

Brochure
(Part 2A for Form ADV)

Kestra Advisory Services, LLC

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This brochure provides information about the qualifications and business practices of our firm, Kestra Advisory Services, LLC (Kestra AS). If you have any questions about the contents of this brochure, please contact us at 844-553-7872 or contact your financial advisor.

The U.S. Securities and Exchange Commission, as well as state securities authorities, have not approved or verified information in our brochure. Additional information about our firm is published at www.adviserinfo.sec.gov.

References to our firm as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Material Changes

This section of our brochure summarizes material changes that have occurred at our firm since the previous release of our brochure. We will update this section of the brochure on an annual basis and send a summary of any material changes at our firm along with our annual privacy policy mailing. You may receive a complete copy of our brochure by contacting your financial advisor or by contacting our firm and requesting one.

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Advisory Business

Introduction

We provide investment advice through investment adviser representatives registered with our firm. We refer to these financial advisors as “Advisors” in this brochure. Most of our Advisors are also registered representatives of our affiliate broker-dealer, Kestra Investment Services, LLC (Kestra IS). In addition, many of our Advisors also act as insurance agents independent from our firm. To the extent your Advisor provides fixed insurance products or services to you, he or she does so outside of our firm and supervision. Our five primary methods of providing investment advisory services are: 1) advisor managed accounts; 2) third-party recommendations; 3) financial planning and; 4) wrap-fee programs and 5) retirement services. We describe these services in more detail below.

Generally, prior to opening an advisory account with us, your Advisor will meet with you regarding your investment experience, investment objectives, risk tolerance and general financial condition in order to create an investment profile for you. These investment profiles help your Advisor determine appropriate investment products and services for you. You will enter into an agreement with our firm setting forth terms and conditions of the advisory services relationship, including fees to be charged and authorization for the Advisor to purchase and sell securities pursuant to the investment objectives you choose. Securities that your Advisor will generally recommend, purchase or sell include mutual funds, variable insurance products and investments in their sub-accounts, exchange-traded funds, equities (stocks) and/or fixed income securities (bonds). You will also enter into separate custodial/clearing agreements with the applicable custodian for your account. We typically clear transactions through National Financial Services, LLC (National Financial or NFS); however, we sometimes may designate alternative clearing and custody arrangements similar to those we have with National Financial. We may also, at our discretion, accommodate your request to use an alternative custodian. Your funds and securities are held in custody at National Financial or various other clearing and custodial companies and not by our firm. You will also receive a copy of our Privacy Policy with our standard welcome letter.

ADVISOR MANAGED ACCOUNTS

With an Advisor Managed Account, your Advisor will assist you to develop a personalized asset allocation program and custom-tailored portfolio designed to meet your investment objectives. The recommended portfolio will generally include investments such as mutual fund shares, exchange-traded funds, variable annuities, stocks, bonds, direct participation programs or a combination of these products.

If you are interested in an Advisor Managed Account, your Advisor will obtain the necessary financial data from you, assist you in determining the suitability for the Advisor Managed Account and help you set appropriate investment objectives. You will open your Advisor Managed Account with us by signing a written agreement that authorizes us and your Advisor to purchase and sell securities in accordance with your investment objectives.

Your Advisor Managed Account will typically consist of a percentage of securities from various asset classes. The percentage weightings within the asset classes will be based on your risk profile, investment objectives, individual preferences and availability. You will have the opportunity to meet with your Advisor to periodically review the assets in your Advisor Managed Account.

You will maintain full and complete ownership of all assets held in your Advisor Managed Account. This means you retain the right to add or withdraw securities or cash, pledge securities, vote securities and/or receive timely confirmations. We will not pool your Advisor Managed Account assets with other accounts.

If you want your Advisor to have discretion over the timing and amount of securities purchased or sold in your account, you will be asked to sign an addendum authorizing your Advisor to act with discretion over your account. We offer both discretionary and non-discretionary portfolio management services.

We typically clear transactions in Advisor Managed Accounts with National Financial, but may also use other custodians, such as Pershing, LLC, IWS, Charles Schwab & Co., TD Ameritrade or other alternative clearing and custody companies at our discretion. Your funds and securities are held in custody at National Financial, or various other clearing and custodial firms, and not by us or your Advisor.

Through our custodial agreement with NFS, we or our affiliated broker-dealer receive additional fees for your assets that are held in their custody, and those fees increase as the amount of your assets in the custody of NFS increases. This presents a conflict of interest as we are incentivized to hold more of your assets at NFS.

NFS offers a no-transaction-fee (NTF) program where the transaction charge is waived for the purchase and sale of mutual funds participating in the program. Participating funds compensate NFS, which in turn compensates us based on the amount of assets invested in those funds. As a result, we have a conflict of interest to the extent Advisors recommend these funds because we or our affiliated broker-dealer will receive compensation in addition to any advisory fees you pay. Funds in the program may also have higher expense ratios than similar funds not in the program. Thus over time, you may pay higher costs for funds in this program than you would for non-NTF funds subject to transaction charges.

Advisory Platforms and Advisory Programs

Through our relationships with National Financial and other custodial and clearing firms, we make available platforms (Advisory Platforms) to assist our Advisors to provide you an Advisor Managed Account. Examples of our Advisory Platforms are the AdvisorEnterpriseSM Platform, Kestra Institutional Services Platform, Horizon and AdvisorChoice Platform described in more detail below. Through these Advisory Platforms, our Advisors render investment advice to you combined with portfolio administration and reporting services, advisory fee processing and account reconciliation. We review and approve the products and services in these Advisory Platforms.

We also make available certain Advisory Programs offered through third-party co-advisors (Advisory Programs) to assist our Advisors to provide you an Advisor Managed Account.

Examples of our Advisory Programs are the SEI Program and AssetMark Program described below. We review and approve the co-advisors, products and services in these Advisory Programs.

We may enter, or previously have entered, into advisory relationships, programs and platforms offered through third-party investment advisers either as legacy offerings for our firm or as an accommodation to an Advisor who joins our company. These relationships are usually limited to certain Advisors and their existing clients. Details and descriptions of these programs have been or will be given to you by us, your Advisor and/or the Advisor's prior firm.

Advisory Platforms

AdvisorEnterprise Platform

Our relationship with Envestnet Asset Management, Inc. (Envestnet) allows our Advisors to provide you an Advisor Managed Account by using tools, resources and technology provided by Envestnet as part of the AdvisorEnterprise platform. Such tools, resources and technology include the ability to produce detailed proposals, creating investment models, allocating assets, monitoring your specifications on an account, aggregating trades and rebalancing an account. In providing you an AdvisorEnterprise Advisor Managed Account, your Advisor generally invests your assets in individual equity or fixed income securities, as well as pooled investment vehicles such as mutual funds or hedge funds available through the AdvisorEnterprise platform. Generally, the AdvisorEnterprise Platform requires a minimum account level of \$25,000 for new accounts, although we may waive the account minimum from time to time at our discretion for related accounts. There is also a minimum platform fee of \$60, which is the minimum cost Envestnet charges for our accounts on their platform. This fee is based on the total number of accounts we have on their platform.

Prior to opening an AdvisorEnterprise Advisor Managed Account with us, your Advisor will typically gather information or meet with you to create an investment profile for you and will discuss, among other things, your investment experience, investment objectives, risk tolerance and general financial condition. These investment profiles help your Advisor recommend appropriate investment products and services to you. You will enter into an agreement with us setting forth terms and conditions of the advisory services relationship, including fees to be charged and authorization for your Advisor to buy and sell securities in accordance with your investment objectives. You are encouraged to contact your Advisor should you have questions about the management of your AdvisorEnterprise Advisor Managed Account.

Horizon and AdvisorChoice Platform

Through our relationship with National Financial, our Advisors generally invest in individual equity or fixed income securities as well as pooled investment vehicles such as mutual funds for your Advisor Managed Account. Generally, the Horizon and AdvisorChoice Platform requires a minimum account level of \$25,000 for new accounts, although we may waive the account minimum from time to time at our discretion for related accounts.

Prior to opening a Horizon or AdvisorChoice Managed Account with us, your Advisor will typically gather information or meet with you regarding, among other things, your investment experience, investment objectives, risk tolerance and general financial condition in order to create an investment profile for you. These investment profiles help the Advisor recommend appropriate investment products and services available to you. You will enter into an agreement

with us setting forth terms and conditions of the advisory services relationship, including fees to be charged and authorization for the Advisor to purchase and sell securities pursuant your investment objectives.

Advisory Programs

Our Advisors may delegate investment advisory responsibilities or discretionary authority to a third party investment adviser through our Advisory Programs. You will typically enter into an agreement directly with that third party, which will outline, among other things, fees and the trading of your account by that investment adviser. Depending on the Advisory Program, you either pay us directly or pay one fee to the third party, who will then remit a portion of the fee to us. You will typically receive a copy of both the third-party investment adviser brochure as well as this document if we and the third party are acting as co-investment advisers. If investment advisory services are delegated to a third party investment adviser, your Advisor will monitor your assets and will provide services such as, but not limited to, helping you choose the third party investment adviser reviewing your accounts, and assisting you with administrative functions related to your portfolio.

