

**Item 1. Cover Page**

# **Form ADV Part 2A, Appendix 1 “Wrap Fee Program Brochure”**

## **National Planning Corporation®**

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**March 31, 2017**

**This Wrap Fee Program Brochure (“Brochure”) provides information about the qualifications and business practices of National Planning Corporation®. If you have any questions about the contents of this Brochure, please contact us at the above phone number. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about National Planning Corporation® (“NPC”) also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## Item 2. Material Changes

We may update this Brochure at any time but are required to promptly send clients a copy of certain material changes to our disclosures upon doing so. In addition, we will also deliver an annual summary of material changes that occur to the Brochure along with an offer to provide you with a current version. The following updates have been made to this Brochure since the last update of December 9, 2016.

### **The Advisor Solutions Program:**

- Advisor Solutions has become a “wrap fee program” based on pricing enhancements that include a single fee now being assessed for investment advisory and trading related costs. Since the SEC requires wrap fee programs to use a differently formatted brochure, we have made the following material updates to the Advisor Solutions brochure:
  - The prior Advisor Solutions’ Form ADV Part 2A is being amended and replaced in its entirety by this Brochure;
  - Item 4 “Program Fees” has been amended to reflect an updated pricing structure, including monthly fee billing for all clients, a reduction of the Maximum Advisor Fee, enhanced itemization of certain Program Fee components and an updated Platform Administration Fee that includes a tiered percentage based Custodian fee for trading related costs.
  - As applicable, any 12b-1 fees received by NPC relative to mutual fund sales will be rebated as a fee credit to both qualified and non-qualified accounts.

### **The Strategist Solutions Program:**

- Item 4 “Program Fees” has been amended to reflect that Program Fees shall in all cases now be assessed on a monthly basis.
- The Brochure has been materially updated to include a description of Advisor Solutions, however, these changes do not impact existing descriptions of Strategist Solutions.

You may request copies of this updated Brochure by contacting us at (888) 711-6720, e-mailing us at [iacu@natplan.com](mailto:iacu@natplan.com), or downloading it from our website at [www.natplan.com](http://www.natplan.com) or the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

### Item 3. Table of Contents

	Page
Item 1. Cover Page .....	1
Item 2. Material Changes .....	2
Item 3. Table of Contents.....	3
Item 4. Services, Fees and Compensation .....	4
Item 5. Account Requirements and Types of Clients .....	11
Item 6. Portfolio Manager Selection and Evaluation .....	14
Item 7. Client Information Provided to Portfolio Managers.....	17
Item 8. Client Contact with Portfolio Managers .....	17
Item 9. Additional Information.....	17
NPC Privacy Policy.....	24

## **Item 4. Services, Fees and Compensation**

### **Introduction**

National Planning Corporation® (“NPC”) is registered with the SEC as an investment advisor and is the sponsor and investment advisor for our WealthONE® Wrap Fee Program consisting of two sub-programs—Advisor Solutions® and Strategist Solutions® (collectively, the “Program”). Our services are provided to you through your relationship with our Investment Advisor Representative (“Advisor”). To enroll in the Program, you will be required to execute NPC’s New Account Form and Asset Management Services Agreement which contain additional terms and conditions governing your investment account and relationship with us. We encourage you to review these documents together with this Brochure, and to discuss any questions you may have with your Advisor, to ensure that you fully understand the investment options and related services offered under the Program.

All references to “you” and “your” in this Brochure refer to prospective and existing investment advisory clients of NPC. References to “we,” “us” or “our” may collectively refer to NPC and/or your Advisor.

We also offer other investment advisory services not discussed in this Brochure. You may request a copy of NPC’s Form ADV, Part 2A if you wish to learn more information about these programs.

In addition, you should be aware of the differences between the investment advisory fee-based services outlined in this Brochure for ongoing management of accounts, and commission-based services that are separately available through NPC for unmanaged brokerage accounts. To assist you with assessing these differences, we make available a document entitled “Which Account Type Is Right For You?” that we encourage you to review and discuss with your Advisor. A copy of this document is contained on NPC’s website at [www.natplan.com](http://www.natplan.com) under “Investors”, then “Disclosures”, and is also available upon request from your Advisor or NPC.

### **Overview of Our Advisory Services**

Under the Program, we are able to offer you a wide range of investment opportunities for an inclusive “wrap fee” that covers investment advisory services, securities transactions and related administrative support. As an investment advisor, we act as a “fiduciary” and have an obligation to act in your best interest when providing investment advice regarding management of your investments. The investment advisory services we provide may vary in type and complexity based on a client’s individual circumstances. Our Program is administered through a technology platform we subscribe to under an arrangement with a third party technology platform provider, in addition to various other service providers we may engage to support the Program, as further described within this Brochure.

### **Individualized Investment Advice—Investment Risk Profile**

Generally, our services begin with your Advisor gathering information from you regarding your financial situation, goals, and objectives, including information regarding your investment time horizon (this is the length of time before you intend to sell your investments), risk tolerance (certain investments are more risky than others), and other factors that may be relevant to your situation (collectively, your “Risk Profile”). This information assists your Advisor with determining the level

of servicing and which investments are most appropriate to recommend or select on your behalf. It is important that you provide accurate and complete responses to the questions asked by your Advisor in developing your Risk Profile, and that you promptly update any subsequent changes to this information. Your Advisor will also periodically meet with you to discuss whether any changes have occurred that may impact your Risk Profile to ensure that it remains up to date.

## **Advisor Solutions Program**

For Advisor Solutions accounts, your Advisor will act as the investment portfolio manager for your account assets and will personally make investment recommendations or selections from a diverse range of available asset classes (e.g., stocks, mutual funds, bonds, exchange traded funds or “ETFs”, variable annuities, unit investment trusts, alternative investments, etc.). In accordance with your Risk Profile, your Advisor will propose an overall investment strategy and identify specific investments for your account portfolio.

Your Advisor may rely upon third party analytical and modeling tools to assist with constructing and maintaining your investment portfolio and, in certain cases, may manage your account based upon the use of model investment portfolios developed for use by a range of clients with similar Risk Profiles (“Model Portfolios”). Investment portfolios are generally managed based on principles of asset allocation (i.e., the practice of attempting to limit risk by investing among a range of different investment classes) and diversification (i.e., the practice of attempting to limit risk by investing among a range of different investments *within* each designated investment class), to reduce the overall risk of loss due to variation of returns of any particular asset class or investment position.

This Program is offered on both a discretionary and non-discretionary basis. *Discretionary services* authorize your Advisor to buy, sell or exchange securities in your account without obtaining your consent prior to each transaction, whereas *non-discretionary services* require you to pre-approve each transaction recommended by your Advisor. You have the option of selecting whether or not to grant NPC and your Advisor discretionary authority over your account when you enroll in the Program.

## **Strategist Solutions Program**

Under Strategist Solutions, we provide access to a diverse range of mutual fund and/or ETF based Model Portfolios that are managed by a select group of unaffiliated asset managers (“Strategists”). NPC has engaged the Strategists to construct and manage the Model Portfolios on our behalf at an omnibus level, and the Strategists do not possess knowledge of your individual information or investment goals and objectives, nor do they provide personalized investment advice or have a direct relationship with you. Your Advisor will recommend one or more Model Portfolios to you based on your Risk Profile, and the investments associated with each Model Portfolio are maintained and traded in a separate account on your behalf.

