are mutual funds that are offered through advisors or brokers without any transaction charge. Notably, Fidelity mutual funds are excluded from this arrangement, meaning Triad does not receive this fee on any Fidelity mutual funds that are recommended or purchased for client accounts custodied at Fidelity. Pursuant to Triad’s agreement with Fidelity, Fidelity pays Triad from 2 to 12 basis points (or from \$.02 to \$.12 for every \$100 every year), depending on the amount of eligible client assets held at Fidelity on an ongoing basis. This arrangement gives rise to a conflict of interest, as Triad receives more compensation by recommending, or investing in, non-Fidelity NTF funds for clients that are custodied at Fidelity. Clients should be aware, therefore, that Triad’s receipt of additional compensation from Fidelity under this scenario creates a conflict of interest since the benefit from NFS could influence Triad’s choice of (1) NFS over other custodians that do not furnish similar benefits and (2) non-Fidelity NTF mutual funds over other mutual funds not covered by this arrangement with Fidelity. However, Triad’s commitment to its clients and the policies and procedures it has adopted are designed to limit any interference with Triad’s independent decision-making process when choosing the most appropriate investments or custodian for our clients. Finally, we are committed to utilizing whatever fees we may receive under this arrangement to enhance our services to you.

To the extent that Triad is acting as a “Fiduciary” with respect to “Qualified Accounts” subject to ERISA, Triad will seek to avoid or remedy any situation where its receipt of compensation from Fidelity for Support Services would be a prohibited transaction under ERISA. For purposes of the foregoing, “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and the applicable “ERISA-mirror



provisions” of Sections 4975 of the Internal Revenue Code of 1986, as amended; “Fiduciary” shall be defined as that term is defined under ERISA; and “Qualified Accounts” shall mean accounts that constitute a retirement plan (including a 401(k) plan) or other employee benefit plan subject to ERISA, an account for a tax-qualified retirement plan (including a Keogh plan), or an individual retirement account under the Internal Revenue Code.

Triad has a referral arrangement with NFS whereby Triad may receive business credits or other compensation from NFS based on the amount of Triad client assets currently custodied by NFS which may be transferred to the advisory platform maintained by Fidelity Institutional Wealth Services Group (IWS), a division of NFS’ affiliated company Fidelity Brokerage Services, LLC, by Representatives, as well as Representatives who may terminate their registration with Triad and FINRA and conduct business as an investment advisor representative of an independent registered investment adviser (IRIA).

### ***Non-Publicly Traded Products***

Triad, also offers several non-publicly traded products, including, but not limited to non-listed real estate investment trusts (“REITS”), limited partnerships (“LPs”), hedge fund or funds, managed futures, tax credit programs, oil and gas programs, venture capital funds, and private equity funds. In addition to receiving commissions on the sale of these products, Triad may receive due diligence and/or marketing allowance payments from certain sponsors. While the arrangements with each sponsor may vary, each product sponsor may pay a due diligence or marketing allowance fee based upon the amount of assets held at the sponsor or on the gross amount of each sale, depending on the product. The receipt of these fees creates a conflict of interest in that Triad and its investment adviser representatives have an incentive to recommend products from sponsors that pay these fees as opposed to sponsors who do not pay such fees. To address this conflict of interest, Triad has policies and procedures in place to ensure that the investment products selected meet clients’ investment goals and objectives.

### ***Revenue Sharing and Referral Arrangements with our Clearing Firms***

Triad may receive reimbursement from NFS for all or a portion of any fees which customers could incur from other clearing providers upon the transfer of accounts to a Triad account carried by NFS. If Triad receives this type of reimbursement, Triad may retain all or a portion of such reimbursements or, at its discretion, may pass through all or a portion of such reimbursement to its clients and/or its representatives. Triad also receives various forms of revenue from NFS based upon client activity, as well as the amount of assets that are custodied with these firms. In general, Triad and its affiliates share with these clearing firms the expenses of trade execution and account servicing. The revenue sources include, but are not limited to, a percentage or portion of fees and transaction charges collected by the clearing firms and shared with Triad, which may include ticket charges, margin interest charges, IRA fees, inactivity fees, money market fund 12b-1 trails, and other fees. Triad typically does not reduce advisory fees to offset these charges. Please contact your representative or review the applicable Advisory Agreement for a schedule of charges.

