

**Item 1: Cover Page**

**Part 2A of Form ADV: Managed Account Program Brochure**

**Stratos Wealth Advisors LLC**

3750 Park East Drive, Suite 200

Beachwood, OH 44122

440-505-5620

Fax 440-991-1115

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This brochure provides information about the qualifications and business practices of Stratos Wealth Advisors LLC. If you have any questions about the contents of this brochure, please contact us at (440) 519-2500 or by email at: [mdunn@stratoswp.com](mailto:mdunn@stratoswp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Stratos Wealth Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Stratos Wealth Advisors LLC's CRD number is: 283816.

Stratos Wealth Advisors LLC is registered with the U.S. Securities and Exchange Commission. Note, however, that such registration does not imply a certain level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## **Item 2. Material Changes**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Program Brochure.

Clients wishing to receive a complete copy of this brochure may download it from the SEC Website as indicated on page 1 of this brochure or contact our Chief Compliance Officer at 440-505-5620.

This section describes the material changes to SWP's brochure since its last annual amendment.

### Amendments to Form ADV Part 2A, Disclosure Brochure

## **Item 4. Advisory Practices**

### **Overview of Stratos' June 2016 re-organization:**

- Stratos Wealth Holdings LLC directly owns 100% of the following SEC Registered Investment Advisors:
  1. Fundamentum, LLC (hereinafter "Fundamentum"), an asset management firm acting primarily as a subadviser;
  2. Stratos Wealth Partners, LTD, (hereinafter "SWP") a retail investment firm offering advice primarily through IARs who are securities licensed through LPL Financial Corporation ("LPL Financial") Member FINRA/SIPC; and,
  3. Stratos Wealth Advisors, LLC, (hereinafter "SWA") a retail investment firm offering advice primarily through IARs who are not securities licensed.

## **Item 12. Brokerage Practices**

- Disclosure of Economic Benefit related to Charles Schwab ("Schwab"), Member FINRA/SIPC.

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## **ITEM 4. ADVISORY BUSINESS**

### **Introduction**

Stratos Wealth Advisors LLC is an investment advisor registered with the Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940. The firm became registered in June 2016 and is owned by Stratos Wealth Holdings, LLC, which in turn is owned by Jeffrey Alan Concepcion.

Stratos Wealth Holdings, LLC, directly owns 100% the following SEC Registered Investment Advisors:

1. Fundamentum, LLC, an Asset Management Firm, acting primarily as a sub-advisor;
2. Stratos Wealth Partners, LTD, (hereinafter “SWP”) a retail investment firm offering advice primarily through IAR’s who are securities licensed through LPL Financial Corporation (“LPL”) Member FINRA/SIPC; and,
3. Stratos Wealth Advisors, LLC, (hereinafter “SWA”) a retail investment firm offering advice primarily through IAR’s who are not securities licensed.

SWAs’ advisory services are made available to clients primarily through individuals associated with SWA as investment advisor representatives (“IARs”). IARs may also be securities licensed through a broker-dealer, and / or insurance licensed and offer insurance products and services. Clients are advised IARs may receive fee compensation for advisory services offered through SWA.

As of December 31, 2016, SWA’s discretionary assets under management were \$839,001 in 32 accounts. There were no non-discretionary assets under management.

Since IARs are generally independent contractors of SWA, the experience, level of education, level and/or sophistication of services and fees will vary. Fees may not be commensurate with education and / or experience. However, the fees clients will pay for advisory services described below will not exceed the fee schedules set forth below. Further, clients are advised that they may pay more or less for similar services received by another client serviced by another IAR.

For more information about the IAR providing advisory services, client should refer to the Brochure Supplement (also called the ADV Part 2B) for the IAR. The Brochure Supplement is a separate document that is provided by the IAR along with this Brochure before or at the time client engages the IAR. If client did not receive a Brochure Supplement for the IAR, the client should contact the IAR or SWA at (440) 519-2500.