The Strategists determine which mutual funds and/or exchange-traded funds to include in the Model Portfolios and will periodically adjust and rebalance the Model Portfolio investments to remain consistent with their respective investment strategies and risk tolerances. Any changes to the Model Portfolios will result in trades being effected within your account, which may have tax ramifications for you based on the transactions that result. You remain the owner of all securities held in your Model Portfolio account and have all ownership rights associated with these securities.

Significant fluctuations in the value of investments over certain time periods (known as “dispersion”) may occur between the holdings and performance of the Model Portfolios in relation to actual client accounts, resulting in variances between the two. Account dispersion may be due to differences in account size, cash flow, and the timing of periodic securities trades initiated for the Model Portfolios, individual client-imposed restrictions on certain investments, differences in the timing of account rebalancing schedules, certain trading and system limitations, and other factors.

## **Trading and Custody Services**

Securities trade execution and custody services for the Program are provided on a fully-disclosed basis under an agreement between NPC and an unaffiliated clearing firm, Pershing LLC, a subsidiary of the Bank of New York Mellon (“Custodian”). Under such arrangement, NPC acts as the introducing broker-dealer of record in a separate capacity beyond the scope of investment advisory services described under this Brochure, pursuant to the terms and conditions of a New Account Form that you will be required to complete to establish a brokerage account with the Custodian. Your securities positions are issued in “book” form, meaning that a certificate of ownership is not issued, although the shares remain assets held within your Program account. Please see the New Account Form and Program Fees section below for more information concerning specific fees and expenses relating to custody services.

NPC has an obligation to monitor for “best execution” (a regulatory requirement to ensure the best combination of net price and execution) when placing brokerage transactions for your accounts through our clearing relationship with the Custodian. Various factors we consider in analyzing overall execution quality include the following, though we may not consider every factor when evaluating a particular trade:

- Transaction costs associated with the purchase and sale of investments;
- The trade execution, clearance, and settlement capabilities of the broker-dealer;
- The size of brokerage transactions accommodated;
- The efficiency and timing of brokerage transactions;
- The activity existing and anticipated in the market for a particular security;
- The nature of the securities being purchased or sold and access to purchasers and sellers within the investing marketplace (which may be limited due to thin trading activity or unavailability of certain securities);
- The financial stability and reputation of the executing broker-dealer; and
- The research products and other services provided for the benefit of NPC and its clients.

NPC regularly monitors the reporting of execution costs and quality to evaluate the brokerage services provided to our clients in comparison to industry standards to confirm the reasonableness of our determination to place trades with the Custodian.

You retain all ownership and proxy voting rights with respect to the securities held in your accounts. NPC and your Advisor will not take any action on your behalf, and will not render any advice to you, about: (i) the voting of proxies solicited by, or with respect to, the issuers or managers of any securities held in your accounts; or (ii) lawsuits (such as class actions) or other legal proceedings involving any securities or investments presently or formerly held in your accounts, or the issuers or managers thereof, including bankruptcies. All such proxy and legal proceedings information and related documentation will be delivered to you so that you may take whatever action you deem advisable. You acknowledge that your failure to complete and submit class action documentation in

the manner prescribed may result in your inability to participate in any recoveries on class action settlements.

## Client Exclusions and Security Restrictions

Subject to reasonable parameters, you have the opportunity to impose restrictions on specific investment products held within your Program account. However, you cannot impose restrictions on the management of products such as a mutual fund or ETF, or on the underlying investments held within such products, and your restrictions will be limited to a certain percentage of the overall holdings in your account. If you wish a specific investment excluded from your account, any resulting gap may be proportionately allocated among the non-excluded investments based on the remaining investment portfolio composition or filled by such other method we deem reasonable. The performance of an account with investment restrictions may differ significantly from Model Portfolios without such restrictions, possibly producing lower investment performance results.

## Program Fees

Program Fees are an inclusive percentage-based fee charged on behalf of the various parties providing services under the Program, as further detailed below. Fees will automatically be billed in advance monthly and deducted from your account based on the applicable Fee Schedules appearing below and within the Fee Schedule to your Program agreement, on a percentage basis according to the fair market value of your account(s) as reported by the Custodian. Program Fees are applied by asset tier per account with each successive level achieved receiving the lower fee stated on the Fee Schedule (also referred to as a “blended rate”).

**Maximum Advisor Fee.** Although various Program Fee component amounts may vary slightly between Advisor Solutions and Strategist Solutions due to varying services and costs, in no case will the total Maximum Advisor Fee amount charged by your Advisor for their services exceed the following:

Maximum Tiered Advisor Fee Schedule*	
Portfolio Value	Annual Fee
Up to \$49,999.99	2.00%
\$50,000 - \$249,999.99 (next \$199,999.99)	2.00%
\$250,000 - \$499,999.99 (next \$249,999.99)	2.00%
\$500,000 - \$999,999.99 (next \$499,999.99)	1.75%
\$1,000,000 - \$1,999,999.99 (next \$999,999.99)	1.50%
\$2,000,000 - \$4,999,999.99 (next \$2,999,999.99)	1.25%
\$5,000,000+	1.00%

A portion of the Advisor Fee charged by your Advisor is retained by NPC as an override to assist with defraying costs incurred in sponsoring and administering the Program.

Program Fee arrangements are negotiable and we reserve the right to waive such fees, in our discretion, or any other applicable fees or costs, either on an ongoing or a one-time basis. Your

account may also be eligible for additional discounting based on account type and combined household assets having the same address of record within either Advisor Solutions or Strategist Solutions, but not both.

The initial fee for the first calendar month in which a client participates in a Program shall be calculated on a pro-rata basis beginning the day after initial assets are deposited in the Program, and is debited the following month along with the fees for the next calendar month. Fees are subsequently calculated at the beginning of each calendar month, based on the fair market value of your Account on the last business day of the prior calendar month.

If you deposit assets (cash and/or securities) with a market value of ten-thousand dollars (\$10,000) or more in your Account on any given day after the beginning of a new month, the amount of such deposit shall immediately become subject to an additional pro-rated fee in accordance with the agreed upon Fee Schedule. You shall be entitled to a fee rebate calculated in the same manner if Account assets are withdrawn in excess of this amount on any given day. Additionally, if our relationship with you terminates and all assets are withdrawn from the Program prior to the end of the billing period, we will issue a refund for the pro-rata portion of the Program fees owed to you.

The amount of the Program Fee charged for each billing period will appear on your Account statement from the Custodian. It is your responsibility to carefully review Account statements and fee deductions within these fee statements to ensure they are accurate and appropriate.

