

Brochure  
(Appendix 1 to Part 2A for Form ADV)

# AdvisorEnterprise Wrap Fee Program

## 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. If you have any questions about the contents of this brochure, please contact us or 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](http://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.

Since our last annual update, there have been no material changes.

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# Services, Fees and Compensation

## Introduction

This brochure describes the investment advisory services we provide through our wrap-fee program. In addition to being an investment adviser, our firm is affiliated with a broker-dealer and insurance agency. We provide securities (such as stocks, bonds, mutual funds and variable insurance, among others), investment advice and other financial services to clients. We provide investment advice through investment adviser representatives registered with our firm. We refer to these investment adviser representatives as "Advisors" in this brochure. Most of our Advisors are also registered representatives of our affiliated broker-dealer, Kestra Investment Services, LLC (Kestra IS). In addition, many of our Advisors also act as insurance agents independent from our firm. We generally do not provide fixed insurance products or services. To the extent your Advisor provides fixed insurance products or services to you, he or she does so outside of our firm and supervision.

We have entered into an agreement with Envestnet Asset Management, Inc. (Envestnet) that enables our Advisors to offer the AdvisorEnterprise wrap-fee program and the services described below to you (AdvisorEnterprise Program).

The process for engaging us to provide you services begins with our Advisor obtaining financial information from you in order to develop investment recommendations that meet your goals and objectives. Our Advisor will review your information and analyze it in order to recommend appropriate products and service based on your investment objectives, investment time horizon and risk tolerance. You will enter into a contract with our company setting forth terms and conditions of the advisory services relationship for the AdvisorEnterprise Program. You will also enter into separate custodial/clearing agreements with the applicable custodian. We typically clear transactions pursuant to our clearing agreement through National Financial Services, LLC (National Financial or NFS); however, we reserve the right to designate alternative clearing and custody companies similar to those we have with National Financial. National Financial, and not our firm, maintains custody of funds and securities in your account. Additional Information regarding National Financial is described below. In addition to this Brochure, you will also receive a copy of our Privacy Policy. You will also receive the Envestnet Brochure that further describes their services as an investment adviser.

Our Advisors will contact you, and typically meet with you, at least annually to review the performance of your AdvisorEnterprise Program account and any changes to your financial situation and investment goals and objectives. You are required to provide your Advisor with updated information regarding your financial condition and changes that may have occurred in your objectives, time horizon or risk tolerance. You are encouraged to contact your Advisor should you have questions about the management of your account in the AdvisorEnterprise Program.

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 or 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, rule 12b-1 fees, 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 0.06% off of AUM of products attributable to us or fixed fees of up to \$350,000 annually to support and participate in various conferences and seminars conducted by Kestra AS and its 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 Kestra AS and its affiliates.

#### **Equity and Fixed Indexed Annuities**

Select providers of equity index 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 Kestra AS and its affiliates.

#### **Retirement Products**

Select Providers of 401(k), group variable annuity and other retirement products pay fixed fees for the benefit of Kestra AS and its affiliates up to \$350,000 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 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 AS 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, amounts and types of compensation we receive is available on our website at <https://www.kestrafinancial.com/disclosures/company-information>. 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 accounts, 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 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.

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 and its affiliates 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.

## PROGRAM SERVICES AND FEES

### Third-party Strategists\*

We have, or Envestnet has, entered into agreements with various third-party strategists that provide allocation models for investments in mutual funds and exchange-traded funds (ETFs).

Through this service, our Advisors use the models provided by these strategists to recommend an allocation of your assets among mutual funds and/or ETFs. Envestnet is responsible for the actual trading and investment of your assets based on the recommendation of our Advisor and strategist model. You may be restricted in your ability to directly contact and consult with the strategists or Envestnet, but our Advisors are available to address any questions, issues or concerns regarding the strategists or their models. The result is an account portfolio comprised of selected mutual funds and/or ETFs based on your investment objectives and risk tolerance. Accounts using third-party strategists typically have a minimum account size requirement of \$25,000. The fees for management of your account with third-party strategists are generally within the ranges set forth below. The AdvisorEnterprise Program Fee includes fees for our firm, Envestnet and the services of the applicable third-party strategist managing your account. Custody and trading services may be included in the AdvisorEnterprise Program Fee or applied as set forth below. Any additional fees are disclosed with your client agreement.