SEI Program

We have entered into a co-advisory relationship with SEI Investments Management Corporation (SEI). In conjunction with SEI, we provide portfolio management services, selection of other investment advisers, mutual fund wrap services, access to separate account managers and alternative investments. SEI is both an investment adviser and broker-dealer. From the services and products SEI provides, our Advisor can customize the asset allocation and level of diversification, and determine the preferred investment vehicle or structure to create your Advisor Managed Account. There is generally a \$250,000 minimum investment for an Advisory Managed Account in the SEI Program, although we or SEI may waive the account minimum from time to time at our discretion.

Prior to opening an account with SEI, your Advisor will gather information through the use of SEI-developed questionnaires, software and other materials or a personal interview. Your Advisor will also assist you in completing all necessary paperwork, including an agreement between you and SEI that grants SEI discretionary trading authority in your account. Your Advisor will also assist you in choosing among available mutual funds that are managed by independent, institutional investment firms. SEI has created asset allocation programs using mutual funds invested in stocks, bonds and cash to meet varying client objectives and needs for growth, income and capital preservation. Our Advisors will rely on the model investment portfolio designations, allocations recommendations provided by SEI and your instructions for your Advisor Managed Account. SEI incorporates a formal rebalancing program designed to control risk on non-taxable accounts. You may impose conditions in your investment guidelines or in written instructions to us that limit the discretionary authority implemented through the rebalancing program. Your Advisor may choose to incorporate the formal rebalancing program on taxable accounts, and any account may be rebalanced by your Advisor at any time should you choose to change your investment strategy. In a select few instances, certain Advisors qualify for SEI's Enhanced Advisory Services. In these instances, your account will be managed as generally described under the Introduction and Advisor Managed Account sections above.

SEI Private Trust Company acts as a custodian of all assets in the SEI Program, including your Advisor Managed Account. You will enter into a separate custodial agreement with the SEI

Private Trust Company, an affiliate of SEI. SEI will execute transactions for your Advisor Managed Account pursuant to your agreement with them.

Our Advisor will conduct periodic reviews of your Advisor Managed Account in the SEI Program and monitor performance of the account in relation to your investment objectives. You and your Advisor should meet on a regular basis to review your financial situation, investment objectives and current holdings. In addition, your Advisor will consult with you concerning your Advisor Managed Account in the SEI Program upon reasonable request.

AssetMark Program

We have entered into a co-advisory relationship with AssetMark Investment Services, Inc. (AssetMark). In conjunction with AssetMark, we provide mutual funds and variable annuities (Mutual Fund Solutions), access to individual managers (Private Managed Account Solutions) and asset allocation, trading and account management services to help our Advisor with your Advisor Managed Account. AssetMark has contracted with several third-party strategists (Strategists) to help develop model portfolios (Models) for the Mutual Fund Solutions and for the Managed Account Solutions.

Prior to opening an account with AssetMark, your Advisor will gather information through the use of AssetMark developed questionnaires, a personal interview and/or software and other materials. Your Advisor will also assist you in completing all necessary paperwork, including an agreement between you, us and AssetMark. Our Advisor will also assist you in choosing Mutual Fund Solutions, Private Managed Account Solutions or Models for your Advisor Managed Account.

For Mutual Fund Solutions, your Advisor executes transactions for your Advisor Managed Account using the tools provided by AssetMark. Transactions in Private Managed Accounts will be executed by the individual managers engaged by AssetMark. AssetMark and the Strategists provide rebalancing guidelines for the Models to control risk in your Advisor Managed Account. If your Advisor has implemented the Model for your Advisor Managed Account, AssetMark can rebalance your account automatically pursuant to the authority in your agreement with them.

There is generally a \$25,000 minimum investment for a Mutual Fund Solution Advisory Managed Account in the AssetMark Program, though we or AssetMark may waive the account minimum from time to time at our discretion. There is generally a \$250,000 minimum investment for a Private Managed Account Solution Advisory Managed Account in the AssetMark Program with a single investment manager, and a \$2 million minimum investment for Private Managed Account Solution with multiple investment managers, though we or AssetMark may waive the account minimum from time to time at our discretion.

Your Advisor Managed Account generally will be held in custody at one of the following firms: Fiserv, Charles Schwab & Co., Pershing, or Fidelity. You will enter into a separate custodial agreement with the appropriate custodian. Your Advisor conducts periodic reviews of your Advisor Managed Account through the AssetMark Program and monitors performance of the account in relation to your investment objectives. You and your Advisor should meet on a regular basis to review your financial situation, investment objectives and current holdings. In addition, your Advisor will consult with you concerning your Advisor Managed Account in the AssetMark Program upon reasonable request.

We also have the ability to act in a solicitor capacity and refer clients to AssetMark. Please see the following section “Third Party Referrals” for more details regarding the services we provide and how we are compensated in such an arrangement.

THIRD-PARTY REFERRALS

We have entered into agreements with various third-party investment advisers that participate in, manage or sponsor different types of money management services and investment advisory programs. Depending on our relationship with the third party, our Advisors may solicit clients for such third parties, in which case we will not provide investment advice or have discretionary authority over your assets. These solicitation arrangements are typically structured in accordance with the cash solicitation rule 206(4)-3 under the Advisers Act which requires, among other things, that we must disclose to you the compensation our we will receive for referring you to a third-party adviser.

Where we act as a solicitor, you will not enter into an agreement directly with us and will not receive this brochure in connection with that arrangement. In such an arrangement, you establish a direct relationship with the third-party adviser, and we will receive a solicitation fee from the adviser based on a percentage of the advisory fee they charge you. The amount of the fee varies by the solicitation arrangement with a maximum fee of 2.5%. The solicitor disclosure you receive when you establish an account with the third party adviser will specify the total fee you will be charged, and what portion of that fee is payable to Kestra AS. You should read the third-party adviser’s brochure and any compensation disclosure statements provided in connection with these solicitation arrangements for information regarding the services of the third-party adviser and applicable fees and charges.

While there is a solicitor arrangement in place, your Advisor will monitor assets and will provide services such as, but not limited to, helping you choose the adviser to whom you are referred, as well as reviewing your accounts, and assisting you with administrative functions related to your portfolio.

FINANCIAL PLANNING & FINANCIAL CONSULTING

Our Advisors may perform financial planning, business consulting, estate planning, educational consulting and similar securities investment consulting services for you. Our Advisors may also prepare a written financial plan for you. In performing financial planning or consulting services, the Advisor typically examines and analyzes your overall financial situation, such as your tax status, insurance needs, overall debt, business ventures, retirement savings and current investments. An Advisor’s services may also focus on only one or several of these areas, depending on your specific engagement. You will enter into an agreement with us setting forth the services our Advisor will provide and other terms and conditions of the relationship, such as fees for our services. You are under no obligation to accept any of the recommendations from an Advisor’s financial planning or consulting services, and you retain discretion and responsibility for implementing the recommendations.

WRAP FEE PROGRAMS

AdvisorEnterprise

Through our relationship with Envestnet, we sponsor a privately labeled wrap fee program. The fees you pay in this program generally cover costs related to security transactions as well as

fees payable to us, our Advisor, the custodian and any third party as appropriate. Please see our Wrap Fee Program Brochure for details and a corresponding fee schedule regarding this wrap-fee program.

Kestra Institutional Services

Through our relationship with our affiliate Kestra Institutional Services, we make available a wrap-fee program to certain qualifying Advisors. The fees you pay in this program generally cover the costs of security transactions as well as fees payable to us, our Advisor, the custodian and any third party as appropriate. Please see Kestra Institutional Services's Wrap Fee Program Brochure for details about this wrap-fee program.

RETIREMENT SERVICES

Our Advisors also provide services to clients' retirement accounts, such as individual retirement accounts (IRAs) and retirement plans (Plans). Our services to IRA clients include those described above. Please note: A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in the former employer's plan, if permitted, ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, iii) rollover to an IRA, or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).

Our Advisors may recommend an investor roll over plan assets to an IRA which our Advisor would manage. As a result, we generally earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave plan assets with his or her old employer, or roll the assets to a plan sponsored by a new employer will generally result in no compensation to us (unless we are engaged to monitor and/or consult on the account while maintained at the existing plan). Therefore, our Advisors have an economic incentive to encourage an investor to roll plan assets into an IRA that we will manage, or encourage an investor to engage us to monitor and/or consult on the account maintained at the existing plan.

There are various factors that we may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus ours, iv) strategies for the protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. The following exception to the early withdrawal penalty applies only to distributions from a qualified retirement plan other than an IRA: Distributions made to you after you separate from service with your employer if the separation occurred in or after the year you reached age 55. No client is under any obligation to rollover plan assets to an IRA managed by us or to engage our Advisors to monitor and/or consult on an account maintained in an existing plan. Please note that a recommendation to roll assets out of an employer-sponsored plan into an IRA will most likely result in more expenses and charges than if the assets were to remain in the plan.

Please speak to your Advisor to address any questions you may have regarding your engagement and the corresponding conflict of interest presented by such engagement.