### **Program Specific Fees**

- a. Advisor Solutions Program Fee.** The Program Fee is inclusive and comprised of various fees payable to (i) the Custodian, (ii) NPC and (iii) your Advisor, for their respective services as follows:

$$\text{Program Fee} = \text{Platform Administration Fee} + \text{Advisor Fee}$$

- **Platform Administrative Fee.** This portion of the Program Fee covers costs for services provided or arranged by the Custodian and NPC, including without limitation, trade execution and custody, administrative and technology platform services and such other support provided by NPC as sponsor of the Program. It is assessed based on the combined market value of Advisor Solutions accounts that are eligible for householding, and applied by asset tier with each successive level achieved receiving the lower fee stated on the tiered fee schedule. Please consult the Fee Schedule to your Program agreement to confirm the specific amount to be assessed.
- **Advisor Fee:** This amount is charged by your Advisor for providing you with investment advisory and related services under the Program, subject to the amounts listed in the above Maximum Tiered Advisor Fee Schedule. Please consult the Fee Schedule to your Program agreement to confirm the Advisor Fee applicable to your account, as determined based on consultation with your Advisor.

- b. Strategist Solutions Program Fee.** The Program Fee is inclusive and comprised of various fees payable to (i) the selected Strategist, (ii) Custodian, (iii) NPC and (iv) your Advisor, as follows:

$$\text{Program Fee} = \text{Strategist Fee} + \text{Custody Fee} + \text{NPC Fee} + \text{Advisor Fee}$$

- **Strategist Fee:** This is payable to the Strategists responsible for providing ongoing management of the Model Portfolios. Please note that any changes between Strategists will impact the Program Fee you are charged to reflect the difference in the respective Strategist Fees. The Strategist Fees vary depending upon the Strategist selected and may range from 0.00% to 0.40%. Some Strategists' Fees are lower because their Model Portfolios are managed using a passive investment strategy (e.g., index-based) that is less actively traded than those with a tactical and actively traded investment strategy. In addition, some Strategists may use their own investment products within their Model Portfolios for which they earn management fees from the products rather than charging a Strategist Fee.
- **Custody Fee:** An annual tiered Custody Fee will be assessed for each Model Portfolio account you maintain under the Program, and will depend upon your selected custodian. Please consult the Fee Schedule to your Program agreement to confirm the Custody Fee applicable to your account.

As applicable for Strategist Solutions accounts, non-transaction fee ("NTF") mutual fund and ETF positions, as well as any uninvested cash held in the account, is excluded from the Custody Fee calculation each billing cycle on a pro-rata basis according to the market value of NTF positions within a Model Portfolio, since custody related services are paid for by internal operating expenses of the NTF mutual funds and ETFs (which are generally slightly higher than for non-NTF positions to offset such fees).

- **Platform Administration Fee:** This covers administrative and technology platform costs provided or arranged by NPC as sponsor of the Program, and NPC pays a portion of this fee to the third party technology platform provider. It is assessed based on the combined market value of your Strategist Solutions accounts that are eligible for householding, and applied by asset tier with each successive level achieved receiving the lower fee stated on the tiered fee schedule. Please consult the Fee Schedule to your Program agreement to confirm the Platform Administrative Fee applicable to your account.
- **Advisor Fee:** This fee is paid to your Advisor for providing you with investment advisory and related services under the Program, subject to the amounts listed in the above Maximum Tiered Advisor Fee Schedule. Please consult the Fee Schedule to your Program agreement to confirm the Advisor Fee applicable to your account, as determined based on consultation with your Advisor.

**Miscellaneous Fees.** The Custody Fee covers general transactional costs such as "ticket" and "confirm" charges assessed in connection with processing securities trades in the course of managing or rebalancing your account. However, the Custody Fee does not include other Custodian servicing fees such as termination fees, ACAT fees (which apply to the transfer of assets between financial institution accounts), wire transfer fees (which apply to the transfer of cash between financial institution accounts), annual IRA and qualified retirement plan account maintenance fees, and such other account servicing fees as described in the WealthONE Client Fee Schedule, which is available from your Advisor. NPC receives a portion of these fees in exchange for various services it provides in its role as the sponsor and introducing broker-dealer to the Program. These fees are subject to periodic change by the Custodian, and advance notice will be provided to you in the event of such a change.

NPC also reserves the right to charge or pass on to you other third party transaction, servicing or administrative fees unique to your account type and account activity, including but not limited to,

deferred sales charges (these may be assessed by certain mutual funds and variable annuities when you sell shares prior to the expiration of a required holding period), early redemption fees (similarly, these may be assessed to discourage market timing during a shorter initial holding period), sub-transfer agent or recordkeeping fees, administrative expenses and other miscellaneous fees. When a Strategist determines a liquidation to be in the best interest of investors under Strategist Solutions, service charges may also include early redemption fees assessed by mutual funds maintained within the Model Portfolios that are liquidated before the required holding period expires. Please consult the New Account Form and the WealthONE Client Fee Schedule available from your Advisor, for more information.

**c. Program Fee Credit.** NPC may receive “12b-1 fees” (fees for marketing and distributing mutual funds), in addition to fund servicing or administration fees paid by mutual funds for selling their products. We generally aim to avoid the purchase of any mutual funds that impose a 12b-1 fee or sales charge at the time of purchase or sale (referred to in the industry as front-end or contingent deferred sales loads), however, any 12b-1 fees or related fund servicing or administrative fees we receive relative to your account investments will be applied to your account as a credit. The amount of fees that are credited will vary depending on the investments held in your account.

As described in NPC’s Premier Sponsor Program and Revenue Sharing Disclosure (a copy of which is available on our website and through our Advisor), NPC and its Advisors will receive revenue sharing or other types of payments or marketing reimbursements from certain product sponsors, as well as Pershing LLC (“Pershing”) and the Strategists, in NPC’s capacity as the sponsor and introducing broker-dealer for the Program. See Item 9 below for additional details regarding certain revenue sharing arrangements that benefit NPC and its Advisors, and related conflicts of interest.

**d. Internal Fees by Product Sponsors.** Certain investments have internal fees and costs that are not assessed by NPC and will not appear on your account statement. For example, mutual funds, ETFs, variable annuities, UITs, REITs and other packaged products typically have internal fees charged by the product sponsor or investment manager for their services, which are in addition to the Program Fee and can impact the performance of your investments. Higher internal operating expenses will generally have an adverse impact on your Account performance. The prospectus or offering document for these products describes applicable internal fees or expenses, and we encourage you to discuss them with your Advisor. In the case of mutual funds, “no load” funds may be available that do not assess a commission or sales charge (unlike “load” funds). Clients should also be aware that individual mutual funds typically offer a range of different share classes that may result in both varying internal operating expenses and compensation to NPC and your Advisor, depending upon the share class NPC or your Advisor selected. Please see “Mutual Fund Share Classes” under Item 9 below for more details regarding share classes and related conflicts of interest. In addition, you should be aware of possible tax effects relating to fund share redemptions or the cancellation of policies or other products that may be purchased for your account.

**Please consult your Advisor and Schedule A of your Asset Management Services Agreement for additional details regarding the specific Program Fees to be assessed for your participation in the Program.**

## **Cost of Program Compared to Separate Purchase of Services**

If you paid separately for the investment advisory, brokerage, custody and other services you receive under this Program, the actual costs could vary from the fees you pay under the Program depending

upon such factors as the value of your account, the investment strategy or Model Portfolio selected, the number and size of trades effected in your account, the number of ancillary account transactions processed on behalf of your account, and as applicable for Strategist Solutions, the number of Model Portfolios you select for investment. Comparable services may be available separately or from other firms for fees lower or higher than those we charge in the Program.