SWA may also offer its advisory services through financial institutions such as banks. SWA is not an affiliate of the banks in which its IARs maintain offices nor is SWA or its IARs employees of the bank. SWA pays a fee to the bank for the opportunity to conduct business on its premises and with banking clients. This fee is part of, and not in addition to, the fees paid by clients to SWA. This is a conflict of interest in that SWA has an incentive to charge the client a higher fee due to this setup.

### **Types of Advisory Services**

SWA offers various types of advisory services and programs, including but not limited to wrap programs, mutual fund asset allocation programs, advisory programs offered by third party investment advisor firms, and financial planning services.

## SWA Managed Account Services

This Brochure provides information about SWA Managed Account Services for unbundled (non-wrap) accounts.

In addition to the services listed above, SWA offers the following separate services described under different ADV Part 2As:

1. Financial Planning and Consulting
2. Third Party Investment Advisor Services
3. Wrap Fee Managed Account Services

Not all services are available to all clients, through all advisers, or in all states. In addition, services may not be available at all custodians.

If clients would like more information on such programs, clients should contact the IAR for a copy of the program brochure that describes such programs or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SWA recommends the following broker-dealer/custodians:

- Fidelity Brokerage Services LLC and National Financial Services LLC (collectively “Fidelity”) Member FINRA/SIPC;
- Charles Schwab & Co., Inc. Advisor Services; and
- TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC (“TD Ameritrade”).

Not all custodians or products are available to all clients or advisers, or in all states. Specific products available at each custodian are described below.

1. Advisory Accounts custodied at Charles Schwab & Co., Inc. Advisor Services
2. Advisory Accounts custodied at Fidelity
3. Advisory Accounts custodied at TD Ameritrade

Each product listed above is also available under a wrap fee program. Please see the separate SWA Wrap Fee ADV Part 2 for further information.

**Advisor Wealth Management (AWM)**, an unbundled or non-wrap program, involves the client paying a management fee to SWA and ticket or transaction charges on each transaction executed in the account. The exception is that there may be a select listing of securities (typically reserved to mutual funds) for which no transaction fees will be assessed. However, the security may be subject to a holding period to avoid early liquidation fees. For securities with holding periods, clients are not prevented from liquidating during the holding periods, however, there is a fee associated with liquidations during the holding period. SWA will determine and present to clients an asset allocation specific to the client based upon a client’s individual investment goals, objectives, risk tolerance, and investment time horizon. Clients may have a customized individually managed portfolio managed by the IAR, or participate in various model portfolios designed by IAR(s) consistent with the client’s stated investment objective. A model portfolio will be managed similar to other clients utilizing the model. There are no guarantees a portfolio based on a model will ensure positive results. Past performance is no guarantee of future results. In either case, the IAR provides ongoing advice on the

selection or replacement of a portfolio based on the client's individual needs. The IAR may choose more than one portfolio to be managed for the client's account. SWA also offers AWM as a bundled, or wrap fee program. Please see the SWA Wrap Fee ADV Part 2A for further information on this program.

IAR provides asset management services on an ongoing basis based on the individual needs of the client. The management program through SWA offers clients flexibility among payment structures, custodians, and management styles. Management will be on an active basis. Thus, SWA and its IARs will actively monitor the assets in the account and make changes deemed appropriate in light of the circumstances in the market, based upon the expertise of IARs.

SWA does not maintain custody of clients' funds or securities, with the exception of deduction of SWA's fees from clients' accounts that are authorized in the advisory agreement between clients and SWA. Clients' portfolios may consist of stocks, bonds, ETF/ETNs, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable to the client by SWA.

If the SWA account is opened containing existing securities previously purchased through, or is opened with cash proceeds from the sale of securities sold through, Fidelity, Charles Schwab & Co., Inc. Advisor Services, TD Ameritrade or the IARs, Fidelity, Charles Schwab & Co., Inc. Advisor Services, TD Ameritrade and/or the IAR may have already received commissions on the purchase. Additional commissions will not be charged, however, the fees discussed below will be charged.

Clients are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. SWA does not offer tax advice and clients are urged to consult with their tax advisers.

