

# Ausdal Financial Partners, Inc.

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## **FORM ADV PART 2A BROCHURE**

**June 2, 2016**

**This brochure provides information about the qualifications and business practices of Ausdal Financial Partners, Inc., the advisor. If you have any questions about the contents of this Brochure, please contact Ausdal Financial Partners, Inc. at (877) 722-8732 or [ausdal@ausdal.com](mailto:ausdal@ausdal.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 Ausdal Financial Partners, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for the advisor is 7995.**

**Ausdal Financial Partners, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## **Item 2. MATERIAL CHANGES**

This Item discloses material changes since the last annual update of this brochure. Our last annual update of this brochure was April 28, 2016.

The following material changes have been made since the last annual update:

No material changes since the last annual update of this brochure.

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## **Item 4. ADVISORY BUSINESS**

### **A. This Brochure & Our Firm's Background**

This Brochure provides important information about Ausdal Financial Partners, Inc. (referred to as “AFP,” the “Firm,” “we,” or “us”), our services, our compensation, the costs of participating in our various programs, and situations where our interests may conflict with the interests of our clients. We offer other investment advisory services and those are described in our separate Form ADV Part 2A Appendix 1 Wrap Fee Brochure.

You should pay particular attention to the discussions about our various conflicts of interest because these can affect our judgment in managing your account, in choosing brokers to execute trades for your account, and in recommending custodians, among other important considerations.

You should also keep in mind that a number of separate businesses provide the various investment products and services described in this Brochure. These businesses’ legal, contractual, and regulatory obligations differ in important ways depending on whether, in providing the product or service, they are acting as an investment adviser, broker-dealer, custodian, or insurance company.

If you have questions about the information in this Brochure, you can reach your Representative at the email address, telephone number, or street address shown in the Brochure Supplement you received from your Representative. You can reach our senior management, including our Chief Compliance Officer, at the email address, telephone number, or street address shown on the front of this Brochure.

### **OUR HISTORY, OWNERSHIP, AND BUSINESS**

We are an Iowa corporation headquartered in Davenport, Iowa. We were founded in 1979 as a securities broker-dealer firm, and are currently registered as a broker-dealer with the Securities and Exchange Commission as well as all 50 states and the District of Columbia. We are a member of the Financial Industry Regulatory Authority (“FINRA”). In 1991 we registered with the SEC as an investment adviser. We are a closely held corporation with no shareholder owning 25% or more of our stock.

Because we are registered as both an investment adviser and broker-dealer, and are licensed as an insurance broker, we provide investment advisory services and sell securities and insurance products. Pershing, LLC (“Pershing”), serves as the clearing broker-dealer for AFP’s brokerage business and provides custodial services for some of our advisory clients.

### **B. Our Advisory Services**

We offer a broad range of investment advisory programs and services, either directly or together with a third-party adviser, through one of the following:

- Representative-Directed Portfolio Program
- Proprietary Advisory Program
- Separately Managed Account Programs
- Financial Planning Services

We also offer services through the Ausdal Wrap Fee Program to serve clients who would like to combine the costs of advisory services, custody, and brokerage into a single fee. Clients interested in a wrap fee program may request a copy of our Form ADV Part 2A, Appendix 1, Wrap Fee Brochure which provides further information. The

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Wrap Fee Brochure is available from our Representative or through the contact information on the front of this Brochure.

Below we provide important information about the fees, expenses, risks, conflicts of interest and other important information you should consider when evaluating our programs and services. However, please note the information in this Brochure is necessarily general and does not address all details that may be applicable to you; you should refer to your individual Advisory Agreement for specific terms that apply to you and be sure to discuss any specific questions with your investment adviser representative ("Representative").

#### REPRESENTATIVE-DIRECTED PORTFOLIO PROGRAM

In the RDP Program, the Representative will obtain information regarding the client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account that will be managed through the RDP Program (all referred to as the "Suitability Information"), as well as any reasonable investment restrictions the client wishes to impose.

The Representative will assist the client to identify a suitable allocation of the client's RDP Program assets, and an investment style and strategy which are suitable for the account in view of the account's investment objective, liquidity needs, investment time horizon, risk tolerance, and any reasonable investment restrictions imposed by the client.

Clients should take care to ask the Representative questions about the RDP Program to be sure they understand the risks, potential rewards, fees, and expenses of the Program, the strategy the Representative expects to use, and the types of investments that are expected. Where available, clients should request copies of the prospectuses for the investments expected to be used for the account, and then ask questions about these investment before deciding to participate in the Program.