## **Fees for Additional Services**

You may also be charged non-standard service fees incurred relating to services or activities separate from the management of your Program account. For example, we may separately offer you consulting services, securities transition analyses and tools, or other services that will assist you in evaluating your financial situation. These expenses will be charged to a client's account at the time of occurrence. Your Advisor will provide additional details and discuss such fees in advance of providing these services, and such services will be provided pursuant to the terms and conditions of a separate agreement with NPC that outlines these details.

## **Payments to Financial Professionals and Firms**

The Advisor who recommends the Program to you receives compensation as a result of your participation in the Program. Since the compensation paid to your Advisor may be more than what the Advisor would receive if you participated in other investment advisory programs or paid separately for investment advice, brokerage, and other services, the Advisor may have a financial incentive to recommend the Program over other investment advisory programs or services.

## **Item 5. Account Requirements and Types of Clients**

### **Funding Your Account**

You have four choices to fund your account: (1) check, (2) wire transfer, (3) an ACH (Automated Clearing House) deposit, and (4) an ACAT (Automated Customer Account Transfer Service) transfer. You may send a personal check drawn on a domestic bank account made payable to the Custodian or a wire transfer. If you open your account or make a contribution to an existing account with a check, you will not be able to withdraw or liquidate your account for ten (10) calendar days following the date of deposit to provide for proper check clearance. You can also establish an ACH deposit by completing an ACH Deposit Authorization Agreement when you set up your account. This process may take up to ten (10) business days to complete before we are in a position to receive your deposit and invest your assets in the Program. Finally, you can fund your account by transferring assets from your existing brokerage firm or bank through the execution of an ACAT transaction to the Custodian. Generally, ACATs are a full “transfer-in-kind” of all securities and cash in your account. You should understand that all or a portion of these securities may be sold either at the initiation of, or during, the course of managing your Model Portfolio account and that we do not necessarily manage all securities that you have transferred to fund your account.

Funding may also be subject to reasonable requirements based upon regulations or operational limitations. We urge you to work closely with your Advisor to coordinate the funding and transfer of assets. There are certain limitations as to the type of checks and securities that are acceptable, as well as additional documentation that may be necessary to complete the funding or transfer. We will begin acquiring securities for your selected Model Portfolio once your funds and securities are converted and ready for investment. Custodian will sell securities received and the resulting

proceeds will be invested in your Program account, which may take up to ten (10) business days. You should consult your tax advisor regarding the potential tax impact of this action.

## **Minimum Investment**

A minimum initial investment of at least \$25,000 is required to participate in Advisor Solutions, and at least \$10,000 is required for Strategist Solutions, though a higher minimum may apply depending upon particular requirements set determined by your Advisor or certain Strategists (please consult your Advisor for details). If your Program account falls below the minimum investment requirement due to personal withdrawals, expenses, or for other reasons such as market fluctuations, you may be required to contribute additional funds to avoid having your account terminated.

## **Withdrawal from the Program**

You may terminate your participation in the Program at any time upon written notification to NPC or your Advisor, subject to any Custodian termination fees set forth in the Fee Schedule in addition to certain administrative fees that may apply, as applicable, such as those imposed by the government, IRA fees or wire transfer fees. You will receive a pro-rata refund of any Program fees which you have pre-paid for any period subsequent to any such termination.

You are required to have an Advisor to participate in the Program. If your Advisor terminates his or her participation in the Program or you terminate your relationship with your Advisor, we may recommend a replacement Advisor for you to serve as your interim Advisor until a replacement can be found. If NPC is required to provide intermediary services related to a client's participation in the Program in the absence of an Advisor or waive the account minimum for a client, we may retain a portion or all of the fees that would otherwise be payable to the Advisor. If you are unable to find a replacement Advisor with NPC's assistance, we have the right to terminate your participation in the Program.

## **Transfers**

If you decide to liquidate your account and submit a completed Withdrawal Form, the Custodian will normally sell the securities in your account and send a check to you at your address of record. You can choose to wire the proceeds to your bank or credit union on receipt of a Medallion Signature Guarantee and a completed Withdrawal Form. The Custodian will charge you a wire transfer fee for each bank wire transfer, which is in addition to any charges made by the bank for the receipt of the wire. The proceeds can also be sent through an established ACH link to the bank. If a link has not been established, you can complete an ACH Withdrawal Authorization Form to establish the link, which may take up to ten (10) business days. Monies cannot be transferred until the link has been established.

Your assets can also be transferred by executing an ACAT transaction to a brokerage firm or bank that is able to accept ACAT transactions. This is normally accomplished by requesting the securities in your Program account to be liquidated and the proceeds, along with any cash in your account, to be sent via ACAT. You can also request that a full transfer-in-kind of securities and cash be made. In this case, we will transfer all securities and cash in your account as instructed. Unless you plan to retain your securities positions upon a transfer-in-kind, we recommend that you allow us to sell your securities and to transfer the proceeds. The sale and settlement of securities in your Program account may take up to ten (10) business days after receipt of your request in good order. The price received

in liquidating or redeeming these securities may vary as a result of interim market fluctuation from the time of receipt of your instructions and the disposition of your assets. A liquidation fee may apply as set forth in the Program's Fee Schedule.

## **Types of Clients**

With respect to the Program, we provide advisory services to clients that include individuals, trusts, pension plans, and corporate entities.

## **Benefit Plan Accounts**

Program accounts may be established for (a) employee benefit plans described in Section 401(a) or 403(a) of the Internal Revenue Code of 1986, as amended (the "Code"); (b) individual retirement accounts or annuities as defined in Section 408 of the Code ("IRAs"); or (c) other plans or arrangements subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or Section 4975 of the Code (collectively, "Benefit Plan"). We provide Services to responsible plan fiduciaries or their designees, as well as participants of self-directed retirement plans. For plan level arrangements, an investment strategy is chosen by an independent fiduciary that is responsible for overseeing the respective Benefit Plan (or the Benefit Plan participant for certain self-directed participant accounts, IRAs or other accounts that do not have independent fiduciaries). The selected Model Portfolio and restrictions, if any, then serve as the Investment Policy Statement for the Program account. We do not serve as the trustee or plan administrator for any Benefit Plan.

For Program accounts established for Benefit Plans, the investments and fees under the Program are intended to comply with applicable exemptive relief under ERISA and the Code permitting our receipt of such fees. In connection with that relief, as it applies to arrangements involving the furnishing of services to Benefit Plans that are "covered plans" within the meaning of U.S. Department of Labor Regulation §2550.408b-2(c)(1)(ii), the following disclosures are provided:

- The Services provided under the Program are described in your investment advisory and brokerage account agreements with NPC, together with this Brochure.
- In providing Services under the Program, NPC is acting as an investment adviser registered under the Investment Advisers Act of 1940, as amended.
- In providing Services under the Program, NPC is also acting as a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to the Program.
- The "direct compensation" (within the meaning of U.S. Department of Labor regulation §2550.408b-2(c)(1)(iii)(D)(2)) that NPC (together with our Advisor) expects to receive in connection with the provision of services under the Program consists of (i) a portion of the Platform Administration Fee and (ii) the Advisor Fee, as described in the section of this Brochure entitled "Strategist Solutions Program Fee" under Item 4 and within the Fee Schedule to your investment advisory agreement with us. As noted under "Miscellaneous Fees" of Item 4, you may also pay various fees to the Custodian for special services that are not covered by the Custody Fee, a portion of which may be paid to NPC. A detailed list of these fees is available through your Advisor. NPC does not expect to receive any "indirect compensation" under the Program (within the meaning of U.S. Department of Labor

Regulation §2550.408b-2(c)(1)(iii)(D)(2).