<u>AdvisorEnterprise Program Fee</u>			<u>Advisor's Fee</u>		<u>Total Fee</u>	
<u>Assets</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
\$0 to \$100,000	0.00%	1.15%	0.00%	2.50%	0.00%	2.50%
\$100,000 to \$250,000	0.00%	1.00%	0.00%	2.50%	0.00%	2.50%
\$250,000 to \$500,000	0.00%	0.75%	0.00%	2.50%	0.00%	2.50%
\$500,000 to \$750,000	0.00%	0.73%	0.00%	2.50%	0.00%	2.50%
\$750,000 to \$1,000,000	0.00%	0.73%	0.00%	2.50%	0.00%	2.50%
\$1,000,000 to \$2,000,000	0.00%	0.70%	0.00%	2.50%	0.00%	2.50%
\$2,000,000 to \$5,000,000	0.00%	0.68%	0.00%	2.50%	0.00%	2.50%
Above \$5,000,000	0.00%	0.66%	0.00%	2.50%	0.00%	2.50%

\*Total Fee is the sum of the Program Fee plus the Advisor's Fee. In instances where the maximum Program Fee plus Advisor Fee would exceed 2.5 percent, the Advisor fee is reduced so as to not exceed a 2.5 percent Total Fee. Total fee does not reflect an additional custody charge of up to \$250 per year per account.

### Institutional Money Management

Envestnet has entered into agreements with various third parties that will manage your assets either directly or through pooled investment vehicles. Under this service, our Advisors recommend managers to invest your assets based on your investment objectives and risk tolerance. You may be restricted in your ability to directly contact and consult with managers or Envestnet, but our Advisors are available to address any questions, issues or concerns regarding these managers or their recommendations. The primary ways an Advisor provides access to a manager through the AdvisorEnterprise Program are described below:

- Separately Managed Accounts (SMAs)

SMAs are accounts managed by firms that typically invest assets for large institutions and high net worth individuals. Unlike mutual funds, where your assets are pooled with those of other investors, SMAs provide direct ownership by you of the individual securities and ETFs within the SMA portfolio. This structure provides more control over your assets, allowing both you and your Advisor to customize an investment solution that reflects your individual goals and objectives. SMA accounts typically have a minimum account size requirement of \$100,000, though some third-party managers require a minimum account size of \$250,000. The fees for management of your SMA are generally within the ranges set forth below. Except where otherwise designated, the AdvisorEnterprise Program Fee includes fees for our firm, Envestnet, custody and trading services and services of the applicable third party managing your account.

#### Equity SMA\*

##### AdvisorEnterprise Program Fee

<u>Equity SMA</u>	<u>Fee</u>
First \$250,000	1.05%
Next \$250,000	0.88%
Next \$500,000	0.81%
Next \$1,000,000	0.77%
Next \$3,000,000	0.74%
Over \$5,000,000	0.70%

##### Advisor's Fee

<u>Minimum</u>	<u>Maximum</u>
0.00%	1.45%
0.00%	1.62%
0.00%	1.69%
0.00%	1.73%
0.00%	1.76%
0.00%	1.80%

##### Total Fee

<u>Minimum</u>	<u>Maximum</u>
1.05%	2.50%
0.88%	2.50%
0.81%	2.50%
0.77%	2.50%
0.74%	2.50%
0.70%	2.50%

\*The following will apply:

- An annual minimum custody charge of up to \$250 per manager may apply if threshold is not met.
- Annual minimum platform fee of \$125 may apply if threshold is not met.
- Minimum account size of \$100,000.
- Manager fees may vary based upon SMA manager chosen.

#### Equity Blend SMA

##### AdvisorEnterprise Program Fee

<u>Equity Blend SMA**</u>	<u>Minimum***</u>	<u>Maximum</u>
First \$250,000	0.64%	1.14%
Next \$250,000	0.53%	1.05%
Next \$500,000	0.43%	0.91%
Next \$1,000,000	0.39%	0.82%
Over \$2,000,000	0.36%	0.72%

##### Advisor's Fee

<u>Minimum</u>	<u>Maximum</u>
0.00%	1.86%
0.00%	1.97%
0.00%	2.07%
0.00%	2.11%
0.00%	2.13%

##### Total Fee\*

<u>Minimum</u>	<u>Maximum</u>
0.64%	2.50%
0.53%	2.50%
0.43%	2.50%
0.39%	2.50%
0.36%	2.50%

\* A minimum annual account fee of up to \$450 also applies.