### **Third Party Investment Adviser Account Management Services**

SWA may offer third party investment adviser ("TPIA") account management programs and clients should refer to SWA's separate Firm Brochure for a description of those services. Not all programs are available to all clients, all advisers, or are offered in all states.

### **Referral Services for Investment Advisors**

SWA and its IARs may act as referral agents on behalf of third party investment advisors pursuant to a referral agreement. In such case, SWA provides services to the TPIA related to the referred client. The IAR provides the referred client a disclosure statement regarding the role of SWA and the IAR as a referral agent, but the IAR does not enter into an agreement with the client to provide ongoing investment advice. Instead, the client engages the third party investment advisor for advisory services. Please see Item 14 below for more information about these referral services and the related compensation.

### **Subadvisory Services by Fundamentum**

Fundamentum is under common control with other investment advisory firms, SWA and SWP. SWA and SWP have overlap in personnel with Fundamentum and use Fundamentum as a subadviser for many client accounts. Fundamentum will comply at all times with its fiduciary duty as an investment adviser. Please see Item 10 below for more information about these referral services and the related compensation.

## **ITEM 5. FEES AND COMPENSATION**

### **Client Investment Management Fees**

Advisory fees for accounts will be charged in advance on a calendar quarterly basis. Advisory fees for

accounts opened on a day other than the first day of the current calendar quarter, Client shall pay a prorated portion of the Advisor's management fee. Advisory fees for Sub-Advised Accounts will be described in the account paperwork and Form ADV provided to the Client by the Sub-Advisor.

The advisory fees payable upon initial implementation are collected directly from the account (provided the client has given SWA written authorization for SWA to deduct the fees directly from the account). Clients may also elect to have management fees deducted from a separate account. Advisory fees for all subsequent periods will be collected directly from the account, provided authorization was obtained. Clients will be provided with an account statement reflecting the deduction of the advisory fee. If the Account does not contain sufficient funds to pay advisory fees, SWA has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. The client may reimburse the account for advisory fees paid to SWA, except for ERISA and IRA accounts.

Fees are negotiable and are not based on a share of capital gains/losses upon or capital appreciation/depreciation of the funds or any portion of the funds.

***Clients using AWM accounts pay a fee to SWA plus transaction charges. Typically, this option may be more economical for those managed accounts where there is less trading or where mutual funds with no transaction fees will be primarily utilized in the management of the portfolio.***

Additionally, in limited cases, the Client's managed accounts may be aggregated together to determine a fee breakpoint. Therefore, clients with multiple managed accounts will be charged a fee considering the account values in total. In these cases, and when available, It is a benefit to the client to have an IAR that aggregates accounts. Alternatively, some IARs may charge a corresponding fee based on each account size. Therefore, clients with multiple accounts may pay a different fee depending on the account size.

The maximum annual advisory fee is **2.75%** for AWM accounts.

### **Client Investment Management Agreement Termination**

Clients may terminate their Agreement with SWA as follows: (1) for new clients, Clients may, without penalty, terminate upon written notice within five (5) business days after entering into the Agreement; or (2) thereafter, upon receipt of written notice, by either Client or Adviser, provided that such termination does not cause the client to forfeit any prepaid fees, or such otherwise forfeitable fees are reimbursed to client. In the event of termination after five (5) business days from the execution of this Agreement, Client will be entitled to a prorated refund of any prepaid quarterly advisory fee based upon the number of days remaining in the quarter after the termination date.

### **Transaction Charges**

In addition to the advisory fees above, AWM clients will pay a transaction charge for each transaction. Transaction charges are not assessed by SWA and SWA does not share in the transaction charges. The transaction charges are assessed by the broker/dealer executing the transaction and may be changed at any time by the broker/dealer. The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management. Fees are charged by the broker dealer / custodian.

We do not receive, directly or indirectly any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. The fees include, among others:

- Accounts holding Alternative Investments will be charged an annual custodial fee per position per account per year.
- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds/Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Deferred sales charges (on Mutual funds or annuities);
- Odd-Lot differentials;
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions;

SWA may, on occasion, aggregate trades for clients and provide clients an average execution price. The fixed transaction costs charged by the broker/dealer for these aggregated trades will be assessed on an individual pro-rated basis. Clients will be responsible for any fees and charges incurred by client from third parties as a result of maintaining the Account, such as transaction fees for any securities transactions executed and Account maintenance or custodial fees.