Please see our separate Retirement Plan Brochure, which describes the services we provide to Plan clients. In general though, we provide services such as vendor searches and

benchmarking, plan design analysis, investment policy review and financial consulting. Our Advisors also regularly monitor performance, risk and expenses related to plan investments and provide ongoing support to help plan clients meet their fiduciary obligations. We and our Advisor acknowledge that in providing investment advice to plan clients we act in a fiduciary capacity to the extent applicable under the Employee Retirement Income Security Act of 1974 (ERISA). Neither we nor your Advisor will be responsible for obtaining, or paying the premiums on, any bond required pursuant to ERISA. Our company and Advisors have no authority and are not required to vote proxies for securities comprising assets of plan clients. You will enter into an agreement with us and our Advisor setting forth terms and conditions of the relationship, which will include fees to be charged.

OTHER INFORMATION ABOUT OUR ADVISORY SERVICES

In some instances, we and our Advisors may independently consider a security a client is trying to sell appropriate for another one of our clients to purchase. We and our Advisors advise numerous clients with similar or identical investment objectives or advise clients with different objectives that may trade in the same securities. Despite such similarities, portfolio recommendations relating to your investments and the performance resulting from such recommendations will differ from client to client. We will not necessarily recommend, purchase or sell the same securities at the same time or in the same amounts for all eligible clients. In some cases, such as the recommendations of private placements or oversubscribed public offerings, due to the availability of, or qualifications necessary to buy, the investment, it may not be possible or feasible for you to buy a certain security. Therefore, you will not necessarily be able to participate in the same investment opportunities or participate on the same basis with our other clients. To the extent our Advisors have investment discretion over your account, it is our policy that the Advisor allocate, to the extent practicable, investment opportunities on a basis that the Advisor in good faith believes is fair and equitable to each client over time.

You should promptly notify us if there is ever any change in your financial situation or investment objectives, since it make cause us to review, evaluate or revise our previous recommendations and services to you.

As of December 31, 2016, we managed approximately \$16,009,000,000 in assets for approximately 63,500 clients. Approximately \$11,308,000,000 is managed on a discretionary basis, and approximately \$4,701,000,000 is managed on a non-discretionary basis.

Fees and Compensation

GENERAL INFORMATION ON OUR FEES

Our asset-based fees range from 0.05–2.5 percent and are determined by your Advisor based upon a variety of factors, such as the value of your assets under management, your account registration type (e.g., retirement), the nature of services we provide to you, the platform(s) and the program(s) you or your Advisor choose and the current market and pricing for similar services. Our asset-based fees are negotiable, subject to the maximum amount noted above.

You pay an asset-based fee typically on a quarterly basis in advance or arrears, as determined between you and your Advisor. All fees are negotiable, subject to the maximum amount set forth above. We may waive or charge a lesser fee from time to time or may charge a flat fee for our services. The advisory fees we charge may be higher or lower than those charged by other advisers for comparable services. The fees that we charge to manage assets in your account may be more than the amount you would pay us to buy or sell securities on a commission basis in a non-managed account.

An overview of the fee breakdown for managed accounts is provided below.

Representative as Manager on Advisor Enterprise*

Platform Fee: Ranges from 0.18% - 0.02% with a minimum annual platform fee of \$60
Maximum Advisor Fee: 2.5%

**Ticket charges apply, however discounts are available if your advisor has \$25MM in total assets on the platform and has requested the discount.*

Representative as Manager on Horizon or Advisor Choice*

Platform Fee: \$0
Maximum Advisor Fee: 2.5%

**Ticket charges apply*

Third Party Strategists

Third Party Strategist fees on Advisor Enterprise vary by strategist and style:

Strategist fee by style:
Strategic: 0.55% - 0.20%
Dyanmic: 0.75% - 0.25%
Tactical: 1.15% - 0.38%

Custody fees vary based on manager style. Strategic and Dynamic fees range from \$0 - \$250 per account annually. Tactical custody ranges from 0.15% - 0.04% of the total strategist fee listed above with a \$250 annual minimum.

Advisor fee: when added to the strategist fees shall not exceed 2.5%

Separately Managed Account (SMA)*

SMA - Equities

Platform Fee: 1.05% - .70%
Advisor Fee: when added to the SMA fee shall not exceed 2.5%

SMA – Fixed Income

Platform Fee: 0.75% - 0.48%
Advisor Fee: when added to the SMA fee shall not exceed 2.5%

**custom SMA arrangements will typically fall out of the above quoted range*

Unified Managed Account (UMA)

Platform Fee: 1.05% - 0.91%

Advisor Fee: when added to the UMA fee shall not exceed 2.5%

SEI

Maximum Advisor Fee: 2.5%

No Platform Fee

AssetMark

Platform Fee: 0.05%

Average AssetMark Fee (as of 12/31/16): 0.5%

Advisor Fee: when added to the platform and AssetMark fee shall not exceed 2.5%

FEES FOR ADVISOR MANAGED ACCOUNTS

Our fees for Advisor Managed Accounts range from 0.05–2.5 percent and are determined by your Advisor based upon a variety of factors, such as the value of your assets under management, the nature of services we provide to you and whether you are using any third-party platform or program. The advisory fees we charge to your Advisor Managed Account may be more than the amount you would pay us to buy or sell securities separately on a commission basis in a non-managed account, and may exceed the advisory fees charged by other investment advisers for similar services.

Your Advisor Managed Account is also assessed any and all transaction or ticket charges (known as Transaction Charges) related to activity in your account. We will charge Transaction Charges in accordance with our current transaction fee schedule. We will provide this schedule to you at any time upon your request. Transaction Charges are customizable and negotiable. We reserve the right at our sole discretion to either waive or raise these fees at any time. We typically do not charge you any commissions for transactions in mutual funds. Certain mutual funds pay our affiliated broker-dealer various service fees, or 12b-1 distribution fees, and we credit an amount equal to those 12b-1 fees back to you.

Fees for Advisory Platforms

AdvisorEnterprise Platform

Our annual advisory fee for AdvisorEnterprise Advisor Managed Accounts ranges from 0.02–2.5 percent, and is based upon a variety of factors, such as, but not limited to, account size, account type (e.g., retirement) and types of investments in your account. All fees are negotiable, subject to the maximum amount set forth above. Regardless of what our Advisor charges you as an advisory fee, your Advisor Enterprise Advisor Managed Account is still subject to a minimum platform fee of \$60. Asset-based fees are typically paid quarterly in advance based

upon the fair market value of your assets on the last business day of the preceding quarter. We may waive or charge clients a lesser fee from time to time. Your AdvisorEnterprise Advisor Managed Account will also be assessed Transaction Charges related to activity in the account. Generally, the AdvisorEnterprise Platform requires a minimum account level of \$25,000 for new accounts, although we may waive the account minimum from time to time at our discretion.

Your Advisor generally receives compensation as a result of your participation in the AdvisorEnterprise platform. The amount of this compensation is generally more than what your Advisor would receive if you participated in our other platforms or programs or separately paid for investment advice, brokerage and other services. Your Advisor therefore has a financial incentive to recommend this platform over other programs or services we offer. An Advisor receives additional economic benefit as a result of business with us in the form of reduced charges for the platforms and services we make available to the Advisor for use with their clients, as well as additional compensation from Kestra AS in the form of an increased payout. The reduced charges and additional compensation is generally based on the aggregate amount of assets of the Advisor's clients that utilize platforms and services of us or our affiliates or other factors in our discretion. An Advisor therefore has a financial incentive to recommend the AdvisorEnterprise Program over other platforms or services we provide. This additional financial benefit is not be shared with you, which creates a conflict of interest based on incentive for an Advisor to utilize the AdvisorEnterprise Platform.

Horizon or AdvisorChoice Platform

Our annual advisory fee for Horizon or AdvisorChoice Managed Accounts ranges from 0.05–2.5 percent. Regardless of what our Advisor charges you as an advisory fee, your Horizon or AdvisorChoice Managed Account will still be subject to a minimum platform fee of 0.05 percent, which we charge your advisor. Asset-based fees for a Horizon or AdvisorChoice Managed Account are typically paid quarterly in advance based upon the average daily balance of your assets over the preceding quarter. Your Horizon or AdvisorChoice Managed Account will also be assessed Transaction Charges related to activity in the account as well as performance reporting fees. Your Advisor receives compensation as a result of your participation in the platform. The amount of this compensation may be more than what your Advisor would receive if you participated in our other programs or separately paid for investment advice, brokerage and other services. Your Advisor may therefore have a financial incentive to recommend this platform over other programs or services we offer.

Fees for Advisory Programs

SEI Program

You will pay an annualized fee for the SEI Program, which ranges from 0.2–2.5 percent. Our Advisor can negotiate the fee with you and SEI based upon a variety of factors, such as account size, account type (e.g., retirement) and types of investments within your account. The SEI Trust Company is responsible for providing you with statements, at least quarterly, showing all the assets and activity in your Advisory Managed Account with the SEI Program. These statements include any transactions and fees charged for the quarter. SEI Trust Company deducts fees from your account in accordance with your agreement with SEI and requirements of applicable law.