\*\* Manager fees may vary based on MMA manager chosen.

\*\*\* Manager fees may vary based upon SMA blending manager chosen.

### Fixed Income SMA\*

AdvisorEnterprise Program Fee		Advisor's Fee		Total Fee	
Fixed Income SMA**	Fee***	Minimum	Maximum	Minimum	Maximum
First \$250,000	0.75%	0.00%	1.75%	0.75%	2.50%
Next \$250,000	0.63%	0.00%	1.87%	0.63%	2.50%
Next \$500,000	0.56%	0.00%	1.94%	0.56%	2.50%
Next \$1,000,000	0.53%	0.00%	1.97%	0.53%	2.50%
Next \$3,000,000	0.52%	0.00%	1.98%	0.52%	2.50%
Over \$5,000,000	0.48%	0.00%	2.02%	0.48%	2.50%

\*The following will apply:

- An annual minimum custody charge of up to \$250 per manager may apply if threshold is not met.
  - Annual minimum platform fee of \$125 may apply if threshold is not met.
  - Minimum account size of \$100,000.
  - Manager fees may vary based upon SMA manager chosen.
- Multi-manager Accounts (MMAs)
 

MMAs are accounts that allocate client assets in accordance with predetermined models in various asset classes. Your assets are directly invested within each asset class by a separate account manager. An overlay manager is typically responsible for initially allocating assets within each asset class and monitoring and rebalancing among the asset classes. MMAs typically have account minimums of \$30,000. The fees for management of your MMA are generally within the ranges set forth below. Except where otherwise designated, the AdvisorEnterprise Program Fee includes fees for Kestra AS and its affiliates, Envestnet, custody and trading services and services of the applicable third party managing your account.

### MMA Schedule

AdvisorEnterprise Program Fee			Advisor's Fee			Total Fee*		
	Min	Max		Min	Max		Min	Max
First 500k	0.72%	0.82%	First 500k	0.00%	1.78%	First 500k	0.72%	2.50%
Next 500k	0.67%	0.77%	Next 500k	0.00%	1.83%	Next 500k	0.67%	2.50%
Next 1MM	0.63%	0.73%	Next 1MM	0.00%	1.87%	Next 1MM	0.63%	2.50%
Next 3MM	0.61%	0.66%	Next 3MM	0.00%	1.89%	Next 3MM	0.61%	2.50%
Over 5MM	0.58%	0.63%	Over 5MM	0.00%	1.92%	Over 5MM	0.58%	2.50%

\* A minimum annual account fee of up to \$450 also applies.

\*\* Manager fees may vary based on MMA manager chosen.

Custody fee of up to \$250

- Unified Manager Accounts (UMAs)\*
 

UMAs are accounts that combine traditional SMAs, third party strategists, equities, mutual funds and ETFs into a single diversified portfolio. Your assets are directly invested within each asset class by an overlay manager that is typically responsible for initially allocating assets within each asset class and monitoring and rebalancing among the asset classes. UMAs typically have a minimum annual account size requirement of \$150,000. The fees for management of your UMA are generally within the ranges set forth below. Except where otherwise designated, the AdvisorEnterprise Program Fee includes fees for Kestra AS and its affiliates, Envestnet, custody and trading services and services of the applicable third party managing your account.

## UMA Schedule

<u>AdvisorEnterprise Program Fee</u>			<u>Advisor's Fee</u>			<u>Total Fee*</u>		
	Min	Max		Min	Max		Min	Max
Up to 500k	0.32%	1.05%	First 250k	0.00%	2.18%	First 250k	0.32%	2.50%
Next 500k	0.27%	1.00%	Next 500k	0.00%	2.23%	Next 500k	0.27%	2.50%
Next 1MM	0.23%	0.96%	Next 1MM	0.00%	2.27%	Next 1MM	0.23%	2.50%
Next 3MM	0.20%	0.93%	Next 3MM	0.00%	2.30%	Next 3MM	0.20%	2.50%
Over 5MM	0.18%	0.91%	Over 5MM	0.00%	2.32%	Over 5MM	0.18%	2.50%