Consistent with rules set out by FINRA, these wholesalers and/or their firms may pay Triad for training or education of our representatives. Product sponsors may also make payments to Triad to promote the marketing of their products to clients which includes seminars for clients and potential clients. These firms may also invite representatives to due diligence or continuing education meetings regarding their products. From time to time, Triad may also allow its representatives to attend off-site training sessions that may be sponsored or co-sponsored by these product sponsors. Triad prohibits the promotion of any product, including those issued by fund families, insurance carriers, or sponsors, over another based solely on additional payments or other considerations that might be received from the sale or marketing of their products. Representatives are required to make recommendations to clients based on the clients’ needs and objectives; however, receipt of such reimbursements could create an incentive by your representative to recommend products that provide such payments, thus creating a conflict of interest. The services that Triad provides under some or all of these investment options may be available from other providers for lesser fees. In addition, you may buy securities (e.g., mutual funds, exchange-traded funds, etc.) outside of our investment programs without incurring fees through our program. We encourage you to talk with your representative about any fees or compensation they receive from the sale of investment products.

### ***Financial Incentives to Representatives***

Representatives may also receive incentives to join and remain affiliated with Triad through certain compensation arrangements that could include bonuses, enhanced pay-outs, forgivable loans and/or business transition loans.

The receipt of such compensation may be considered a conflict of interest, however, representatives are required to make recommendations based on the client's needs and objectives.

Triad may recommend the Fidelity Institutional Wealth Services Group (IWS), a division of NFS' affiliated company Fidelity Brokerage Services, LLC, advisory platform and provide ongoing service and support to independent registered investment advisers (IRIAs) whose representatives may also be Registered Representatives of Triad, a registered broker-dealer. IRIAs are under no obligation to transfer client assets to IWS and do not receive any additional compensation or remuneration for selecting IWS. Similarly, clients do not incur any additional fees or expenses as a result of payments of business credits or compensation by NFS to Triad.

#### ***Other Revenue Sharing***

Revenue may be shared from transactions in fixed income, structured products and unit investment trusts (UITs). Based on the spread of a fixed income transaction both Advisors Asset Management (AAM) and the Ladenburg Fixed Income desk (LFI) at Ladenburg Thalmann & Co. Inc. share a dealer concession that can float with the type of bond and maturity. Currently only AAM conducts structured products business and shares revenue based on sales levels reached. Both AAM and LFI provide a revenue share component with UITs. Nationwide Smart Credit is a collateralized loan product which may share revenue with Triad, none of which is paid to our representatives. The fact that Triad receives a portion of the revenue creates a conflict of interest. To address this conflict, Triad has policies and procedures in place to ensure that the investment products selected meet clients' investment goals and objectives.

#### ***Bank Deposit Sweep Program***

The Bank Deposit Sweep Program ("BDSP") is the core account investment vehicle used to settle transactions and hold cash balances waiting to be reinvested for all eligible accounts except advisory IRAs (for advisory IRA accounts, see discussion of Ladenburg Insured Cash Account Program below). The cash balance in an eligible brokerage account is automatically deposited or "swept" into the BDSP, which uses an FDIC-insured bank deposit account. Available cash in your account is deposited through the BDSP into interest-bearing deposit accounts at one or more FDIC-insured depository institutions ("Program Banks"). The list of Program Banks and current interest rates for BDSP deposits are available from your representative or on Triad's website at <http://www.com.com/customer-information>. The maximum amount of FDIC insurance coverage for your deposits in the BDSP is up to \$1.5 million (for an individual account) or up to \$3 million (for a joint account). Funds deposited through the BDSP are not eligible for SIPC coverage.

The interest rate payable to you is based on the amounts paid by the Program Banks to us and less a fee retained by us, which may be up to 3% on an annualized basis as applied across all deposit accounts.

#### ***Ladenburg Insured Cash Account Program***

The Ladenburg Insured Cash Account Program ("ICAP") is the core account investment vehicle used to settle transactions and hold cash balances awaiting reinvestment offered for advisory IRA accounts exclusively. As with the BDSP, the cash balance in an eligible brokerage account is automatically deposited or "swept" into an FDIC-insured bank deposit account. Commencing in January 2018, the ICAP replaced the BDSP for advisory IRA accounts only. As noted above, the BDSP remains in place as the core account "sweep" vehicle for non-IRA accounts. The maximum FDIC insurance coverage for your deposits in the ICAP is identical to that for the BDSP noted above.

Each month, a level administrative fee is applied to advisory IRAs using the ICAP as the core account investment vehicle for administrative services performed in operating the program. The level account fee is predetermined by formula, as stated in the ICAP Disclosure Document, and we cannot earn income in excess of the stated level account fee. The aggregate interest generated by banks participating in the ICAP is used to pay the level account fee for each individual client and to pay any third-party vendor fees. All interest left over after these payments is then credited to client accounts in the program. A detailed explanation of the method for calculating interest and fees is available in the ICAP Disclosure Document, which is available from your representative or on Triad's website at <http://www.com.com/customer-information>.