#### **ITEM 6. PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

SWA does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client. Representatives of SWA may act as advisors for other accounts (e.g., accounts with Fundamentum or SWP, see Item 4). The representatives' compensation may be higher or lower for substantially the same account management.

#### **ITEM 7. TYPES OF CLIENTS**

We provide our services to a number of Clients:

- Individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Governmental plans, municipalities
- Not for profit entities
- Bank or thrift institutions
- Retirement Plans

#### Minimum account sizes

AWM Accounts        \$10,000.

#### **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Affiliated and unaffiliated service providers may develop asset allocation models. The IAR may also develop asset allocation models or use others from outside independent sources. Each IAR develops his or her own methods of analysis, sources of information, and investment strategies. As such, recommendations by IARs and individual investment portfolios will differ.



A variety of methods and strategies may be utilized when formulating investment advice and managing client assets. Methods of analysis may include, but are not limited to:

- Charting;
- Fundamental Analysis; and,
- Technical Analysis.

Charting Analysis: Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of charting analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Fundamental Analysis does not attempt to anticipate market movements. This represents a potential risk, as the price of a security can move up or down along with the overall market, regardless of the economic and financial factors considered in evaluating the security.

Technical Analysis – The risk of the analysis using mathematical and statistical modeling is that they may not accurately predict future investment patterns. Day to day changes in the market prices of investments may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of analysis using more subjective criteria is that the information obtained to make the analysis may be inaccurate and skew the analysis. In addition, measuring (or weighting) the criteria will likely be inconsistent from one analysis to another and could adversely affect the investment decisions.

Clients' portfolios may consist of stocks, bonds, ETF/ETNs, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable to the client by SWA.

Clients are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. SWA does not offer tax advice and clients are urged to consult with their tax advisers.

#### *Risk of Loss:*

Securities markets fluctuate substantially over time. All investments in securities include a risk of loss of money invested (principal) and any unrealized profits (i.e., profits in the account that have not been liquidated, sometimes called "paper profits"). In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets SWA manages that may be out of our control. We cannot guarantee any level of performance or that you will not experience a loss of your account assets. SWA does not represent, warrant or imply that the services or methods of analysis used by SWA can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by SWA will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals.

No guarantees can be offered that client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by SWA will provide a better return than other investment strategies.

The IAR has access to various research reports and model portfolios to which he or she may refer in determining investment advice IAR provides to clients. The IAR chooses his or her own research methods, investment style and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable and has a risk of loss.

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

SWA and IARs can recommend many different types of securities, including mutual funds, unit investment trusts (“UITs”), closed end funds, ETF/ETNs, variable annuity subaccounts, equities, fixed income securities, options, hedge funds, managed futures, and structured products. Investing in securities involves the risk of loss that clients should be prepared to bear. Described below are some particular risks associated with some types of investments available in the program.

- ***Alternative Strategy Mutual Funds.*** Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund’s concentration in the real estate industry.

- ***Closed-End Funds.*** Client should be aware that closed-end funds are not readily marketable. In an effort to provide investor liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis. Thus, clients may be unable to liquidate all or a portion of their shares in these types of funds.

- ***Exchange-Traded Funds (ETFs).*** ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the “spread.” The spread varies over time based on the ETF’s trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.

- ***Exchange-Traded Notes (ETNs).*** An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer’s ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer’s credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks.

- ***Leveraged and Inverse ETFs, ETNs and Mutual Funds.*** Leveraged ETFs, ETNs and mutual funds, sometimes labeled “ultra” or “2x” for example, are designed to provide a multiple of the underlying index’s return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that

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

- **Options.** Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.

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

- **High-Yield Debt.** High-yield debt is issued by companies or municipalities that do not qualify for "investment grade" ratings by one or more rating agencies. The below investment grade designation is based on the rating agency's opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer's financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond's market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.