Subject to the Firm's supervision, the Representative will provide continuous and regular investment management services of the RDP Program account assets consistent with such allocation, investment style and strategy, as modified from time to time by the Representative, in the Representative's discretion, in a manner intended to achieve the account's objective.

#### *Types of Investments*

In general, the RDP Portfolios consist of varying proportions of fixed income and equity investments, consisting of mutual funds, money market funds, closed-end funds; inverse and leveraged ETFs; common and preferred stocks; REITS, Business Development Companies, Non-Traded Closed End Funds as well as direct obligations issued or guaranteed by the U.S. Treasury, government agencies, or government sponsored enterprises; and if appropriate, "sweep" arrangements where cash balances are transferred into money market funds, money market deposit accounts, or bank accounts for cash management purposes, which may be advised by or maintained with the account's qualified custodian ("Custodian") or an affiliate of the Custodian.

The Representative's investment strategy and any liquidity needs and investment restrictions imposed by the client will affect the specific types of investments we purchase or recommend for the specific client's account.

#### *Advisory Agreement and Custodial Account*

Clients who desire to participate in the RDP Program will enter into an Advisory Agreement to establish an account with us, and will also establish an account with the Custodian, which will maintain the account's assets and provide brokerage services.

#### *Deposit Cash or Cash Equivalents*

Generally, the client is expected to deliver only cash or cash equivalents to the Custodian. With our consent, client may transfer securities to the Custodian, but the securities will be liquidated to cash as soon as reasonably

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practical. Client may not transfer or deposit to the account any securities that are not publicly traded or that cannot be promptly sold. Client will grant us and the Custodian the authority, in our respective discretion, to liquidate securities transferred into the account.

*Discretion Over the Account; Authority to Rebalance and to Liquidate Securities*

In the Advisory Agreement, client will grant us, including the Representative, full discretion to select the investments, to designate the strategies, and to buy, sell, or otherwise invest the assets of the account, all without prior notice or consent of the client. Clients also grant the Firm and Representative authority to rebalance the client's account as we determine appropriate; authority to liquidate sufficient assets to pay the Advisory Fee, Program Fee, or any costs or expenses of the RDP Program, when necessary; and authority to carry out related actions that the Firm or the Representative deems necessary or appropriate to fulfill these responsibilities.

*Non-Discretionary Accounts*

If we agree to accept a non-discretionary account, the Representative will recommend to client the strategies and transactions for the account, and will obtain the client's consent prior to making investments for the account; provided, even in non-discretionary accounts, the client may provide written authorization for us to make certain investments without prior consent of the client under specific circumstances.

*Differences Among Representatives' Accounts*

Representatives follow different investment strategies and styles, and adjust their investment selections depending on their clients' personal and financial situation, and the investment objective, risk tolerance, liquidity needs, and investment time horizon of the account they are managing.

Consequently, it is expected that the RDP Portfolios, levels of volatility, fees, expenses, returns, and performance will vary significantly among accounts managed by the same Representative and among those accounts managed by different Representatives.

The Representative will be acting on behalf of the Firm; and any discretion granted by the client to the Representative will be deemed to be granted to, and may be exercised by, the Firm. The Firm, as the Representative's supervisor, will have the authority to direct any act of the Representative in the performance of any service. Although the Representatives are supervised by the Firm and the Firm monitors the accounts of each Representative, the Firm does not direct or mandate the investment strategy or style followed by a Representative.

PROPRIETARY ADVISORY PROGRAM

In the Proprietary Advisory Program (formerly known as the "Proprietary Investment Program," referred to as the "Proprietary Program"), the client's account is invested according to one of the program's proprietary model "Portfolios."

For clients interested in the Proprietary Program, our Representative will obtain information regarding the client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account that will be managed through the Proprietary Program, and any reasonable investment restrictions the client wishes to impose (all referred to as the "Suitability Information").

If the Representative determines the Proprietary Program is suitable for the account, he or she will explain the types of investments used, the overall program investment objectives, the advisory fees and other costs and expenses the client should expect to incur, and the potential risks of the program, among other matters. The client must sign an Advisory Agreement to establish an account with us to participate in the Proprietary Program, and enter into a custodial and brokerage arrangement, as described below.