- An annual minimum custody charge of up to \$250 per sleeve may apply if threshold is not met.
  - An annual minimum platform fee of \$125 may apply if threshold is not met.
  - Minimum account size of \$100,000.
  - Manager fees may vary based on SMA manager chosen.
  - There is an additional charge of up to 0.02 percent for every SMA manager chosen in a UMA account.
  - Total Fee is the sum of the Program Fee plus the Advisor's Fee. In instances where the maximum Program Fee plus Advisor Fee would exceed 2.5 percent, the Advisor fee is reduced so as to not exceed a 2.5 percent Total Fee.
- **Passive Laddered Bonds**  
 These are strategies of investments in intermediate and long-term fixed income instruments purchased by a third-party manager available through Envestnet. Passive Laddered Bond accounts typically have a minimum annual account size requirement of \$250,000. The fees for management of your account with Passive Laddered Bonds are generally within the ranges set forth below. Except where otherwise designated, the AdvisorEnterprise Program Fee includes fees for Kestra AS and its affiliates, Envestnet and services of the applicable third party managing your account.

<u>AdvisorEnterprise Program Fee</u>		<u>Advisor's Fee</u>		<u>Total Fee*</u>	
<u>Year 1</u>	<u>Fee</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
First \$250,000	0.57%	0.00%	1.93%	0.57%	2.50%
Next \$250,000	0.45%	0.00%	2.05%	0.45%	2.50%
Next \$500,000	0.38%	0.00%	2.12%	0.38%	2.50%
Next \$1,000,000	0.35%	0.00%	2.15%	0.35%	2.50%
Next \$3,000,000	0.33%	0.00%	2.17%	0.33%	2.50%
Over \$5,000,000	0.30%	0.00%	2.20%	0.30%	2.50%

\* Custody and trading charges will be on a transaction based pricing schedule provided by your Advisor.

- **Alternative Investments**  
 These are investments in pooled investment vehicles offered or sponsored by third parties. Your investment in an alternative investment solution will be a direct investment in a pooled vehicle. The AdvisorEnterprise Program offers this service in the following manner: Kestra Alternatives, which are investments in pooled vehicles such as hedge funds, fund of funds, limited partnerships and other direct participation programs, with a required minimum initial investment typically of \$25,000. The fees for management of your account with Alternative Investments are generally within the ranges set forth below. Except where otherwise designated, the AdvisorEnterprise Program Fee includes fees for Kestra AS and its affiliates, Envestnet and trading services and services of the applicable third party managing your account. However, fees for custody and trading may be separate.

AdvisorEnterprise Program Fee

<u>Alternatives**</u>	<u>Fee</u>
First \$250,000	0.30%
Next \$500,000	0.25%
Next \$1,000,000	0.22%
Next \$3,000,000	0.20%
Over \$5,000,000	0.17%

Advisor's Fee

<u>Minimum</u>	<u>Maximum</u>
0.00%	2.20%
0.00%	2.25%
0.00%	2.28%
0.00%	2.30%
0.00%	2.33%

Total Fee\*

<u>Minimum</u>	<u>Maximum</u>
0.30%	2.50%
0.25%	2.50%
0.22%	2.50%
0.20%	2.50%
0.17%	2.50%

\* A minimum annual account fee of \$350 also applies.

\*\* Minimum account size of \$25,000.

Additional Information About Fees

All AdvisorEnterprise Program fees are negotiable, subject to the maximum amount set forth above and are charged on a per account basis. The cost of the services provided to you through the AdvisorEnterprise Program may be more or less than the cost of purchasing similar services separately. Among the factors impacting the cost of the program are the account size, type of account registration (e.g., retirement), nature of services we provide you, amount of assets specific to a particular strategy and the particular service or third-party manager selected.

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.