- **Hedge Funds and Managed Futures.** Hedge and managed futures funds may be purchased by clients meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment

practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Client should be aware that these funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the fund during the repurchase offer.

- **Variable Annuities.** If client purchases a variable annuity that is part of the program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.

## **ITEM 9. DISCIPLINARY INFORMATION**

We do not have any legal or other disciplinary items to report. SWA is obligated to disclose any disciplinary event that would be material to clients, or potential clients, when evaluating SWA to initiate a Client / Adviser relationship, or to continue a Client / Adviser relationship with us.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Fundamentum is under common control with other investment advisory firms, SWA and SWP. SWA and SWP have overlap in personnel with Fundamentum and use Fundamentum as a subadviser for many client accounts. Fundamentum will comply at all times with its fiduciary duty as an investment adviser. Please see Item 10 below for more information about these referral services and the related compensation.

Certain IARs and other related persons of SWA may be (i) Registered Representatives with a broker-dealer and/or (ii) licensed with various insurance companies. These representatives offer securities, insurance products, and related services for which commissions will be paid. SWA, its IARs and related persons have a conflict of interest to recommend clients purchase such securities or products since commissions may be earned in addition to fees for advisory services. Clients are not obligated to purchase securities or products through SWA or its IARs. Some IARs may spend significantly more or less time offering these services. SWA itself does not offer securities, brokerage services, insurance products, or insurance services.

Representatives of SWA offer insurance products and services for which commissions will be paid. IARs and other related persons of SWA may be licensed with various insurance companies. SWA, its IARs and related persons have a conflict of interest to recommend clients purchase insurance products since commissions may be earned in addition to fees for advisory services. Clients are not obligated to purchase insurance products through SWA or its IARs. Some IARs may spend significantly more or less time offering insurance products and services. SWA itself does not offer insurance products and services.

SWA may offer clients the option to utilize the management services of one or multiple third party managers. SWA will assist clients with evaluating their financial situation and present to the clients one or more third party managers and assist the client with selecting a third party manager's service. Additionally, on an ongoing basis SWA will be available to answer questions clients may have regarding their managed account and act as the communication conduit between the client and the manager. SWA will periodically meet with the client to evaluate the client's account and third party manager. In addition, if the investment program recommended to a client is a wrap fee program the client will also receive Part 2A Appendix 1 of the Form ADV or equivalent wrap fee brochure provided by the sponsor of the program. SWA will provide to each client all appropriate disclosure statements, including disclosure of solicitation fees to SWA and its advisory associates. Clients will be charged an advisory fee by the third party manager (selected by the client). The IAR receives compensation as a result of the client's participation in the program. This is a conflict of interest in that the clients fees for such programs may be higher or lower than if the client directly obtained the services of the third party manager, or if the client obtained advisory services separately.

Clients should read the third party manager's disclosure brochure for additional disclosure of its managed program.

For accounts that utilize a third party manager, client will establish a third party manager custody account at a qualified custodian. SWA will not directly conduct any securities transactions on behalf of the client or participate directly in the selection of the securities to be purchased or sold for the client. Investment decisions are made by the third party manager in accordance with the agreement between client and manager.

Clients may pay transaction fees, account maintenance fees and other fees and expenses associated with maintaining the account. Fees will be charged by and collected by the third party manager and the third party manager will allocate SWA's portion of the fee. Therefore, clients must refer to the third party manager's disclosure brochure for payment terms and conditions.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics and Personal Trading**

SWA has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

### **Participation or Interest in Client Transactions**

Related persons of SWA (any advisory affiliate and any person that is under common control with SWA) may buy or sell securities identical to those securities recommended to clients. Therefore, related persons may have an interest or position in certain securities that are also recommended and bought or sold to clients. Related persons will not put their interests before a client's interest. IARs may not trade ahead of their clients or trade in such a way to obtain a better price for themselves than for their clients. SWA is required to maintain a list of all securities holdings for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. Clients have the right to decline any investment recommendation. SWA and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

SWA has established the following restrictions in order to meet its fiduciary responsibilities:

- 1) IARs shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with SWA, unless the information is also available to the investing public upon a reasonable inquiry. No person shall prefer his or her own interest to that of the advisory client.
- 2) All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- 3) SWA emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where a third party advisory service is granted discretionary authority in the client's account.
- 4) SWA requires that all individuals act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of SWA's clients trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above.