- Upon termination of your participation in the Program, you will receive a pro-rata rebate of any Program Fees which have been paid in advance.
- Neither NPC, our Advisors nor our respective affiliates or subcontractors provide recordkeeping services under the Program.
- If you are an individual account plan (as defined in Section 3(34) of ERISA) that permits participants and beneficiaries to direct the investment of their accounts and one or more designated investment alternatives for the plan is provided through the Program, you will be provided a copy of the prospectus or other offering materials for each such designated investment alternative that describes (i) any compensation charged directly against investment in the designated investment alternative; (ii) the total annual operating expenses for the designated investment alternative, expressed as a percentage and calculated in accordance with U.S. Department of Labor §2550.404a-5(h)(5); and (c) any other material information that is required for the administrator of the plan to comply with the disclosure obligations described in U.S. Department of Labor §2550.404a-5(d)(1).
- If there is any material change to information described in the above Benefit Plan disclosures, to this Brochure more generally or in relation to your investment advisory and brokerage agreements with NPC, you will be notified of such change within at least thirty (30) days from the date on which we learn of the change.
- For retirement plan sponsors, we will arrange, upon the reasonable request of your independent plan fiduciary or plan administrator, to furnish any other information relating to the compensation received in connection with the furnishing of Services under the Program that is required for you to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms, and schedules issued thereunder.

## **Item 6. Portfolio Manager Selection and Evaluation**

As explained under Item 4 “Overview of Our Advisory Services,” your Advisor will personally manage your investment portfolio in your Program account under Advisor Solutions, whereas the Strategists are responsible for managing Model Portfolios in which you may invest under Strategist Solutions. Accordingly, the portfolio manager selection and review process will differ among these options.

In either case, Advisors are subject to industry licensing requirements, a background review and ongoing supervision and surveillance by NPC to ensure their investment advisory services and recommendations remain consistent with our established policies and procedures. To assist you in monitoring your Account performance, we provide you with quarterly performance reports that are generated by the third party platform technology provider for the Program. Although NPC does not verify the accuracy of individual performance reports and these are not intended to replace information contained in periodic statements received from the Custodian, the performance reporting process is subject to a general review by NPC to verify its ongoing compliance with industry standards. Further details regarding the specific performance reporting methodology are outlined within the performance reports that are provided to you.

Investing in securities and other investment products involves inherent risks, including the possible loss of the total principal amount invested. Although we seek to achieve the investment objectives and financial goals of our clients, past investment performance does not guarantee future results and we are unable to make any guarantees to clients with respect to avoiding monetary losses. These risks apply to both strategic long term and shorter term tactical approaches to investing. Clients should carefully read the terms of all agreements, product offering documents and related disclosures provided by or available upon request from NPC regarding product sponsors or the Strategists, to better understand the risks associated with each investment product or third party portfolio management service under consideration. Following is a description of the various portfolio management and due diligence processes we rely upon in an attempt to mitigate investment risks.

## **Advisor Solutions**

The type and scope of portfolio management and related advisory services offered under Advisor Solutions has the potential to vary significantly depending upon your Advisor's individual investment philosophy, strategy, experience and reliance on qualitative vs. quantitative analysis. In addition to providing general portfolio management, some Advisors also specialize in offering tax efficient investment advice, retirement consulting services or general financial planning. For these reasons, it is important that you discuss and confirm the specific investment approach and services to be provided by your Advisor, and to ensure such meets with your investment objectives and needs. Please also review Item 4 above for additional details regarding the types of portfolio management services we offer.

As also outlined under Item 4, your Advisor will tailor their investment advice and services to your investment objectives and needs based on your Risk Profile. In so doing, your account may be managed according to a Model Portfolio but only to the extent that such is determined appropriate based on your individual circumstances. The diverse range of investment options available under our Program ensure that a personalized investment solution can be identified and created according to your Risk Profile. Clients may also request reasonable restrictions on the types of investments purchased on their behalf, based on either general social categories or specific securities, although this may impact the performance of their accounts in comparison to those without the same restrictions.

Under limited circumstances, NPC Advisors may be compensated based on a share of the capital gains or capital appreciation of Program assets in a client account, also known as performance-based fees. This creates a conflict to the extent that we also charge asset-based, hourly, or flat fees, since it creates an incentive to favor accounts for which we receive a performance-based fee. We limit this conflict by allowing certain Advisors to charge performance-based fees on an exceptions basis only, and we have policies and procedures designed to monitor the appropriateness of these fees and account activity in comparison with other accounts.

Our Advisors rely on a number of tools to assist in recommending or selecting an investment strategy to clients, including asset allocation and portfolio modeling software that assists with their analysis of investment options when recommending or purchasing investments for your portfolio. Although our advisory services are generally designed for long-term investing in which investment positions are maintained for a longer period of time (also referred to as "strategic" investing), short-term investment strategies that aim to take advantage of frequent market movements (also referred to as "tactical" investing) may also be made available to accommodate certain circumstances. Investment

returns, particularly over shorter time periods, are highly dependent on the value of securities within an investment portfolio which are impacted by trends in the various investment markets.

Your Advisor may provide investment advice concerning various types of investments, including, equity securities (exchange-listed securities, securities traded over-the-counter, and foreign issuer securities trading as American Depositary Receipts), warrants, commercial paper, corporate debt securities (other than commercial paper), certificates of deposit, municipal securities, investment company securities, variable annuities, variable life insurance, U.S. Government securities, option contracts, fixed insurance, unit investment trusts, exchange-traded funds, interests in partnerships involving real estate, oil and gas, certain types of structured investment products, and other investments, depending upon a client's Investment Profile Information.

## **Strategist Solutions**

The Strategists selected to participate in the Program are subject to a thorough review process and evaluation, including both a qualitative and quantitative analysis subject to our detailed review standards. Through an arrangement with our parent company, National Planning Holdings, Inc. ("NPH"), NPC relies on a dedicated NPH Due Diligence Team of specialized financial analysts to assist with the initial and ongoing assessment and monitoring of the Strategists and their respective Model Portfolios. We have also retained the services of Jackson National Asset Management, LLC ("JNAM"), an affiliated company, to supplement our NPH Due Diligence Team's review with JNAM provided research and verification of Strategist performance, attribution analysis reports, the accuracy and reliability of other reports, and prospective Strategist due diligence support. See Item 10 below for more information on NPH and JNAM.