The following grid reflects the reduced platform fees for Advisor as Manager accounts based on aggregate assets on the AdvisorEnterprise platform:

<u>Account Size</u>	<u>Level I*</u> <u>&lt;\$25 Million</u>	<u>Level II*</u> <u>&gt;\$25 Million</u>	<u>Level III*</u> <u>&gt;\$50 Million</u>	<u>Level IV*</u> <u>&gt;\$100 Million</u>
Up to \$100,000	0.18%	0.13%	0.11%	0.09%
Next \$400,000	0.16%	0.12%	0.10%	0.08%
Next \$500,000	0.14%	0.10%	0.08%	0.07%
Next \$1,000,000	0.11%	0.08%	0.06%	0.05%
Next \$3,000,000	0.08%	0.06%	0.06%	0.05%
Next \$5,000,000	0.06%	0.05%	0.04%	0.03%
Over \$10,000,000	0.04%	0.03%	0.03%	0.02%

Other costs that may be assessed to you and that are not part of the AdvisorEnterprise Program Fee include fees for portfolio transactions executed away from National Financial, dealer markups, electronic fund and wire transfers, spreads paid to market-makers, market maker spreads and exchange fees, among others. Any and all brokerage account fees, including retirement account annual custodial fees, apply to each of your accounts. For Advisor as Manager accounts, a \$60 minimum platform fee applies. The above-listed amounts do not include other amounts that you may be subject to, such as the initial and ongoing expenses paid to third-party investments or third-party pooled investment vehicles, such as mutual funds, annuities or alternative investments. Such expenses are usually set forth in the applicable offering document of the investment and are payable or borne by you in addition to any fee outlined above.

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.

## **INVESTMENT AND BROKERAGE DISCRETION**

By choosing to participate in the AdvisorEnterprise Program, you are required to grant discretionary investment authority to us so that we may take all necessary steps for providing advisory services for your account, such as determining the securities and amount to be bought or sold and recommending any appropriate third-party strategist or third-party manager.

By choosing to participate in the AdvisorEnterprise Program, you have designated National Financial as the broker/custodian for your assets. By designating National Financial as your broker/custodian, we will not have authority to negotiate commissions among various brokers or to obtain volume discounts, and best execution may not be achieved. You may pay higher commissions and transaction cost, and receive less favorable net prices than other clients. Third-party managers may have policies to aggregate trades with their own trades or trades for other clients as disclosed in more detail in each third party's disclosure Brochure. Not all investment advisers require directed brokerage.

Kestra IS introduces accounts on a fully disclosed basis to National Financial. For advisory accounts, we do not typically act in a principal capacity when initiating any trade order; however, National Financial or underlying managers may act in a principal capacity when executing a trade order. Any principal trades in an advisory account will be handled in accordance with applicable law. Agency cross transaction take place when we cause a security to be transferred from one account to another. Agency cross transactions are not permitted in Advisory Accounts.

## **OTHER SERVICES**

### Advisor as Portfolio Manager

Through a service separate from the AdvisorEnterprise Program, our Advisors directly manage your accounts and assets using tools, resources and technology provided by Envestnet that are also be available on the AdvisorEnterprise Program. These services include the ability to produce detailed proposals, create investment models, allocate assets, monitor client specifications on an account, aggregate trading and rebalance an account. In acting as a portfolio manager for you as described in this brochure, Advisors generally invest in individual equity or fixed income securities as well as pooled investment vehicles such as mutual funds. Please see our Brochure for more information on this service.

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, 2017, we managed approximately \$20,418,000,000 in assets for approximately 75,300 clients. Approximately \$14,039,000,000 is managed on a discretionary basis, and approximately \$6,379,000,000 is managed on a non-discretionary basis.

## **Account Requirements and 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 a single account or \$10,000 for new accounts where the combined household account value will meet a minimum of \$25,000 of managed assets, although we may waive the account minimum from time to time at our discretion.

## **Portfolio Manager Selection and Evaluation**

Our research and due diligence process is a multi-step approach designed to identify and monitor the managers in the AdvisorEnterprise Program to provide services for you over various market cycles. Through our relationship with Envestnet, we rely primarily on Envestnet to identify prospective managers and to perform due diligence on such managers that may be selected in the AdvisorEnterprise Program. Managers are typically evaluated based on data and information from various third-party sources, such as independent databases, and from the particular manager. Among the information collected and analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes.

To the extent Envestnet has not performed the research and due diligence on a third-party manager, we will review the third party through our internal due diligence process. Managers are typically evaluated based on data and information from various third-party sources, such as independent databases, and from the particular manager. Among other things, our process entails examining items such as the disclosure Brochure on Form ADV, Part 2A of the manager, any applicable offering document, performance reports and other information as deemed necessary to help determine the third party's investment strategy. We also attempt to verify information by comparing it to publicly available sources.