AssetMark Program

You will pay the fees in connection with an Advisor Managed Account with the AssetMark Program based upon the solution you and your Advisor choose as referenced below. The fees are dependent on factors such as account size and where you custody your account, and are negotiable based upon a variety of factors, such as, but not limited to, account size, account type (e.g., retirement) and types of investments in your account.

<u>Solution</u>	<u>Minimum</u>	<u>Maximum</u>
Mutual Fund Solutions	0.00%	2.50%
Managed Account Solutions	0.25%	2.50%

AssetMark is responsible for providing you with statements, at least quarterly, showing all the assets and activity in your Advisory Managed Account with the AssetMark Program. These statements will include any transactions and fees charged for the quarter. Your Advisor will deliver these statements to you. Your applicable custodian will deduct fees from your account in accordance with your agreement with AssetMark, your custodial agreement and requirements of applicable law.

With respect to the AssetMark Program, some of our Advisors are entitled to receive a quarterly and/or one-time reimbursement from AssetMark, Inc., pursuant to their Premier/Gold/Platinum Premier Consultant program for qualified marketing and/or business development expenses incurred by our Advisor. The amount of such reimbursement is based on the total assets invested at the end of each calendar quarter in the AssetMark Program, typically as follows:

Asset Level – Premier Consultant	1x Reimbursement evaluated quarterly
\$5MM within 12 months of first funding	\$2,000
\$5MM after 12 months of first funding	\$1,000
\$10MM within 12 months of first funding	\$3000
\$10MM after 12 months of first funding	\$1000

Asset Level – Gold and Platinum Premier Consultant	Quarterly Reimbursement
\$25MM	\$1,250
\$35MM	\$1,750
\$50MM	\$2,500
\$75MM	\$3,750

This additional financial benefit is not shared with you and could create an incentive for an Advisor to utilize the AssetMark Program. Kestra AS generally limits the reimbursement to \$5,000 per advisor per vendor regardless of whether the advisor qualifies for additional reimbursement funds above that amount.

FEES FOR FINANCIAL PLANNING AND FINANCIAL CONSULTING

Our Advisors charge fees for financial planning and financial consulting on an hourly basis, which generally ranges up to \$500 per hour, on a retainer basis, a percentage of assets or a negotiated flat fee basis. Hourly fees may be higher depending on your specific circumstances. A flat fee charge may result in a total fee that is, on a percentage basis, greater than our typical maximum asset-based fee of 2.5 percent. Our affiliated broker-dealer, Kestra IS and your Advisor may also receive compensation from the sale of a certain security or investment products recommended. You may purchase any recommended security or investment product from a broker-dealer that is not affiliated with us or our Advisor. In other engagements, the compensation received may be based upon a combination of such commissions and advisory fees. Your Advisor may act as an asset manager for your portfolio and receive advisory fees or or may act as a broker and purchase securities for you at a commission. We make available third parties for our Advisors to utilize in providing you the services described above, and such third parties may compensate us for training, marketing efforts, staffing and ongoing education of Advisors related to such third parties. You can learn more about the vendors participating in such arrangements by visiting our website <http://bit.ly/KestraFinancialCompanyInfo>.

OTHER INFORMATION ON FEES AND COMPENSATION

You may pay advisory fees to us by check, wire or by authorizing the deduction of fees from an account with us. If you authorize us to deduct fees from your account, you are responsible for fees, charges and other costs associated with the fee deduction, as well any tax impact associated with the deduction. When fees are deducted from accounts, the Advisor or account custodian will send you information reflecting the amount of fees deducted and the asset value upon which the fee is calculated. You will receive a statement at least quarterly from your account custodian, showing all amounts disbursed from your account, including the advisory fees paid to us. In the event that we bill you directly for our fees, payment is due upon receipt of our invoice.

Our Advisors offer a wide variety of securities products and services since we are affiliated with a broker-dealer and insurance agency. As a general matter, Advisors are free to choose the products and services they make available to clients subject to applicable rules of suitability, appropriate licensing, and our policies and procedures. Some Advisors may not consider or be able to offer all of the products and services available through our company or our affiliates. In addition, the commissions, fees and other forms of compensation paid in connection with the purchase or sale of products and services vary. Accordingly, Advisors have a conflict of interest to the extent they recommend products or services that pay more compensation than other similar products or services available through us or our affiliates. Our Advisors may also provide advice on corporate or health benefits for clients and receive fees in addition to advisory fees, as allowed by applicable law. The Advisor recommending an advisory service to you receives compensation from us pursuant to an independent contractor agreement and not as an employee.

Although we are affiliated with an insurance agency, we typically do not sell fixed or general account life insurance products or annuities other than certain equity index annuities. Some of our Advisors, in their individual capacities as insurance agents may recommend you purchase

fixed or general account insurance products or annuities on a commission basis. As a general matter, we do not oversee and are not responsible for these insurance sales.

In their capacity as a registered representative of our affiliated broker-dealer, our advisors generally recommend various third-party investment vehicles that are subject to initial and ongoing expenses and fees, such as sales loads, servicing fees and management fees. Examples of these collective investments and financial products are mutual funds, variable insurance products, real estate investment trusts (known as REITs) partnerships that invest in securities or other partnerships and hedge funds. The initial and ongoing expenses and fees of these investment vehicles are disclosed in the applicable offering document of the investment and are payable by you in addition to any fee we and our Advisors charge. If you purchased investments through another firm and transfer them to an account with us, you generally pay ongoing fees and expenses to the investment product sponsor, or its affiliates, in addition to the fees we charge. For example, if you purchase mutual funds through another company and subsequently transfer those mutual funds to an advisory account with us, you will typically pay ongoing fees and expenses to the mutual fund company in addition to the fees we charge. Because advisory accounts are typically subject to ongoing advisory fees, the cost of owning an illiquid asset in an advisory account may be higher than if the asset were purchased on a commission basis (either directly from the product sponsor or through a retail brokerage account) and held in a non-advisory account. Please discuss with your advisor the options available to purchase and hold these or other products.

Subject to the capabilities of the account custodian, you may direct certain investments to be held within your account that are not to be included in the management of your portfolio. If you identify such assets in advance, we will not manage those assets or include them for purposes of calculating your advisory fee; however, you still may be subject to applicable platform or program fees on such assets. In addition, we may choose not to manage or charge advisory fees on assets held in an advisory account that we determine are not suitable for management by Kestra AS based on the nature or liquidity of the asset.

Performance-based Fees and Compensation

We and our Advisors do not charge performance-based fees.

Types of Clients

Our clients include individuals, pension and profit-sharing plans, corporations and other business organizations, trusts, estates and charitable organizations. We generally require a minimum account value of \$25,000 for new accounts, although we may waive the account minimum from time to time at our discretion. Certain Advisory Platforms and Advisory Programs have minimum account sizes as described above in the Advisory Business section. We also provide investment advice and services to Retirement Plans, which we describe in our Retirement Plan Client Brochure.

Methods of Analysis, Investment Strategies and Risk of Loss

We analyze investment programs and products of third-party managers by reviewing the background of persons associated with the manager, the manager's investment process, investment philosophy, methodology used within the program, and disclosure documents related to the program. Advisors at times perform their own research on various securities and or programs through third-party resources available to the public, and such analysis methods may include charting, fundamental analysis, technical analysis and cyclical analysis. Sources of information we and our Advisors use include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission and company press releases. Performance reports may use a Modified Dietz, Money Weighted Rate of Return or Internal Rate of Return for calculations. It is also possible that systems may change, which would change the methodology used to calculate performance to a Time Weighted Rate of Return.

While we do not have a firm-wide investment strategy, many of our Advisors recommend various forms of strategic asset allocation. An investment strategy is based upon objectives you define in consultation with your Advisor. You may change these objectives at any time. Other strategies an Advisor may use include long-term buy and hold, short-term purchases, trading, short sales, margin transactions and option writing (including covered options, uncovered options or spreading strategies).

A margin transaction occurs when you use borrowed assets to purchase financial instruments or make additional investments. You generally use other securities you own in an account as collateral to obtain the sum needed for the borrowed assets. Because of the effect of borrowing, you magnify any gains or losses from the security you purchased on margin.

Please note: If you choose to authorize Kestra AS to use margin in your account, our fees could increase as the market value of your investment portfolio increases. Our offer to provide margin as a strategy creates a conflict of interest since we stand to receive an increased fee should you choose to employ this strategy margin. We are also credited 50% of the interest assessed on margin accounts by National Financial to offset other expenses we incur through our custodial arrangement. This creates a conflict of interest as we receive additional compensation beyond the advisory fees we collect on accounts custodied at National Financial, which creates an incentive to place business with that custodian.

Any investment or investment strategy involves some risk of loss you should be prepared to bear. Examples of risk you could face are:

- *Interest rate Risk:* Fluctuations in interest rates generally cause investment values to fluctuate. For example, market values of bonds typically decline when interest rates rise, because the rising rate makes the existing bond yields less attractive.
- *Market Risk:* External factors independent of a security's particular underlying circumstances may impact its value. The value of a security, bond or mutual fund may

drop in reaction to tangible and intangible events and conditions, such as a political or social event or an economic condition.