The qualitative analysis consists of speaking with prospective and participating Strategists, conducting periodic on site due diligence visits, and reviewing for stability by evaluating their ownership and financials, regulatory history, the background and experience of investment and trading personnel, the investment infrastructure, total assets under management, existing product and custodial relationships, growth strategies, compliance processes and level of commitment to our Program. To supplement qualitative considerations, we also rely on industry-based calculation methods to verify performance and attribution reporting responsibility, performance dispersion, trade activity dispersion, and benchmarking comparisons.

The NPH Due Diligence Team presents its analysis and recommendations to NPC's Investment Policy Committee which is comprised of a select team of senior executives and officers who are responsible for approving, removing, and the general monitoring of Strategists participating in the Program. Factors considered in the selection and ongoing review process will include an analysis of historical composite performance, not only from a total return perspective, but also with an emphasis on risk measures, portfolio characteristics, style trends and comparisons to the universe of portfolio managers and investment advisors with similar investment philosophies and processes.

We may occasionally determine that a Strategist is no longer appropriate for managing a Model Portfolio. Reasons for replacing a Strategist include a change in the investment style or processes employed by the Strategist, a change in the Strategist's key personnel, and inferior performance as compared to applicable investment benchmarks, peer portfolio managers, or investment advisors with comparable investment styles. We will promptly notify you if we elect to replace the Strategist responsible for the Model Portfolio upon which your account investments are based.

As the overall amount of assets grow in the Strategist Solutions Program, we may hire additional Strategists that have the same or competing investment strategies in offering allocation strategies to investors. Accordingly, there will be differences in the holdings and results of client Model Portfolios having principally the same allocation strategies but different Strategists. The Program offers a wide spectrum of investment strategies. More specifically, the Program offers the ability to choose from strategies that range from an academically-based, traditional, passive implementation to a very quantitatively-based, active, tactical management strategy. As explained under Item 4 “Overview of Our Advisory Services,” your Advisor will work with you to select an appropriate investment strategy for you. We encourage you to request a copy of any Strategist’s brochure should you wish to learn more about their strategies.

## **Item 7. Client Information Provided to Portfolio Managers**

Under the Program, your Advisor acts as NPC’s agent and will request and receive various personal information directly from you on our behalf to establish and maintain your account under both Advisor Solutions and Strategist Solutions. However, the Strategists do not receive or possess knowledge of your individual information or investment goals and objectives, since they do not have a direct relationship with you under Strategist Solutions.

## **Item 8. Client Contact with Portfolio Managers**

Any questions regarding the management of your Program account(s) should be directed to your Advisor, or to NPC directly in the event your Advisor is unable to assist you. Clients do not have a direct relationship with Strategists under the Strategist Solutions and are thus generally limited in initiating contact with them, however, either your Advisor or NPC can assist with facilitating such contact as may be requested.

## **Item 9. Additional Information**

### **Disciplinary Information**

NPC is required to disclose the following information for your consideration:

**October 8, 2014 Florida Department of Financial Services administrative penalty of \$10,250 –** NPC entered into a Consent Order for failure to timely file applications for certain branch locations engaged in the business of insurance as required by Section 626.112(7) of the Florida Statutes.

**November 10, 2009 Commonwealth of Massachusetts Office of the Secretary of the Commonwealth Securities Division Consent Order of approximately \$3.7million —** A Representative conducted business activities outside of NPC without our knowledge, consisting of the sale of promissory notes to Massachusetts investors without providing investors with appropriate disclosure. We provided full restitution to each investor and retained an independent consultant to review compliance and supervisory procedures.

**January 26, 2007 State of Florida Office of Financial Regulation Stipulation and Consent Agreement/Final Order-Fine of \$172,000 —** NPC was found to have conducted business from nine branch locations in Florida without the locations being properly registered with the state; certain personnel did not have appropriate disclosure forms on file with us for conducting non-NPC related

business activities outside of the firm; one member of our personnel failed to provide proper paperwork when selling collateralized mortgage obligations and we were negligent in reporting internal disciplinary action taken against this individual; our policies and procedures to provide customers with copies of account forms to verify or update their information were also deemed insufficient.

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

NPC is an indirect, wholly owned subsidiary of Prudential plc, an international financial services group with operations in the United Kingdom, Europe, Asia, and the United States. We are affiliated by common ownership with a variety of financial services companies, including the following:

### **Broker-Dealers**

Investment Centers of America, Inc. ("ICA"), IFC Holdings, Inc. d/b/a INVEST Financial Corporation ("IFC"), SII Investments, Inc.® ("SII") and Curian Clearing, LLC are each registered as a broker-dealer with the SEC, and each is a member firm of the Financial Industry Regulatory Authority ("FINRA").

Jackson National Life Distributors LLC ("JNLD") is a broker-dealer registered with the SEC and member firm of FINRA. JNLD acts as principal underwriter of variable insurance products issued by Jackson National Life Insurance Company® ("Jackson®") and Jackson National Life Insurance Company of New York® ("Jackson NY"). See also "Insurance Companies/Investment Companies" below.

Certain of our executive officers and directors also serve as officers and/or directors of these affiliated entities.

### **Insurance Companies/Investment Companies**

Jackson and Jackson NY issue variable annuity and life insurance products that are registered under the Investment Company Act of 1940, as amended. The separate accounts of Jackson and Jackson NY that issue variable products are similarly registered as investment companies.

Brooke Life Insurance Company® is an insurance company offering traditional life insurance and annuity products.

### **Investment Advisors**

ICA, IFC, and SII are each affiliated with NPC and are investment advisors registered with the SEC and various state securities agencies.

Jackson National Asset Management, LLC® ("JNAM") is an investment advisor registered with the SEC that serves as investment advisor to: the JNL Series Trust, the JNL Investors Series Trust, the JNL Variable Fund, LLC, the JNL Variable Fund III, LLC, the JNL Variable Fund IV, LLC, and the JNL Variable Fund V, LLC and (with respect to Jackson NY) the JNLNY Variable Fund I, LLC, the JNLNY Variable Fund II, LLC, and the Jackson Variable Series Trust. JNAM also provides certain research analysis support to the Program as discussed in Item 6 above.

PPM America, Inc. ("PPM") is an investment advisor registered with the SEC that serves as the investment manager for the general accounts of JNL® and JNL/NY® and as a sub-advisor to certain series of the JNL Series Trust and JNL Investors Series Trust. M&G Investment Management Ltd. is also a registered investment advisor that offers advisory and investment management services to investors, institutions, trusts, and investment companies.

## Conflicts of Interest

You should be aware that certain conflicts of interest exist in our management, distribution, fees, and oversight of the Program. Certain of these conflicts also apply to some of the Strategists and other entities that support and receive compensation from the Program.

### a. Advisor Solutions

**Premier Product Sponsor Program.** In compliance with applicable securities laws, rules and regulations, and upon entering into an agreement with the product sponsors of certain mutual funds, variable insurance products, REITs, Unit Investment Trusts and other investment products, NPC and its Advisors sometimes recommend or select these investment products or programs on behalf of clients where (i) we receive commissions, service/sales charges, revenue sharing payments, payment for order flow or other forms of benefit as a result of a client's investment in such investment products or use of these retirement platforms and (ii) NPC or one of its affiliates is the investment advisor, sponsor, principal underwriter or other service provider and, as such, receives compensation as a result of the client's purchase of the investment product or program.