Advisors are also responsible for the selection of any third-party investments or investment vehicle based upon your specific situation, requirements and suitability. Advisors will recommend the replacement of any third-party investments or investment vehicle consistent with their duties as a fiduciary under applicable law.

As soon as possible, but in no event later than 45 days after the end of each calendar quarter, we, the custodian or Envestnet will make available to you via electronic means a quarterly statement containing a description of all activity in your account during the previous quarter. Account statements will be forwarded by National Financial on a quarterly basis. If trading activity occurs in the account during a month that is not a quarter-end month, a monthly statement will be sent to you.

Statements will be sent in one package per account group with a Consolidated Summary of

Accounts Page as long as the address on each account matches the primary account. If a primary account is not designated, we or your Advisor will select one. National Financial will make copies of account statements and summary pages available electronically on its Wealthscape system for us or your Advisor and on its MyStreetscape system for you. Your Advisor must be enrolled on the Wealthscape system in order for you to view statements online with MyStreetscape. Please contact your Advisor should you want access to MyStreetscape. As with all investments, we do not guarantee positive performance results.

We typically do not review performance information of third parties, and performance information may not be calculated on a uniform or consistent basis among each third-party manager available through AdvisorEnterprise. Further, third parties may not calculate performance in accordance with any industry or other standards.

We use the same research, selection and review process for any Kestra Affiliate as we do unaffiliated firms.

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

Your information is forwarded to Envestnet so that it may be sent along to any appropriate third-party strategist or third-party manager to perform the services of the AdvisorEnterprise Program described above.

You should be aware that for some of the services outlined above, National Financial may transmit certain of your personal account information to a third-party vendor, Checkfree Investment Services, a division of Checkfree Services Corporation (Checkfree), solely for the purpose of managing your account. The type of information that may be submitted includes (i) account detail information such as your name, address and Social Security number, (ii) account balances such as margin and core cash balances, (iii) account positions such as securities held and number of shares; and (iv) account transactions such as buys, sells and dividends. Checkfree, the third-party vendor, is storing such personal information at their site for fulfilling its obligation to us.

## **Client Contact with Portfolio Managers**

You may be restricted in your ability to directly contact and consult with the strategists, portfolio managers and Envestnet regarding your account and participation in the AdvisorEnterprise Program. However, our Advisors are available to address any questions, issues or concerns regarding the strategists and their models or portfolio managers and their recommendations.

## **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.

## **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 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 its 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 affiliate 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 product and 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 “Client Referrals and Other Compensation,” 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 which you may also invest in or that we recommended you to 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. To address these potential conflicts of interest, in no event will we recommend or cause you to enter into transactions for the purpose of benefiting the direct or indirect securities holdings of our affiliates or personnel.

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 that consist of mutual funds or exchange-traded funds will typically not have an impact on client trading or securities markets.

## **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. 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. 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 normally business hours to answer questions or concerns you may have.

## **Client Referrals and Other Compensation**

We generally compensate 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, that 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.

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, or the extent of their production with Kestra AS and its 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.

We or our affiliated broker-dealer receive securities commissions, service fees, 12b-1 fees and other third-party payments if you implement our recommendations through Kestra IS. 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 that our Advisor may

purchase for your account. In such transactions, we or our affiliates generally receives both normal and customary transaction-related compensation as a selling agent for the new issue fixed income security as well as advisory fees on the fixed income security in your advisory account. Kestra IS has entered into an agreement with Advisors Asset Management, Inc. (AAM) and SumRidge to assist us in executing fixed income transactions. These relationships pay us 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 company.

If your Advisor is also a registered representative of our affiliated broker-dealer, 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 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. 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. Additional information regarding the companies, amounts and types of compensation we receive is available on our website at **<https://www.kestrafinancial.com/disclosures/company-information>**. 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.

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 a 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.

Kestra IS has entered 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.

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.

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 0.05 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, Clark Capital Management Group, Morningstar, Envestnet Asset Management, Inc. ("Envestnet"), Flexible Plans, AssetMark, SEI Investments Management Corporation ("SEI"), 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 Architect, 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.

Our Advisors also provide services to clients' retirement accounts, such as individual retirement accounts (IRAs) and retirement plans (Plans). 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.

## **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 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

<https://www.kestrafinancial.com/disclosures/company-information>, or by contacting your Advisor or our home office.