- *Inflation Risk*: Inflation means a dollar today buys more than a dollar next year. When inflation is present, your purchasing power typically decreases at the rate of inflation.
- *Currency Risk*: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Also known as exchange rate risk, these risks may be present in international mutual funds for example. We typically do not recommend purchases of overseas investments.
- *Reinvestment Risk*: The risk that future proceeds from investments may be reinvested at a potentially lower rate of return is reinvestment risk. This risk primarily relates to fixed income securities.
- *Business Risk*: Risks associated with a particular industry or a specific company may impact the value of investments. For example, oil-drilling companies typically have more business risk than electric companies since they depend on finding oil and then refining it efficiently before they generate a profit. An electric company generates income from customers who buy electricity regardless of economic conditions.
- *Liquidity Risk*: Liquidity means the ability to readily convert an investment into cash. Assets with many purchasers are generally more liquid. For example, Treasury Bills are highly liquid, while real estate properties are less so.
- *Financial Risk*: A company with excessive borrowing or that takes significant business risks to generate profit is typically at a greater risk of financial difficulty or failure.

Disciplinary History

On July 19, 2016, Kestra AS agreed to pay \$100,000 to the Commonwealth of Massachusetts for failing to register its investment adviser representatives who had a place of business in Massachusetts and ensure that its representatives were properly registered with the Commonwealth prior to providing investment advisory services.

Our affiliated broker-dealer periodically has been subject to administrative sanctions by state and self-regulatory agencies. A summary of the events is provided below for your reference. Additional detail regarding these matters and Kestra Investment Services, LLC (formerly known as NFP Advisor Services, LLC and NFP Securities, Inc. and collectively referred to as Kestra IS) is available through FINRA's Broker/Check system.

On May 19, 2017, Kestra IS entered into a voluntary settlement agreement with the State of North Carolina and agreed to pay a penalty of \$250 in connection with the failure to timely report a regulatory action.

On November 2, 2016, our affiliated broker-dealer, Kestra IS, agreed to pay an administrative sanction to FINRA in connection with the broker-dealer's supervision of sales of multi-share class variable annuities and the publication of consolidated statements.

On July 16, 2015, Kestra IS agreed to pay FINRA a fine of \$500,000 in connection with the supervision of private securities transactions of registered representatives registered with third party registered investment advisers, preservation of securities-related email, approving and

preserving certain advertising materials, and updating Form U4 for certain representatives in a timely fashion.

On June 20, 2012, Kestra IS agreed to pay FINRA a fine of \$43,121.39 in connection with markups on several corporate bond transactions.

Pursuant to an arbitration award on Nov. 30, 2011, Kestra IS paid \$1,308,752.45 to a client in connection with the client's 2006 purchase of insurance and a separate investment opportunity and the rebalancing of the client's investment portfolio.

On April 6, 2011, Kestra IS agreed to pay FINRA a fine of \$50,000 in connection with advertising and sales literature published by an Advisor.

On July 15, 2009, Kestra IS agreed to pay FINRA a fine of \$7,500 related to the purchase and sale of municipal securities.

On Oct. 5, 2007, Kestra IS agreed to pay FINRA a fine of \$12,000 in connection with the timely reporting of termination notices of registered representatives and other reports regarding certain events related to broker-dealer activities.

On July 14, 2006, Kestra IS agreed to pay FINRA a fine of \$7,500 in connection with the maintenance of books and records in accordance with SEC and FINRA rules.

On March 22, 2004, Kestra IS agreed to pay the NASD (the predecessor to FINRA), a fine of \$25,000 in connection with statements made in advertising and sales literature published by an Advisor.

On April 27, 2000, Kestra IS paid the State of Florida Division of Securities a fine of \$10,000 in connection with the timely registration of a branch location in Florida.

Other Financial Industry Activities or Affiliations

Kestra IS and Kestra AS are subsidiaries of Kestra Financial, Inc. Kestra IS introduces accounts on a fully disclosed basis to National Financial Services (NFS) or other custodian/clearing firms we or you engage from time to time. NFS provides clearing services for Kestra IS and its customers, and we may receive execution price discounts and other compensation from these companies. Generally, if your Advisor has \$25 million or more in assets under management on the Advisor Enterprise platform, and the advisor requests a discount, you will receive discounted execution prices. This discount is not available to all of our clients as it's contingent on total assets under management an Advisor has on the NFS platform. In addition, pursuant to our clearing agreement with NFS, NFS may remit shareholding servicing fees for money market mutual funds affiliated with or specified by NFS in amounts set forth in the prospectus or other offering document for such funds. The FDIC bank deposit sweep program is the default option for cash contributed to non-entity (individual) accounts and we receive more from NFS for assets held in that sweep program than we do for assets placed into a money market fund. You may designate a money market default option in lieu of the bank deposit sweep program at any

time. Entities are not eligible to participate in the bank deposit sweep program. Kestra IS or your Advisor generally receives compensation, in addition to the advisory fees you pay, when portfolio transactions are effected on behalf of investment advisory clients through our affiliate broker-dealer. We generally receive compensation as a result of acting in one or both capacities. We and your Advisor typically receive securities commissions or fees from third parties if you purchase investment products through us. The potential for such payments generally creates a conflict of interest to the extent we recommend products for which we receive additional compensation. Kestra IS is also an introducing broker-dealer to the National Futures Association, which may have the potential to create a conflict of interest due to the increased revenue that could be realized by our affiliated broker-dealer if a recommendation to transact futures business was executed by Kestra IS.

There are significant differences between brokerage and advisory services, which are governed by different regulations, offer different compensation structures, and place different obligations on your advisor. The services provided for brokerage and advisory also differ, and one arrangement may provide a lower overall cost than the other. Compensation for brokerage accounts is typically commission-based, although your Advisor may also collect certain fees, such as 12b-1 fees. Compensation for advisory services is typically fee-based: either a flat fee or one based on a percentage of assets under management. In some instances, commissions might be the only compensation available. Your Advisor will either offset the fees assessed by the commissions received or will not assess a fee for those assets for a period of time.

A client may, but is not obligated to, engage certain of our Advisors, in their individual capacities as registered representatives of Kestra IS, our affiliated broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Kestra IS, the broker-dealer will charge brokerage commissions to effect securities transactions, a portion of which commissions will be paid to Kestra AS's Advisors. The brokerage commissions charged by Kestra IS may be higher or lower than those charged by other broker-dealers. In addition, Kestra IS, generally receives ongoing 12b-1 trailing commission compensation relating to mutual fund purchases made for a client account, directly from the mutual fund company, during the period that the client maintains the mutual fund investment. Advisory accounts are credited back an amount equal to the 12b-1 fee.

Kestra Financial, Inc. owns other investment advisers, insurance agencies and other service providers (Kestra Affiliates). From time to time, we may recommend that you purchase or sell products and services of or through Kestra Affiliates, and these Kestra Affiliates, as well as our firm, generally receives compensation as a result. Such a recommendation would be deemed to create a conflict of interest since it would result in increased compensation to a Kestra Affiliate, our firm and your Advisor. By way of example, we are affiliated with various insurance agencies and brokers through which you may purchase or sell insurance. Advisors may also be licensed insurance agents or assist you to buy or sell your insurance policy. Your Advisor may recommend that you purchase or sell insurance through an affiliated insurance agency or broker, and that affiliate would receive compensation in connection with the transaction. Whether or not the services of an affiliate are utilized, your Advisor generally receives compensation from your purchase or sale of insurance in addition to any advisory fees you pay him or her. Our affiliation with such insurance agencies and brokers, and the additional compensation an Advisor generally receives irrespective of our affiliation, creates a conflict of interest to the extent our affiliates or Advisors receive compensation in addition to the advisory fees you pay us.

As a general matter, we do not oversee and are not responsible for overseeing the sale of fixed or general account insurance products or annuities sold on a commission basis by an Advisor in their individual agent capacity. The recommendation to purchase a commission product presents a conflict of interest since the receipt of commissions provides an incentive to recommend insurance products based on commissions to be received, rather than your particular needs. You are under no obligation to purchase any commission products from our Advisors.

Kestra AS is 100% owned by Kestra Financial, Inc., which is indirectly controlled by Trident VI Parallel Fund, L.P. and Trident VI, L.P. (together, the "Trident VI Funds"). Stone Point Capital LLC, a registered investment adviser, is the investment manager of the Trident VI Funds. Stone Point Capital LLC manages private equity funds (including the Trident VI Funds) that invest in companies operating in the financial services industry. One such company, SumRidge Partners, LLC ("SumRidge"), is a broker-dealer in which certain private equity funds managed by Stone Point Capital LLC (but not the Trident VI Funds) have a minority economic interest. In accordance with the procedures described below under "Brokerage Practices," Kestra AS periodically directs client trades to SumRidge. Notwithstanding the above, Kestra AS's management believes that none of the indirect relationships that Kestra AS may have with any such companies, including SumRidge, through common control or its indirect relationship with Stone Point Capital LLC are material to the business of Kestra AS or cause a conflict of interest with Kestra AS's activities on behalf of its clients. Kestra AS advisors may not act with discretion in advisory accounts where fixed income transactions utilizing SumRidge will take place.