### *Cash Sweep Program Disclosures*

In addition to its customary investment advisory fee, Triad also receives compensation in connection with cash balances held in these accounts as a broker-dealer. If cash is swept into the BDSP, ICAP or a money market fund, Triad receives compensation based on the value of assets in these funds or accounts as broker-dealer. This fee will reduce the amount of interest that clients receive in connection with cash held in their accounts. As noted, this compensation is in addition to the advisory fee that Triad receives with respect to the assets in the sweep investment. We will also pay a fee to NFS. Triad will not receive a fee in connection with the BDSP or ICAP with respect to cash in certain retirement accounts. In such cases, the fee will be retained by the custodian.

This compensation related to the BDSP, ICAP and sweep money market funds presents a conflict of interest to Triad because Triad receives a financial benefit if cash is invested in the BDSP, ICAP or the sweep funds. However, your investment adviser representative will not receive any portion of the BDSP or ICAP fee received by Triad. Triad has an incentive to recommend that clients select a money market fund or the BDSP or ICAP as a sweep vehicle as it may pay more compensation to Triad than other funds or available sweep options, if any. The revenue generated by us can be greater than revenues generated by sweep options at other brokerage firms. It can also be greater than other core account investment vehicles currently available to you or possible core account investment vehicles we have used in the past or may consider using in the future.

If you are eligible for the BDSP/ICAP and you open an account, you authorize Triad to establish the BDSP/ICAP as your core account investment vehicle. If your account is not eligible for the BDSP/ICAP, we provide you with access to other core account investment vehicles, including money market funds, to hold a cash balance waiting to be reinvested. Money market funds can lose value and have done so in the past. Different core account investment vehicles can have different rates of return and different terms and conditions such as FDIC insurance or SIPC protection.

If your account is otherwise eligible but you do not wish to use the BDSP/ICAP as its core investment vehicle, we generally will not be able to maintain your account. You are not obligated to use any of our managed accounts and can select a managed account at another broker-dealer where similar programs may not exist. However, you would lose the benefit of having your account managed by your representative and Triad.

Specific program features of the BDSP/ICAP are further explained in a separate disclosure document provided to all brokerage clients. For additional information on the BDSP/ICAP, including participating banks, please contact your investment adviser representative or on Triad's website at <http://www.triad-advisors.com/customer-information>.

### ***Syndicate Offerings***

Clients may purchase securities through broker-dealers in initial public offerings, secondary offerings and special purpose acquisition company transactions. LTCO, an affiliate of Triad may act as an underwriter or manager for such offerings, and as such, will receive compensation equal to either all or a portion of the "gross spread" (the difference between the price the client pays for the security and the price at which it purchased the securities). Triad may also receive a portion of the gross spread as a member of the selling syndicate. The advisory fee is not reduced to offset this compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement. Most Triad investment adviser representatives are also registered broker-dealer representatives of Triad. Triad may share a portion of payments received from a mutual fund or in connection with an initial public offering, a secondary offering, and/or a private placement with these representatives. Triad investment adviser representatives may also receive a portion of the compensation that Triad receives as a member of a selling syndicate. Thus, Triad and its representatives have an incentive to recommend purchases of sales in certain offerings and funds because Triad and its representatives will receive more compensation in connection with these securities than in connection with other types of securities that do not make such payments, thus creating a conflict of interest. To address this conflict of interest, Triad has policies and procedures in place to ensure that the investment products selected meet clients' investment goals and objectives.

### ***Mutual Fund Share Classes Paying 12b-1 Fees or Other Compensation***

Mutual funds typically offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to the more commonly offered retail mutual fund share classes

(typically, Class A, B and C shares), mutual funds may also offer institutional or advisor share classes (the “lower cost share classes”) or other share classes that are designed for purchase in an account enrolled in an investment advisory programs (typically, Class I, “institutional”, “investor” etc.). These lower cost share classes usually have a lower expense ratio than other share classes.

Triad and its advisory representatives have a financial incentive to recommend or select share classes that have higher expense ratios because such share classes generally result in higher compensation. This creates a conflict of interest. Triad has taken steps to increase the proportion of lower cost share classes that are utilized by our investment adviser representatives. Triad has also implemented additional training for its representatives. Regardless, however, clients may still be invested in other higher cost share classes with higher internal expenses when no lower cost share classes for a particular fund is available or the client is not eligible for the lower cost share classes due to the inability of the client to meet the investment minimums or any other restrictions imposed by the custodian.