Open-end mutual funds and/or the investment sub-accounts which may comprise a variable life insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and/or variable insurance products by IARs are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by the SWA's investment policies and procedures. In accordance with Section 204A of the Investment Advisers Act of 1940, SWA also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by SWA or any person associated with SWA.

Client should understand that SWA and its personnel, as either an IAR or as a registered representative, may perform advisory and/or brokerage services for various other clients, and that SWA and its personnel may give advice or take actions for those other clients that differ from the advice given to the client. The timing or nature of any action taken for the account may also be different.

## **ITEM 12. BROKERAGE PRACTICES**

SWA will recommend Fidelity, Charles Schwab & Co., Inc. Advisor Services, and/or TD Ameritrade as custodians/broker-dealers to provide custody services for advisory accounts where the client would be best served. Factors considered in selecting these firms include stability, reputations, trading platforms, and continuing with a current custodian.

### Recommendation of Schwab:

SWP may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the Advisor's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. SWP is independently owned and operated and not affiliated with Schwab. Schwab provides SWP with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For SWP client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to SWP other products and services that benefit SWP but may not benefit its clients' accounts. These benefits may include national, regional or SWP specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of SWP by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of

entertainment, some of which may accompany educational opportunities. Other of these products and services assist SWP in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of SWP's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of SWP's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to SWP other services intended to help SWP manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to SWP by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to SWP. While, as a fiduciary, SWP endeavors to act in its clients' best interests, SWP's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to SWP of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a conflict of interest.

**Best Execution.** Depending on specific client needs, one broker-dealer or custodian may offer better transaction costs/order processing than another and those differences are evaluated by the IAR prior to opening a client account. SWA, as an investment adviser, owes a legal and fiduciary duty to its clients, including a duty to seek best execution of client transactions and to make full and fair disclosure to clients about any soft dollar arrangements. While best execution policies of the custodians are monitored, they are not the only determining factor that would influence opening an account at one custodian or another. Important items like stability, reputation, research, trading platforms, administrative efficiencies, client friendly statements and other service oriented tasks are also considered in the evaluation and selection of a custodian. The lowest cost trade execution is not always the determining factor for the selection of a custodian. However, the client has the right to inquire about opening accounts at these various institutions.

**Research and Other Soft Dollar Benefits.** SWA receives research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions ("soft dollar benefits"). SWA may recommend (or use) the use of a broker-dealer who provides useful research and services. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. Soft dollar benefits are not used to service all SWA clients. SWA will not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate. Clients may pay commissions higher than those charged by other broker-dealers in return for research services. SWA may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used in part to purchase research services that are not used to benefit that specific client. SWA derives a benefit from these services to the extent these soft dollars pay for expenses it would otherwise be required to pay for or produce itself. Fees charged to clients will not be reduced by the value of the services and a conflict of interest may exist as there is an incentive to SWA to select or recommend the use of a broker-dealer or custodian based on its interest in receiving the research or services, rather than on the clients' interest in receiving most favorable execution. SWA may have an incentive to select or recommend a particular broker-dealer/custodian based on our interest in receiving these benefits, rather than on the client's interest in receiving most favorable execution. These arrangements are disclosed more fully in separate Brochures

applicable to clients utilizing Fidelity, Charles Schwab & Co., Inc. Advisor Services, or TD Ameritrade as custodian.

SWA intends to use such soft dollars generated by client accounts to obtain only such research, services or products as permitted under the safe harbor afforded by Section 28(e).

1. Brokerage for Client Referrals. SWA does not recommend brokerage for client referrals.
2. Directed Brokerage. SWA may engage in client-directed brokerage transactions for clients, if specific broker-dealer/custodian is requested by the Client.