Also, our Advisors, in their capacity as registered representatives of Kestra IS, have the ability to offer various investment products to advisory clients. Such products include hedge funds, limited partnerships and privately offered securities. Generally, you must meet certain financial, experience or risk tolerance requirements before you may invest in such products through us. Additional examples of our relationship with other Kestra companies include our ability to recommend the products or services of our affiliates, Trinity Financial Services and the insurance services available through Kestra IS (d/b/a KISL Insurance in California). Trinity Financial Services is an affiliated third party administrator made available to advisors for recommendation to plan sponsors. The recommendation of Trinity Financial Services creates a conflict of interest since our affiliate could receive increased compensation. Kestra IS is an insurance brokerage entity through which our Advisors may sell insurance products. Advisors recommending that you purchase insurance generally utilize the services of Kestra IS, and we and your Advisor then directly or indirectly receive compensation in addition to advisory fees you pay. The use of Kestra IS to purchase insurance creates a conflict of interest since we, your Advisor and our affiliate generally receive compensation in addition to advisory fees you pay.

Some of our Advisors are registered with or affiliated with an investment adviser other than our firm. You should read the brochure and any other materials provided by these other investment advisers for information regarding their services and fees if you engage them to provide you with advisory services.

Some of our Advisors participate in incentive trips and receive other forms of non-cash compensation based on the amount of their sales through Kestra IS, non-affiliated marketing groups, or product manufacturers. To the extent your Advisor participates in an incentive trip or receives other forms of non-cash compensation, a conflict of interest exists in connection with the Advisor's recommendation of products and services for which they receive these additional

economic benefits. Kestra IS allows representatives to receive marketing reimbursements from product providers to help defray these expenses. There is no requirement or expectation that representatives refer clients to or place assets with such providers.

A number of our Advisors own their own companies or engage in other outside businesses that are not affiliated with our company (each an Outside Business), including but not limited to certain insurance agencies as discussed above. Kestra AS does not provide investment advisory services through these Outside Businesses, does not supervise these businesses and is not responsible for any product or service purchased through these businesses. To the extent you purchase a product or service through an Outside Business, the Advisor or his or her Outside Business will receive compensation in addition to any amount you pay Kestra AS for investment advisory services. Since we do not own or control these Outside Businesses, you should discuss any compensation or other arrangements regarding an Outside Business with your Advisor.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We maintain a written code of ethics in accordance with the Advisers Act that is intended to create an ethical culture for our firm. Our code of ethics requires our personnel and Advisors to treat sensitive information confidentially, not misuse material non-public information about client transactions, report violations of the code and comply with federal securities laws. The code of ethics also requires certain personnel and Advisors to report their personal securities holdings. We will provide a copy of our code of ethics upon request.

Our 401(k) plan, or other retirement plan accounts that our Advisors may have an interest in, could invest in funds and investments that you may also invest in or that we recommended you buy or sell. Our personnel and Advisors may invest for their own account in interests in investment partnerships, venture capital vehicles, and hedge funds and other commingled products or individual investment accounts managed by other advisers we have recommended to you as well. These entities and managers may also separately buy or sell investments that you buy or sell for your own account or that we have recommended to you. Generally, our Advisors and personnel have no ability to influence or control these entities' transactions in securities. If such influence or control did exist, our personnel and Advisors would be subject to policies on employee trading described in our code of ethics and compliance manual to address this conflict of interest.

Our employees and Advisors may invest for their own accounts in securities which may also be recommended, purchased or sold for you as our advisory client. Our code of ethics requires Advisors to place the interests of clients before their own interests. Our compliance department reviews personnel and Advisor trades each quarter in an effort to ensure that their personal trading does not impact trades for clients and that our clients receive preferential treatment. Personal trades which consist of mutual funds or exchange-traded funds will typically not have an impact on client trading or securities markets.

Brokerage Practices

Our Advisors will oversee and direct the investments of your accounts subject to any limitations you may impose on us in writing. We have an obligation to seek to obtain best execution for transactions in your account. To the extent you have imposed a limitation on brokerage selection, or have directed us or the Advisor to utilize a certain broker-dealer, we will not have the ability to negotiate commissions among various brokers or to obtain volume discounts. We also may not achieve best execution, and you may pay higher commissions and transaction cost and receive less favorable net prices than other clients as a result.

Kestra IS generally executes transactions for you as an advisory client. We and our affiliates generally receive compensation as a result of acting as an investment advisor, a broker-dealer or both, in addition to the advisory fees charged to your account, when we execute portfolio transactions for you. We conduct these transactions in accordance with applicable rules and regulations and in a manner designed to treat you and other clients fairly and equitably over time. Our policies and procedures require us to provide appropriate disclosures to you, such as compensation received by us and/or our registered representatives for these transactions. Such transactions include their acting as a selling agent on a best efforts basis for new issues of fixed income securities that you have purchased in your account. In this regard, we rely upon our relationship with two third-party broker-dealers named Advisors Asset Management, Inc. (AAM) and SumRidge to complete transactions in fixed income securities. We or our affiliates generally receive both normal and customary transaction-related compensation as a selling agent of fixed income securities, as well as advisory fees on the fixed income security in your advisory account. Through Kestra IS's relationship with AAM and SumRidge, Kestra IS also receives a percentage of the concessions AAM and SumRidge charge on fixed income security orders they execute for our affiliate. This arrangement creates a conflict of interest since it results in increased compensation to our affiliate.

To the extent an Advisor has waived any commission from the sale of a security or investment product, a third party may still provide additional compensation to us. This third-party compensation creates a conflict of interest since it could result in increased compensation for us or our affiliates.

We will allocate partially completed trades either in a pro-rata, a random fill or other method designed to treat you and all our clients fairly and equitably over time. The commissions we charge may be higher or lower than those charged by other broker-dealers. We correct trade errors arising from transactions in your account at our expense; however, we reserve the right to retain any gains that may arise from correcting such errors.

Agency cross transactions take place when we cause a security to be transferred from one account to another. Agency cross transactions are not permitted in Advisory Accounts. Also, we do not direct client securities transactions to obtain research benefits or other benefits, otherwise known as "soft dollars."

We and our Advisors may, but need not, aggregate or "bunch" orders for your account. Where we believe aggregation is appropriate and practicable or that it will result in a more favorable

overall execution for you, we will allocate such bunched orders at the average price of the aggregated order. You will still pay the same ticket charges on any bunched or aggregated orders. Our Advisors cannot include personal trades with aggregated or bunched orders for your accounts. Aggregation does not benefit client trades in mutual funds or exchange-traded funds, and therefore we do not aggregate trades of these securities.

By choosing an Advisor Managed Account on one of our Advisory Platforms, the AdvisorEnterprise Platform, Kestra Institutional Services Platform, the Horizon Platform or the AdvisorChoice Platform, you direct us and your Advisor to use a certain broker for trades in your account, typically the custodian associated with the Advisory Platform. Not all advisers require clients to direct brokerage. By directing brokerage, we will not have authority to negotiate commissions among various brokers or to obtain volume discounts, and the lowest transaction cost may not be achieved. You may pay higher commissions or transaction costs and receive less favorable net prices than other clients. For trades in fixed income securities in your Advisor Managed Account, we may retain trading authority and remain obligated to obtain best execution of such trades in your account. In these circumstances, we will often use AAM and SumRidge to assist us in trading fixed income securities.

We may effect transactions for your account through broker-dealers that refer us advisory business. The use of such broker-dealers for trades in your account creates a conflict of interest since we have an incentive to increase referrals to our company. Through our relationship with AAM and SumRidge, we also receive a percentage of the concessions AAM and SumRidge charge on fixed income security orders executed by AAM and SumRidge on behalf of our firm. The use of AAM and SumRidge on trades for your account creates a conflict of interest since we have an incentive to increase compensation to our affiliated broker-dealer. Commissions and fees may be higher or lower than those that may be charged by other broker-dealers. Investment advisers must act in the best interest of their clients, including the selection of the appropriate share classes as well as disclosing fees associated with the recommended share classes. A single mutual fund may offer more than one "class" of its shares to investors and you should discuss with your Advisor what share classes might be appropriate for you depending on your investment objectives and time horizon among other things. Each class represents a similar interest in the mutual fund's portfolio. The principal difference between the classes is that the mutual fund will charge different fees and expenses depending upon the class that is chosen as well as the size of the investment(s). The three most common mutual fund share classes available in brokerage accounts are A, B and C shares, but a mutual fund may have other share classes as described in its prospectus.

While a general discussion of the costs and expense structure of these share classes is provided below, it is worth noting that brokerage accounts with advisory agreements in place (i.e. an advisory account) can not accommodate the purchase of B or C shares, and A shares must have the sales loads waived. In addition, an amount equal to the 12b-1 fee paid to Kestra IS (if any) is credited back to accounts covered by a Kestra AS advisory agreement, putting the cost structure associated with the holding of A shares more closely in line with that of the institutional share class, which tends to have lower costs than loaded A shares, or B and C shares. Even within a share class, expenses will vary by fund and by fund company. Please be sure to review the prospectus for a complete disclosure of the costs and expenses associated with that fund.