In the case of premier investment products and programs, these payments to NPC are not generally shared with our Advisors. However, these arrangements generally pay higher amounts for the sale of "packaged products" (like mutual funds, annuities and REITs) over individual stocks and bonds. Clients should be aware that this presents a conflict of interest because NPC and its Advisors have a greater incentive to recommend or select investments products or programs that provide greater compensation to NPC or its affiliates. For more information, please see the "Premier Sponsor Program and Revenue Sharing Disclosure" contained on NPC's website at [www.natplan.com](http://www.natplan.com) under "Investors", then "Disclosures."

### b. Strategist Solutions

**Strategist Marketing Support.** NPC receives marketing support payments from the Strategists for promoting and administering the Program and their products and services. These payments present a potential conflict of interest because we have a financial incentive to recommend this Program versus other programs offered by NPC for which we do not receive similar support. In the case of Strategists support, however, these payments are limited to annual flat dollar amounts that do not vary among the Strategists and are not calculated or contingent upon specific asset amounts invested in Model Portfolios managed by a particular Strategist, to minimize conflicts of interest.

**Strategist Related Conflicts.** Some Strategists have a conflict as a result of managing similar strategies and making competing investment and trading recommendations for other clients involving the same mutual funds and ETFs held in Program accounts. Some have a business relationship or relationships with certain mutual funds and ETFs, which might influence their decision to include and trade such investments in a strategy. Strategists managing similar strategies for clients are not required to acquire, hold and sell the same security for all of their clients. Additionally, trades placed for you may be subject to price movements that may result in you receiving prices that are less favorable than those obtained by the Strategists for other client accounts. This may result in potential differences between the performance returns of other accounts managed within a Strategist's Model Portfolio compared to your account. We also

encourage you to request a copy of any Strategist's brochure should you wish to learn more about their potential conflicts of interest, as applicable.

Certain Model Portfolios managed by the same or different Strategists may have very similar investment strategies and underlying holdings resulting in similar performance results. Model Portfolios similar to those recommended by your Advisor may be available to you at a lower cost through the same or another Strategist. Slight differences may occur among these Model Portfolios insofar as the manner in which fees are assessed and disclosed by the Strategists, pricing breakpoints, and actual portfolio holdings. Please consult your Advisor if you have any questions regarding similar Model Portfolios that may be available at a lower cost than those recommended to you by your Advisor.

Our parent and some of other related entities have similar arrangements with some Strategists to concurrently promote the distribution of proprietary or other investment products including, mutual funds, managed accounts, variable annuities, and other alternative products. These arrangements may or may not necessarily result in additional assets under management or result in a direct or indirect benefit to us.

### **c. Advisor Solutions and Strategist Solutions**

**Dually-Registered Advisors.** Our Advisors sell clients securities products and other investment and insurance products in their capacity as a NPC registered broker-dealer representative and as licensed insurance agents. We receive additional compensation in connection with this activity and the amount of compensation will depend on the type of product purchased. Registered representatives acting on behalf of NPC in a broker-dealer capacity (as opposed to investment advisor) and/or an insurance agency will have a greater financial incentive to sell certain products as opposed to others (for example, a product issued by an affiliate and in the case of mutual funds, those that have a higher 12b-1 fee than others). While securities sales are reviewed to confirm they are suitable for a client's Investment Profile Information by an appointed supervisor of NPC, clients should be aware of these incentives.

**Mutual Fund Distribution and Servicing Revenue.** In its role as introducing broker-dealer, NPC receives a portion of various distribution and marketing fees payable to the Custodian by the managers of some mutual funds held in client accounts, pursuant to Rule 12b-1 of the Investment Company Act of 1940 (referred to as "12b-1 fees"), in addition to related fund servicing or administration compensation in connection with the sale of certain no transaction fee ("NTF") mutual funds (referred to as "shareholder servicing fees"). The amount of fees that NPC receives will vary, depending on the particular mutual fund investments pursuant to distribution agreements between NPC as a broker-dealer and the mutual fund sponsors. The payment of these fees to NPC or your Advisor presents an incentive to recommend certain mutual funds with higher compensation, thus giving rise to a potential conflict of interest you should be aware of and discuss with your Advisor upon their recommending a mutual fund to you. As explained in Item 4, however, NPC will generally attempt to forego the receipt of these fees by crediting such back to client accounts enrolled in the Program (see also Special Treatment of Certain Qualified Account Types below).

**Mutual Fund Share Classes.** Mutual funds typically offer multiple share classes for investment. You should be aware that the internal operating expenses assessed by a mutual fund, as well as the timing and amount of compensation received by NPC and Advisor, will generally vary

between the different share classes and can affect the overall performance and rate of return to investors. For example, retail class A, B and C shares typically provide for higher upfront compensation, higher deferred compensation amounts upon liquidation, or higher ongoing 12b-1 fees, respectively, and in turn are likely to have higher operating expenses than institutional shares, which may only be available to fee-based investment advisory or qualified retirement accounts and/or subject to minimum investment restrictions. Clients should not assume that they will necessarily be invested in the share class with the lowest operating expense or cost.

The share classes that result in higher compensation to NPC and our Advisor generally will also have higher operating expenses associated with them. This presents a conflict of interest and gives us a financial incentive to recommend share classes with higher operating expenses. However, a range of factors may be considered by your Advisor in determining the appropriateness of a particular mutual fund share class for your advisory account(s), including the Program Fee you are assessed either on account basis or in the aggregate at a household level, and whether 12b-1s or other amounts we receive are rebated to your account to offset a more expensive share class. We encourage you to ask your Advisor about the various share class options available to you and the impact the different share classes may have both on the compensation we receive, and the investment cost and total Program Fee you pay.

**Program Compensation Will Vary.** Revenue earned by NPC varies according to the program in which you participate, and may be more for this Program than if you participated in another advisory program or paid for investment advice, brokerage or other services separately. Higher compensation provides a financial incentive for our Advisors to recommend the Program, and particularly Strategist Solutions, over other programs or services.

**Investment Advisory Accounts vs. Brokerage Accounts.** As noted at the outset of this Brochure, you should also be aware of the differences between the fee-based services under this Program and commission-based services that are separately available for unmanaged brokerage accounts. To assist you with assessing these differences, we make available a document entitled “Which Account Type Is Right For You?” that we encourage you to review and discuss with your Advisor. A copy of this document is contained on NPC’s website at [www.natplan.com](http://www.natplan.com) under “Investors”, then “Disclosures”, and is also available upon request from your Advisor or NPC.

**Special Treatment of Certain Qualified Account Types.** For certain qualified retirement account types, we will either (i) provide a client credit or refuse receipt of any direct or indirect compensation we may otherwise be entitled to receive as a result of a particular client’s purchase of investment products or services (including 12b-1 fees, shareholder servicing fees and revenue sharing payments from third parties) or (ii) recommend or select investment share classes or products with lower fees or expenses that may not be made available to non-qualified accounts. Doing so may result in cost savings to these particular client accounts but does not obligate NPC to make these same benefits available to other clients.