Certain mutual fund share classes are available for purchase or sale without a transaction fee or surcharge; these mutual funds are typically available in the higher cost share class. Mutual Fund share classes which have a transaction fee or surcharge are typically available in the lower cost share classes. The decision to use the higher cost share classes versus the lower cost share classes is based on the anticipated level of trading activity in the selected mutual fund. Generally, prolonged holding periods of the higher cost share classes may result in higher underlying expenses to the client than if a lower cost share class were chosen with a transaction fee. In discussing with clients which share class is appropriate, our representatives will typically discuss the size of the investment in the particular mutual fund, anticipated number of transactions in the mutual fund, the preference of paying a transaction fee and the likely turnover of the assets in the account based on the proposed strategy for the account. Please contact your representative for more information about share class eligibility.

Additionally, in an effort to mitigate the above-referenced conflicts and meet current SEC regulatory expectations, Triad has created an *Approved Advisory Mutual Funds List* (“Mutual Fund List”) to which Triad’s advisory activities are subject. The selection of funds and share classes for the Mutual Fund List is based on a number of factors including expense ratio, availability, and supervision practicality. Triad has implemented procedures whereby no new mutual fund purchases may be made in advisory accounts unless such mutual funds and share classes have been approved and are listed on the current Mutual Fund List. Further, to the extent that certain funds currently held in advisory accounts are on the Mutual Fund List but not held in an approved class, Triad has begun the process of converting all such holdings to an approved share class, without tax consequence and at no cost, in most cases.

Notwithstanding the foregoing, you should understand that despite its inclusion on the Mutual Fund List, the share class offered for a particular mutual fund in many cases will not be the least expensive share class that the mutual fund makes available. Also other financial services firms may offer the same mutual fund at a lower overall cost to the investor than is available through Triad. We also note that to the extent that an advisory account includes mutual fund holdings that are unapproved as to both fund and share class, such funds may continue to be held in that account (although no new purchases shall be permitted).


Finally, we note that Triad’s policies and procedures allow Triad’s advisory representatives to formally request for both new inclusions to the Mutual Fund List as well as (in rare cases) waivers from its applicability. Clients may find additional information relating to Mutual Fund share classes by visiting <http://www.finra.org/investors/alerts/understanding-mutual-fund-classes>.

### ***Financial Information***

Triad has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not currently, nor at any time in the past ten years, been the subject of a bankruptcy proceeding. Triad does not require prepayment of advisory fees six months or more in advance.

# Privacy Policy Notice

Rev 01/2018

<b>FACTS</b>	<b>WHAT DOES TRIAD ADVISORS DO WITH YOUR PERSONAL INFORMATION?</b>	
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<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing of your personal information. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully in order to better understand what we do.
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<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Social Security Number, Date of Birth, Address, contact information and Income</li> <li>• Assets and Investment Experience</li> <li>• Account Transactions and Retirement Assets</li> <li>• Tax Reporting and Investment Performance Information</li> </ul> <p>When you are no longer our customer, we continue to share your information as described in this notice.</p>
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<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Triad Advisors chooses to share; and whether you can limit this sharing.
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Reasons we can share your personal information	Does Triad Advisors share?	Can you limit this sharing?
<p><b>For our everyday business purposes</b></p> <p>To administer, manage and service customer accounts, process transactions and provide related services for your accounts, it is necessary for us to provide access to personal information within the Triad Advisors, LLC companies and to certain nonaffiliated companies. We may share your personal information:</p> <ul style="list-style-type: none"> <li>• To process your transactions, maintain your account(s), respond to court orders and legal investigations, report to credit bureaus, government entities and our outside auditors.</li> <li>• With third party administrators and vendors for the purposes of providing current and future information on your account (such as transaction history, tax information and performance reporting).</li> <li>• With affiliated and nonaffiliated entities that perform services for us or function on our behalf (such as check printing services, account aggregation providers, clearing broker-dealers, investment companies, and insurance companies)</li> </ul>	Yes	No
<p><b>For our marketing purposes</b></p> <p>To offer our products and services to you</p>	Yes	No
<p><b>For our Affiliates to market to you</b></p>	Yes	No
<p><b>For nonaffiliates to market to you</b></p>	No	We don't share