A Shares typically charge a front-end sales charge. When buying Class A shares with a front-end sales charge, a portion of the dollars invested are deducted from the total value of the invested portion as a sales charge. Class A shares typically impose an asset-based sales charge, but it generally is lower than the asset-based sales charges associated with other mutual fund share classes. A mutual fund may offer discounts, called “breakpoints”, on the front-end sales charge if you, or in some cases your household or accounts (related type accounts) make large purchases, already hold other mutual funds offered by the same family or commit to regularly purchase or reach a certain dollar amount in the mutual fund or family of mutual funds.

B Shares typically do not charge a front-end sales charge, but the purchase may be subject to higher asset-based sales charges than those of an A share. The higher sales charges associated with Class B shares could negatively impact investment returns. Also, Class B shares normally are subject to a contingent deferred sales charge (“CDSC”) that you pay when selling the shares prior to the end of a specified holding period (see the mutual fund prospectus for specific holding periods). The CDSC normally declines and eventually is eliminated after the share are held throughout the specified holding period. Once the CDSC is eliminated, B shares typically “convert” into a A share at which time they will be subject to the same asset-based sales charges as the class A shares.

C Shares usually do not impose a front-end sales charge on the purchase and therefore the dollar amount initially paid for the C Share is immediately invested. Class C shares are generally subject to a charge if sold within a short time of the purchase, usually one year. Class C shares are typically subject to higher asset-based sales charges than Class A or B shares, and since such shares generally do not convert to a class A share, after a specified holding period, the asset-based sales charge on such shares will not be reduced over time. Class C shares are often used for asset-allocation purposes. Class C shares are not subject to a sales charge at the time of purchase, but generally are subject to a CDSC or other redemption fees. Additionally, in most cases the expense ratio is higher than Class A shares, and even Class B shares, if held for a lengthy period of time.

Review of Accounts

Our Advisors will contact you, and typically meet with you at least annually, to review the performance of your account and any changes to your financial situation and investment goals and objectives. In addition, our Advisors typically review the quarterly performance report received from your account custodian. Advisors may also perform account reviews more frequently when market conditions dictate. Other conditions that may trigger a review are changes in tax laws, new investment information and changes in your own situation. We also require you, in our standard client agreement, to inform your Advisor promptly of any changes to your information, including changes to your financial situation or investment objectives and policies. You will receive confirmations of all transactions, monthly statements and/or quarterly performance reports from the designated custodian. Our Advisors and our home office personnel are typically available during normal business hours to answer questions or concerns you may have.

Client Referrals and Other Compensation

We generally compensate affiliated and unaffiliated third parties called “solicitors” to refer to us clients and prospects they believe would benefit from our investment advisory services. Any such arrangements with an unaffiliated third party will be designed to comply with the Advisers Act, which requires, among other things, that you receive this brochure, we execute an agreement with the solicitor, and that you receive a compensation disclosure statement detailing the amount we will pay the solicitor that referred you.

We may also enter into arrangements wherein we and our Advisors refer you to affiliated and unaffiliated investment advisers that will provide advisory services to you. When we make such a referral, we and our Advisor will typically receive a portion of the total fee the investment adviser charges you for so long as they provide you services. Any such arrangements will be designed to comply with the Advisers Act.

We or our affiliated broker-dealer receive securities service fees, 12b-1 fees and other third-party payments if you implement our recommendations through our affiliated broker-dealer. A portion of such compensation may be paid to your Advisor. Relative to your mutual fund purchases, for the period in which you maintain an investment with the mutual fund, our affiliated broker-dealer and your Advisor may receive ongoing 12b-1 fees directly from the mutual fund company or ongoing fees from the adviser, underwriter or distributor of the mutual fund company. Mutual funds with 12b-1 fees are generally more expensive than those funds without it. There is a conflict of interest when we recommend these products or services since they could result in increased compensation to us or our affiliated broker-dealer and our Advisors. To mitigate this conflict of interest, we credit an amount equal to the 12b-1 fees collected in connection with your advisory assets back to you.

Our affiliated broker-dealer also acts as a selling agent on a best efforts basis in their capacity as a broker-dealer for new issues of fixed income securities, which our Advisor may purchase for your account. In such transactions, our affiliate generally receives both normal and customary transaction-related compensation as a selling agent for the new issue fixed income security and we will receive advisory fees on the fixed income security in your advisory account. Kestra IS has entered into an agreement with AAM and SumRidge to assist us in executing fixed income transactions. These relationships pay Kestra IS compensation for order flow based upon the total amount of fixed income securities executed through AAM and SumRidge. The amount of compensation is a percentage of the concession charged by AAM or SumRidge for executing fixed income transactions. Kestra IS receives up to 25 percent of the concession charged by AAM or SumRidge for all our clients advisory and brokerage transactions. The use of AAM and SumRidge to place trades in advisory client accounts creates a conflict of interest since we have an incentive to utilize their services and increase compensation to our affiliates.

If your Advisor is also a registered representative of our affiliated broker-dealer, Kestra IS, or another broker-dealer, your Advisor may receive, or may have already received, compensation in connection with products or services purchased for you in addition to any advisory fees you pay us. Similarly, many of our Advisors are independent insurance agents that sell insurance through our Kestra Affiliates. As such, the Advisors and Kestra Affiliates may receive compensation in connection with your purchase of securities or insurance in addition to any

advisory fees you pay us. These relationships create a conflict of interest as they result in increased compensation to us, your Advisor or Kestra Affiliates.

We or our affiliated broker-dealer make available hundreds of different mutual fund and variable insurance products to our representatives and customers. We also make available many retirement vehicles such as 401(k) and group variable annuity products, as well as alternative investment products such as limited partnerships, real estate investment trusts, and hedge fund products. Our Advisors are free to choose what products they sell to customers from among these many products. Because of the numerous investment and insurance alternatives available, we and our affiliates focus on the sale of products of a select number of providers ("Select Providers"). Select Providers are given increased access to our Advisors for the purpose of providing marketing, education and product support.

We or our affiliated broker-dealer receive both financial and non-financial support from certain mutual fund, insurance and other companies or their affiliates based upon the sale of such companies' products. We or our affiliate receive more compensation for the sale of products of Select Providers than for the products of other providers we sell and thus have a financial incentive to sell the products of Select Providers. The amounts and forms of compensation we or our affiliate receive from Select Providers vary based on a number of factors including level of past sales, prospective future sales and the types of service and access to distribution we provide. We or our affiliate receive one or more of the forms of compensation described below in connection with our arrangements with each Select Provider. These payments are made from the resources of the investment adviser or distributor (or one of their affiliates) in the case of mutual fund Select Providers, and from the resources of the insurance company (or its affiliate) in the case of variable annuities, group annuities, and variable life products. These payments are in addition to the sales charges, service fees, redemption fees, deferred sales charges and other fees and charges described in the prospectus fee tables or offering documents of the various products.

The select provider payments listed below are as of the date of this filing and change from time to time:

Mutual Funds

Select Providers of mutual funds pay us or our affiliate either an amount of up to 0.20% of new sales of products attributable to us or fixed fees of up to \$290,000 annually to support and participate in various conferences and seminars conducted by us and our affiliates.

Variable Annuities

Select Providers of variable annuities pay us or our affiliate an amount of up to 0.25% of the amount of our new sales of their products quarterly. Such providers may also pay us or our affiliate fixed fees of up to \$50,000 annually to support and participate in various conferences and seminars conducted by us and our affiliates.

Equity and Fixed Indexed Annuities

Select providers of equity and fixed indexed annuities pay us or our affiliate an amount of up to 1.0% based on gross new sales volume. Such providers may also pay us or our affiliate fixed fees of up to \$50,000 annually to support and participate in various conferences and seminars conducted by us and our affiliates

Retirement Products

Select Providers of 401(k), group variable annuity and other retirement products pay fixed fees for the benefit of Kestra AS or its affiliates up to \$3,400,000 annually to support and participate in conferences and seminars.

Alternative Investments

Select Providers of alternative investment products, including limited partnership, real estate investment trust (REIT), and hedge fund products, pay us or our affiliate an amount of up to 1.50% of new investments in such products. In addition, such providers pay us or our affiliate fixed fees of up to \$45,000 annually to support and participate in conferences and seminars. Select Providers of alternative investment products also pay us or our affiliates an initial fee of up to \$5,000 and an annual fee of up to \$1,500 to support the due diligence efforts of Kestra IS and its affiliates related to such products and providers.

Variable Life Insurance

Select Providers of variable life insurance products may pay Kestra IS or our affiliated insurance agencies wholesale overrides in an amount of up to approximately 45% of first year target premium and an amount of up to approximately 4% of any renewal premiums. Select Providers of variable life products also pay us or our affiliate up to \$45,000 annually to support various workshops and meetings, to support development of account management tools and other technology and to support our due diligence efforts. In the case of variable life insurance products, Select Providers provide a variety of policy and underwriting support services to Kestra IS, our affiliate and our Advisors. Kestra IS may pay our Advisors a higher percentage of compensation for sales of Select Provider variable life insurance products than for other such products we sell.