In connection with TPIA programs, the TPIA sponsor may require that clients direct brokerage to a broker-dealer, including the TPIA sponsor or broker-dealer affiliated with the TPIA sponsor. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to a broker, clients may be unable to achieve the most favorable execution of client transactions and may pay more in transaction charges than other broker-dealer firms. Therefore, directed brokerage may cost clients more money. For more information about the brokerage practices of a TPIA sponsor, clients should refer to the Disclosure Brochure for the applicable TPIA.

In some cases, the TPIAs may cover the costs for SWA, its employees and/or IARs to attend conferences or reimbursement of expenses for workshops, seminars presented to clients or advertising, marketing or practice management.

#### Aggregation

In placing orders to purchase or sell securities in accounts, IARs may elect to aggregate orders (that is, consolidate smaller orders for the same security into a large order, which, generally results in transaction cost savings). In so doing, IARs will not aggregate transactions unless aggregation is consistent with its duty to seek best execution. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all transactions executed by the IAR in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction. IARs will prepare, before entering an aggregated order a written statement ("Allocation Statement") specifying the participating client accounts and how the IAR intends to allocate the order among those clients.

If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will be allocated pro-rata based on the Allocation Statement. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement so that all client accounts receive fair and equitable treatment.

### **ITEM 13. REVIEW OF ACCOUNTS**

SWA maintains a compliance program designed to conduct periodic reviews of client accounts. IARs are required to meet and document reviews with clients on at least an annual basis. Such meetings may include review of accounts statements, quarterly performance reports, and other information or data related to the client's account and investment objectives. Clients may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, IARs will monitor for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections. Clients are



advised that they should notify their IAR promptly of any changes to the client's financial goals, objectives or financial situation as such changes may require the IAR to review the client's portfolio and make recommendations for changes.

Fidelity, Charles Schwab & Co., Inc. Advisor Services, or TD Ameritrade as the custodian, provide clients with regular written reports regarding their accounts. In addition, LPL, Fidelity, Charles Schwab & Co., Inc. Advisor Services, or TD Ameritrade send Client trade confirmations and account statements showing transactions, positions, and deposits and withdrawals of principal and income. Fidelity, Charles Schwab & Co., Inc. Advisor Services, or TD Ameritrade does not send trade confirmations for systematic purchases, systematic redemptions and systematic exchanges. In some cases, SWA provides detailed quarterly performance reports describing account performance and positions. Some managed accounts either send confirmations for each securities transaction in the client's account direct from the account custodian as they occur and others bundle them to be sent with the periodic statement mailing.

For TPIA services, IARs review on an ongoing basis client accounts and meet with clients to review such items as accounts statements, quarterly performance reports, and other information or data related to the client's account and investment objective. The TPIA sponsor or custodian of the TPIA account assets send clients regular statements regarding the account.

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **Client Referrals**

SWA may enter into arrangements with individuals ("Solicitor") whereby the Solicitor will refer clients to SWA which clients may be a candidate for the investment advisory services offered by SWA. In return, SWA will agree to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with SWA for advisory services. Compensation to Solicitor will be an agreed upon percentage of SWA's advisory fee. SWA's referral program is in compliance with the federal regulations as set out in 17 CFR Section 275.206(4)-3. The solicitation/referral fee is paid pursuant to a written agreement retained by both the investment adviser and the Solicitor. The Solicitor will be required to provide the client with a copy of SWA's Form ADV Part 2A and a Solicitor Disclosure Brochure prior to or at the time of entering into any investment advisory contract with SWA. Solicitor is not permitted to offer clients any investment advice on behalf of SWA. Clients' advisory fee will not be increased as a result of compensation being shared with Solicitor.

Some SWP Advisors may hold equity in Stratos Wealth Holdings, this creates a conflict of interest in recommending Fundamentum as a sub adviser as the advisor may have an indirect benefit in sharing in the profitability of Fundamentum as a shareholder of Stratos Wealth Holdings.