<b>For joint marketing with other financial companies</b>			
Federal and certain state laws give us the right to share your information with banks, credit unions, retirement plans and other financial companies with where a formal agreement exists between us and them to provide or market financial products or services to you. However, we will not share your information with these financial companies for marketing purposes if your financial advisor is not affiliated with them without your consent, but we may share information with these financial companies where necessary to service your accounts.		Yes	No
<b>For clients of Independent registered representatives and investment advisors and Triad Advisors</b>			
<ul style="list-style-type: none"><li>• If your financial advisor terminates his or her relationship with us and moves to a New Firm, we or your financial advisor may disclose your personal information to the New Firm, unless you instruct us not to. If you do not want us or your financial advisor to disclose your personal information to the New Firm when your financial advisor terminates his or her relationship with us, you may request that we and your financial advisor limit the information that is shared with the New Firm.</li><li>• Your personal information may also be shared with certain entities that are owned, controlled by or affiliated with your financial advisor, such as an independent insurance agency, accounting firm or independent investment advisory firm.</li><li>• In the event your financial advisor (or his/her estate) agrees with an unaffiliated financial advisor to sell all or some portion of his/her securities, advisory or insurance business your personal information may be shared with the acquiring financial advisor and his/her New Firm.</li></ul> <p>If your primary address is in a state that requires your affirmative consent to share your personal information with the New Firm (such as California, Massachusetts, Maine, New Mexico, North Dakota, or Vermont), then you must give your written consent before we will allow your financial advisor to take any of your personal information to that New Firm.</p>		Yes	Yes
<b>Who we are</b>			
<b>Who is providing this notice?</b>		Triad Advisors,LLC a dually registered broker-dealer and registered investment adviser. Your financial advisor is a registered representative of Triad Advisors and we are required to provide this notice to inform you of how we collect, share and protect your personal information.	
<b>What we do</b>			
<b>How does Triad Advisors protect my personal information?</b>		To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include ongoing employee training, computer safeguards and secured files and buildings.	
<b>How does Triad Advisors collect my personal information?</b>		<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"><li>• Open an investment account or deposit money</li><li>• Seek advice about your investments</li><li>• Give us your account information or provide employment information</li><li>• Make a wire transfer</li></ul> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies</p>	
<b>Why can't I limit all sharing?</b>		Federal law gives you the right to limit only	

	<ul style="list-style-type: none"> <li>• Sharing for affiliates' everyday business purposes information about your creditworthiness</li> <li>• Affiliates from using your information to market to you</li> <li>• Sharing for non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing</p>
<b>Definitions</b>	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and non-financial companies.</p> <p>Our affiliates include companies engaged in the financial services industry with Triad Advisors; financial companies such as Triad Hybrid Solutions, LLC., Ladenburg Thalmann &amp; Co. Inc., Ladenburg Thalmann Alternative Asset Mgmt, Ladenburg Thalmann Fund Management LLC., Premier Trust, Inc., Securities America Inc., Securities America Advisors, Inc., Securities America Financial Corporation, Arbor Point Advisors, LLC, Highland Capital Brokerage, Inc. KMS Financial Services, Inc., Securities Services Network Inc., SSN Advisory, Inc., Investacorp Inc. and Investacorp Advisory Services Inc.</p>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies</p> <ul style="list-style-type: none"> <li>• Triad Advisors does not share with nonaffiliates so they can market to you.</li> </ul>
<b>Joint Marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>• Triad does not engage in joint marketing.</li> </ul>
<b>To limit our sharing</b>	<p>If you prefer that we not disclose your non-public personal information to persons or companies that are not Triad affiliates, you may opt out of those disclosures, except as to disclosures that are required or permitted by law. If you wish to opt out of any such disclosures of your non-public personal information, you may do so by completing the Non-public Personal Information Opt Out Form and returning it to us as instructed on the Form. Please contact us at the number below to receive a copy of our Opt Out Form.</p> <p>Please be aware, however, that we may not be able to service your needs as effectively if you opt out of information sharing. Depending on specific circumstances, we may need to close your account or cease performing certain services or cease effecting certain transactions for you if you do not allow us to share information with persons or companies whose assistance is critical. Your Triad Registered Representative or Investment adviser representative can discuss these matters with you as they relate to your specific circumstances.</p> <p>In addition Triad Advisors has signed the Protocol for Broker Recruiting ("Protocol") which allows the financial advisor servicing your account to take certain limited information in the event he/she leaves Triad Advisors and joins another firm which has also signed the protocol. The information your financial advisor can take is limited to your name, your address, your phone number, your email address and the title of your account. If you choose to Opt-Out Triad Advisors will notify your financial advisor of your decision to keep the information confidential and not let it be taken by your financial advisor to his/her new firm.</p>
<b>Questions?</b>	<p>Triad Advisors, LLC, 5155 Peachtree Parkway, Bldg 300 Suite 3220, Norcross GA 30092. Call 1-800-720-4003 or go to <a href="http://www.com">www.com</a></p>