Additional information regarding the companies and amounts and types of compensation we receive is available on our website at <http://bit.ly/KestraFinancialCompanyInfo>. If you do not have access to our website, you may contact your Advisor or our home offices for additional information. These relationships create a conflict of interest as they result in increased compensation to us, your Advisor or our affiliates.

Generally, you may purchase alternative investments on a commission basis through your advisor in their capacity as a registered representative of Kestra IS or purchase such investments at net asset value (NAV) in an advisory account, in which case your Advisor will charge an ongoing advisory fee as a percentage of the investment's value. There are different costs associated with purchasing these investments by commission or at NAV. You and your Advisor must evaluate and determine which option is most appropriate based on the services being provided and how long you anticipate holding the investment, among other factors. If you choose to purchase an alternative investment on a commission basis, we will not charge an advisory fee on the value of that investment. Note that you will likely pay more in advisory fees versus up-front commissions over the typical holding period of these investments.

Illiquid alternative investments subject to fee billing in advisory accounts are required by Kestra Advisory Services to be valued at NAV. This valuation serves as the basis for fee calculations for advisory accounts where fees are assessed based on assets under management (AUM). NAV for illiquid alternative investments may be calculated as often as quarterly but no less frequently than annually. In the case where an alternative investment is valued annually, the underlying value of the asset may fluctuate, but the NAV will continue to serve as the basis

for the AUM calculation. This could result in you experiencing higher or lower fees than if the NAV were calculated more frequently.

We sponsor a Free Ticket Program in which we provide clients the opportunity to place trades for select mutual funds and ETFs at no cost to the Advisor or client. We are able to provide the Free Ticket Program because certain fund families have agreed to pay and reimburse us for trading costs associated with their funds. These Free Ticket Funds are exclusive to Kestra AS Advisors, and can be purchased and exchanged at NFS without trading fees to the Advisors and their clients. However, there are trading fees on the sale of these same funds. Some participants of the Free Ticket Program may also be Select Providers. While there are no transaction costs associated with the purchase or exchange of these mutual funds and ETFs, they may not provide the lowest overall costs over time when compared to mutual funds or ETFs with transaction fees. This relationship creates a conflict of interest as it results in increased compensation to us, your Advisor or our affiliates.

We generally charge a non-refundable due diligence fee to third-party managers or product sponsors considered for inclusion in our investment platforms available to Advisors. Paying such fee does not guarantee acceptance on any of our platforms or access to our Advisors. We do not share these fees with our Advisors. Initial fees charged may be up to \$5,000, depending on the complexity of the manager and the resources we need to perform the due diligence. Thereafter, the due diligence fee is typically \$1,500 annually, but may be more or less than this amount based upon the third-party manager and the nature of its services. We may waive these fees from time to time.

We have entered, through our affiliate broker-dealer, into a custodial support services agreement with National Financial and Fidelity Brokerage Services, LLC in connection with our participation in their Fidelity Registered Investment Advisor Group (FRIAG) platform. We provide back-office, administrative, custodial support and clerical services in connection with your accounts on the FRIAG platform. For these services, we receive an amount up to 0.28 percent based upon our client assets on the FRIAG Platform. We may receive compensation from our custodians to offset the cost of transitioning assets.

Kestra IS has entered into a Securities Backed Lending (SBLOC) program with Bancorp and Banc of California. This program allows clients to collateralize their securities in order to obtain a line of credit. In consideration of the marketing of the products by Kestra IS to its clients, Bancorp and Banc of California pay Kestra IS quarterly revenue sharing payments based on the average daily outstanding loan balance (total loan amount) of the SBLOC. Additional details are available regarding this calculation upon request.

If we utilize the services of other broker-dealers and custodians to execute or assist us in filling customer trade orders, we generally receive compensation from such broker-dealers in connection with the trades. In addition, we may receive execution price discounts and other compensation from these custodians and broker-dealers.

In order to help cover or defray the costs of transitioning from another investment adviser to Kestra AS, our advisors generally receive various forms and amounts of transition assistance. Such transition assistance may include a promissory note loan, rent, technology services and equipment, legal expenses, administrative support, termination fees associated with moving accounts and regulatory services, payments based on production, reimbursement of fees, free

or reduced-cost marketing material, attendance to conferences and events, and access to preferred pricing.

We may issue payments in the form of loans to Advisors which may be forgivable based on years of service with Kestra AS or the extent of their production with us and our affiliates. This practice creates a conflict of interest in that the Advisor has a financial incentive to recommend a client engage Kestra AS for advisory services, engage Kestra IS for brokerage services and to recommend additional products and services in order for their loan to be forgiven. However, If you engage Kestra AS for an Advisor Managed Account, your Advisor will obtain the necessary financial data from you, assist you in determining the suitability for the Advisor Managed Account and help you set appropriate investment objectives. Your Advisor will then be able to purchase and sell securities in accordance with your investment objectives. Kestra AS periodically reviews advisory accounts to ensure suitability and adherence to investment objectives.

Our Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such an engagement.

We have arrangements with various third-party managers or service providers that our Advisors may refer to you for services. We receive compensation from these managers or service providers to support conferences, training, marketing efforts, staffing, ongoing education of Advisors and the marketing efforts we perform on their behalf. These fees are negotiable, and can be up to \$105,000. In addition, we receive compensation from various third-party managers or service providers based upon a percentage of our client assets under their management. Such compensation may be up to 0.29 percent of the assets under management. You are not charged a higher fee based upon these arrangements. The third-party managers or service providers with which we currently have such arrangements are: BTS, Morningstar, Envestnet Asset Management, Inc. ("Envestnet"), AssetMark, Beaumont Capital Management, SEI Investments Management Corporation ("SEI"), AFAM Capital, Brinker Capital, LWI Financial, City National Rochdale, Hanlon, Dana Investment Management, Icon Investments, WBI, Symmetry Partners, CLS Investment Management, Horizon Investments and Green Investment Management. Through our relationship with Envestnet, Envestnet pays us compensation based upon a percentage of client assets invested with the following third-party managers and product sponsors: Cougar, AFAM Capital, Beacon, S&P, Fund Architects, ICON, Niemann, Weatherstone, AXA Advisors, Jefferson National, Astor, Braver Capital, CLS Investments, Clark Capital, BTS, Brinker Capital, Natixis Global Asset Management, Loring Ward, Horizon, Morningstar Investment Management, Portfolio Management Consultants, SIGMA, Russell Investments, Nationwide Financial, Beaumont Capital Management, DiMeo Schneider & Associates and Symmetry Partners. Such compensation may be up to 0.29 percent of our clients' assets under management with these third-party managers. These relationships create a conflict of interest as they result in increased compensation to us.

In addition, Loring Ward offers all advisors with assets on their platform a basic subscription to MoneyGuidePro at no cost to the advisor. Furthermore, advisors can pay \$660 to receive an upgraded version of MoneyGuidePro with Loring Ward's data integrated into the software. Those advisors who place at least \$10MM on Loring Ward's platform receive the upgrade at no

cost. This creates a conflict interest because it incentivizes an advisor to place business with Loring Ward in exchange for software access.

Custody

We and our Advisors do not hold or maintain your assets. Third-party qualified custodians hold and maintain your assets, and those custodians provide account statements directly to you at your address of record at least quarterly. We urge you to compare the account statements you receive from your account custodian with any performance report or statements we, our service providers or our Advisors may create for you.

Though we do not maintain any client assets, we do have custody over certain accounts of clients as described below. Some of our Advisors act as a trustee for a trust account of a client. In addition, we may take possession of physical security certificates and forward them along to your account custodian as an accommodation.

Investment Discretion

Unless we grant specific authority and approval to your Advisor, your Advisor is typically not granted absolute trading discretion on your Advisor Managed Accounts. Absolute trading discretion means placing a trade in your account without your prior approval. However, we may rebalance or reallocate your Advisor Managed Account in order to re-establish the targeted percentages of your initial asset allocation. This rebalancing or reallocation will occur on an intermittent or periodic basis, such as upon your request, in response to a market event or on a specific date, like after a quarter-end review. You will be responsible for any and all taxes resulting from rebalancing or reallocation of your account.

In addition, if you access our Wrap Fee Programs, you are required to grant us and our service providers discretionary trading authority in order for the applicable third-party advisers to manage your account. Please see our Wrap Fee Brochure for more details.

Voting Client Securities

We do not, nor do our Advisors, vote proxies for any clients.

Financial Information

We do not have any financial condition likely to impair us from meeting our contractual commitments to you.

Miscellaneous

Termination of Accounts

Typically, both you and our company have the option under our standard agreements to terminate the agreement at any time. In addition, you have the right to terminate the contract without penalty within five (5) business days after entering into the contract. If you pay a fee in advance, fees will be pro-rated from the termination date and refunded to you.

Compliance Policies and Procedures

We maintain written compliance policies and procedures as required by the Advisers Act.

Anti-money Laundering Program

We maintain an anti-money laundering program in accordance with applicable regulations.

Business Continuity Plan

We maintain a business continuity plan designed to minimize the impact of disasters, emergencies and other unforeseen circumstances on our services and communications. A description of our Business Continuity Plan is available on our website at <http://bit.ly/KestraFinancialCompanyInfo>, or by contacting your Advisor or our home office.