### **Other Compensation**

SWA may utilize other broker-dealers for custody and execution services in SWA sponsored wrap fee programs. SWA receives research or other products or services other than execution from broker-dealers or third party in connection with client securities transactions ("soft dollar benefits"). SWA may recommend (or use) the use of a broker-dealer who provides useful research and services. SWA derives a benefit from these services to the extent these soft dollars pay for expenses it would otherwise be required to pay for or produce itself. Fees charged to clients will not be reduced by the value of the services and a conflict of interest may exist as there is an incentive to SWA to select or recommend the use of a broker-dealer or custodian based on its interest in receiving the research or services, rather than on the clients' interest in receiving most favorable execution. SWA may have an incentive to select or recommend a particular broker-dealer/custodian based on our interest in receiving these benefits, rather than on the client's interest in receiving most favorable execution.

Fidelity may provide for payment of transition related expenses. Charles Schwab & Co., Inc. Advisor Services may provide for the reimbursement of transfer of account exit fees. SWA generally limits the use of these custodians and advisors must be approved by the External Custodian Committee at SWA.

The IAR and SWA employees may receive additional non-cash compensation from advisory product sponsors. Such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. Advisory product sponsors may also pay for education or training events that may be attended by SWA employees and IARs.

SWA may enter into referral agreements with independent third party investment advisors, pursuant to which SWA and IARs would receive referral fees from the third party investment advisors in return for referral of clients. Because SWA is engaged by and paid by the third party investment advisor for the referral, any recommendation regarding a third party investment advisor as part of a referral presents a conflict of interest. SWA addresses this conflict by providing the client with a disclosure statement explaining the role of SWA and IAR and the referral fee received by SWA and IAR. For more information regarding these arrangements, refer to Item 4.

Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from client assets. Any 12b-1 fees paid on mutual funds purchased in a SWA managed account are not passed to IARs and will be retained by the custodian.

Broker-dealer/custodians may make available to SWA products and services that benefit SWA but may not benefit its clients' accounts. Some of these other products and services assist SWA in managing and administering clients' accounts. These include software and other technology that provide access to client account data, such as trade confirmation and account statements; facilitate trade execution and allocation of aggregated trade orders for multiple client accounts; provide research, pricing information and other market data; facilitate payment of SWA's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of SWA's accounts.

## **ITEM 15. CUSTODY**

Accounts are generally custodied at Fidelity, Charles Schwab & Co., Inc. Advisor Services, TD Ameritrade or other qualified custodians as chosen by Client and IAR or through other third party investment advisors who have select custodial relationships. SWA will not maintain custody of clients' funds or securities, with the exception of deduction of SWA's fees from clients' accounts that are authorized in the advisory agreement between clients and SWA.

## **ITEM 16. INVESTMENT DISCRETION**

Clients may grant SWA authorization to manage a client's account on a discretionary basis. Discretionary authorization provides SWA the ability to determine the securities to be purchased and sold and when such securities are purchased and sold. Client will grant such authority to SWA by execution of the client agreement.

Additionally, clients are advised that:

- A. IARs must obtain written client consent to establish any mutual fund, variable annuity, or brokerage account;

- B. SWA will not have the ability to withdraw client's funds or securities from the account, with the exception of deduction of SWA' advisory fees from the account (if client has provided written authorization for automatic deductions).

For clients with assets held in custody through a Fidelity account, clients may grant their IAR limited trading authority to place orders on their behalf. This limited trading authority is authorized through a form which is filed with Fidelity.

#### **ITEM 17. VOTING CLIENT SECURITIES**

In general, SWA does not vote proxies for clients. In certain limited cases, SWA may be required by agreement to vote proxies on behalf of a client. Proxy voting policies and procedures are available for clients for whom SWA is required to vote proxies.

#### **ITEM 18. FINANCIAL INFORMATION**

SWA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Since SWA does not have custody of client funds or securities, should SWA encounter a financial condition that would impair SWA's ability to meet its commitments under contracts with clients, such financial condition will not have a negative impact on client accounts.

SWA has not been the subject of a bankruptcy petition in its history.