**Home Office Employee Incentives.** NPC may provide performance-based compensation to certain of its home office employees related to their promotion of our Program, which generally generates more revenue for NPC as compared to other unaffiliated programs. These performance-based payments are provided in connection with their promotion and any resulting investment of client assets by our Advisors to our proprietary Program. These incentives create a conflict of interest for our home office employees favoring our Program that result in your Advisor having greater exposure to and marketing support related to our internal such, in

comparison to other unaffiliated programs that may offer similar services.

**Advisor Recruiting Incentives.** NPC offers certain of its Advisors recruiting and retention incentives to affiliate with NPC in the form of a loan which is forgivable based on their achieving annual revenue targets over several year periods. This creates a conflict of interest since these Advisors are incentivized to recommend or select investment products and services that are more expensive than other available products and services, in an effort to achieve their revenue requirements. These incentives are customary in the industry and are offered in compliance with applicable securities laws, rules and regulations.

**Payments to Solicitors.** NPC uses approved individuals to refer clients to us in accordance with SEC regulations and applicable state securities law. These solicitors will generally be paid a portion of the ongoing investment advisory fee charged to the client by NPC. Clients referred to NPC by a solicitor will not be charged a referral fee and remain subject to the same advisory fee schedule as non-referred clients, as set forth above. Referred clients receive a document outlining NPC's solicitation compensation arrangement with the particular solicitor.

**Affiliated Roles.** Certain members of NPC's Investment Policy Committee described in Item 6 may fulfill the same role for similar committees and programs offered by our affiliated firms—ICA, IFC, and SII (see above for more information regarding these firms). By serving on multiple committees, its members are charged with determining which Strategists and Model Portfolios will be made available not only for this Program, but for similar programs offered by our affiliates.

**Competing Transactions.** NPC, our Advisors and our affiliates will have a conflict in our role as an investment advisor for other clients and our own accounts to the extent we initiate competing securities transactions for these clients or our accounts. The investment actions taken may also differ from the recommendations or selections we provide to you. We are not obligated to acquire for your account any investments that we purchase on behalf of other clients or our own accounts, and you shall have no first refusal, co-investment, or other rights in any such investment. However, we strive to act in good faith and attempt to allocate investment opportunities to you over a period of time on a fair and reasonable basis relative to other clients and our own accounts, and based on your Investment Profile Information.

## Other Business Activities

NPC may modify or add different types of investments to the Program to strengthen the financial capability of our investment platform and meet the ever-changing needs of our investors. Accordingly, we may enter into arrangements with other affiliated and/or unaffiliated entities to make certain investment products or asset classes (i.e. mutual funds, insurance, variable annuities, etc.) available to clients that supplement or complement the Program. In doing so, our affiliates or we will receive compensation either directly or indirectly from these arrangements. With regard to such activities, the nature of these arrangements, compensation received, and any affiliation for such products will be fully disclosed to investors interested in such products either in this Brochure or through supplemental disclosures. None of NPC's management persons are registered, or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associated person of any of these entities.

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

NPC maintains a Code of Ethics in compliance with SEC requirements that is available upon request from NPC or your Advisor. The Code of Ethics applies to all NPC Advisors and covered personnel and is designed to ensure we fulfill our fiduciary duty to clients by always acting in their best interest, avoiding conflicts of interest, and maintaining a strong culture of compliance by following all securities laws, rules and regulations. Among the specific areas addressed by our Code of Ethics as it relates to our Advisors and covered personnel are:

- Pre-approval and reporting of personal securities transactions;
- Restrictions on initial public offering and private placement purchases to prevent unfair investment advantage;
- Insider trading prohibitions to prevent use of non-public information for unfair investment advantage;
- Reporting of gifts and business entertainment; and
- Penalties assessed for Code of Ethics violations to ensure its enforcement.

Under the Program, NPC will not engage in principal transactions (where we enter a purchase or sale of securities with clients on behalf of our own account) or cross-agency transactions (where we broker the purchase or sale of securities between advisory clients). However, we may engage in transactions for our accounts or the accounts of others involving the same investments recommended to clients under the Program. We strive to act in good faith and attempt to allocate investment opportunities to clients over a period of time on a fair and reasonable basis relative to other clients and our own accounts.

## **Review of Accounts**

NPC conducts due diligence and monitoring of the Strategists and their Model Portfolios to ensure that they meet our standards for inclusion in the Program. Please see Item 6 above for a detailed description of this process and factors that we consider as part of this ongoing review process.

In addition, NPC's home office personnel, our Office of Supervisory Jurisdiction Branch Managers (referred to as "OSJs"), and our Advisors monitor client accounts to identify situations that may warrant either a more detailed review or specific action on behalf of our clients. These reviews may be triggered by concerns regarding the suitability of a Model Portfolio in relation to a client's stated investment objectives and risk tolerance or unusual account activity, among other factors.

To assist you with reviewing your account activity and performance, NPC makes written periodic reports available to clients that include relevant portfolio information, such as asset allocation, account transactions, securities positions, the fair market values of investments in client portfolios, and investment performance for the period. NPC does not verify performance data provided to it by third parties to create these reports. You should rely on the account statements you receive from the Custodian as the official record of your investments. Please discuss any questions you have regarding these reports with your Advisor.

You will also receive account statements at least quarterly from the Custodian that include such information as securities positions and values, changes in those values, transactions, and the movement of funds occurring during the reporting period. The account statements you receive from the Custodian are your official account statements. Please compare the information contained in the Custodian account statements with any account statements or reports you may receive from your Advisor, and promptly report any discrepancies to NPC's attention.

On at least a quarterly basis, and as you will be reminded on your Program account statements, we request that you provide any necessary updates to the information currently on file with us regarding your Program account. Your Advisor will contact you at least annually to verify your financial information and any restrictions on file with us, and to obtain any new or updated information concerning your financial situation that may reasonably be expected to affect our advice concerning your Program account, including whether you wish to impose or modify any restrictions on your Program account. For ERISA account clients, your Advisor will contact the plan's representative(s) at least annually to verify that the plan's financial circumstances have not materially changed and that the Model Portfolio (including any applicable restrictions and/or modifications), previously chosen, remains consistent with the plan's funding goals.

## **Client Referrals and Other Compensation**

NPC may utilize the services of approved individuals who act as solicitors for purposes of referring clients to us in accordance with SEC regulations and applicable state securities law. These solicitors will generally be paid a portion of the ongoing investment advisory fee charged to the client by NPC. Clients referred to NPC by a solicitor will not be charged a referral fee and shall remain subject to the same advisory fee schedule as non-referred clients, as set forth above. These solicitation arrangements are required to be disclosed to clients at the time of the referral in a document outlining NPC's solicitation compensation arrangement with the particular solicitor.

## **Financial Information**

NPC does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. NPC is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has NPC been the subject of a bankruptcy petition at any time during the past ten years.

## **NPC Privacy Policy**

We encourage you to review our Privacy Policy as described in the NPC New Account Form relative to our processes for gathering and using your personal information, entities with which we may share this information, and our security practices and procedures for maintenance of this information.