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### *Current Proprietary Program Portfolios*

We currently have developed the following model Portfolios in the Proprietary Program:

- Portfolio Rehabilitation models—Gold, Platinum, Growth & Income (more defensive than Probabilities)
- Probabilities models—Gold, Platinum, Aggressive (more growth-oriented than Portfolio Rehabilitation)

In general, the models consist of varying proportions of fixed income and equity investments, consisting of mutual funds, money market funds, closed-end funds; inverse and leveraged ETFs; common and preferred stocks; as well as direct obligations issued or guaranteed by the U.S. Treasury, government agencies, or government sponsored enterprises; and if appropriate, “sweep” arrangements where cash balances are transferred into money market funds, money market deposit accounts, or bank accounts for cash management purposes, which may be advised by or maintained with the account’s qualified custodian (“Custodian”) or an affiliate of the Custodian.

### *The Strategy*

For the accounts that designate one of the Portfolio Rehabilitation models, we begin with a fixed income portfolio designed in accordance with what we believe are fundamental, long-term financial principles generally intended to control risk and maximize cash flow over a complete market cycle. Finally, we tactically adjust portfolio allocations of equity and fixed income investments based upon our assessment of the US economic environment and general levels of market risk. Once the client’s account has been invested to reflect the designated Portfolio, it will be managed in accordance with that portfolio’s goals.

The core Portfolio Rehabilitation strategy devotes approximately two-thirds of the portfolio to fixed income investments and one-third to equity investments. There may be extended periods with very low portfolio turnover, or high levels of cash, or both, especially in the less aggressive programs.

Portfolio Rehabilitation may at times use inverse and leveraged exchange-traded funds (“ETFs”), as appropriate to the Portfolio selected, and may hold these positions longer than recommended by prospectuses of the corresponding ETFs. Holding these ETFs longer than originally intended, increases what’s known as “tracking risk” which is the amount by which the ETF deviates from the index or benchmark it was designed to reflect. It is very important for investors to understand that the Probabilities Portfolios are designed specifically for the moderately aggressive to aggressive portions of an investor’s entire portfolio allocation, and care should be taken not to over allocate to this area.

### *The Portfolios*

The Portfolio Rehabilitation portfolios seek to achieve favorable returns as compared to the broader equities markets measured over a complete market cycle and adjusted for portfolio risk. The Rehabilitation Portfolios differ from the Probabilities Portfolios in their overall greater emphasis on fixed income investments and preservation of capital, using leveraged and inverse ETFs generally for the purpose of hedging portfolio positions, while the Probabilities Portfolios place proportionately greater emphasis on equity investments and leveraged ETF’s to enhance overall return.

Among the Probabilities Portfolios, the Gold and Platinum follow identical strategies and allocations (70% allocated to the “original” Rehabilitation Portfolios, and 30% to a “Growth Sleeve” that is managed in accordance with Probabilities Signals). The difference between these two is the account minimum and the type of securities used. The “Platinum” strategy will use individual securities and inverse and leveraged ETF’s in addition to mutual funds and ETF’s whereas the “Gold” strategy does not use individual securities. The Aggressive Portfolio is the most aggressive model and is allocated 50% to the original Portfolio Rehabilitation model and 50% to a Growth Sleeve that is managed in accordance with Probabilities Signals.

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The Probabilities Portfolios seek to achieve superior returns over the broader equities markets when measured over a complete market cycle and adjusted for risk, by investing in non-leveraged ETF's as well as leveraged and inverse ETFs. When leveraged ETF's are used, the client's account may have more than 100% exposure to the equities financial markets. Accounts that have designated the Gold Probabilities or Platinum Probabilities model may have approximately 85%, up to approximately 130% exposure to equities when fully invested using leveraged ETF's. Accounts that have designated the Aggressive Probabilities model may have 120% to approximately 150% exposure to the equities financial markets when fully invested using leveraged ETF's. As discussed more fully in Item 8, the use of leveraged and inverse ETFs can significantly increase the volatility and potential for losses in the client's account.

### *Probabilities Fund Management, LLC*

The Firm's Investment Committee (or a senior executive, in the absence of the Investment Committee) is responsible for developing and managing the Portfolio Rehabilitation Portfolios and selecting the securities that will be used for each asset class. Probabilities Fund Management, LLC ("PFM"), an SEC-registered investment adviser, is currently engaged to assist in the development of the Probabilities Portfolios and selection of the securities to be used for the Growth Sleeve, and to provide signals ("Signals") the firm may use to identify when to buy and sell securities in clients' accounts.

We expect to follow the Signals in managing accounts that have designated the Probabilities Portfolios. However, we may, in our discretion, reject, delay implementation, or modify, in whole or in part, a Signal and we may engage in other transactions, as we deem appropriate. There is no set minimum or maximum number of positions that will be held for an account or specific frequency that account positions will be traded.

The majority owner of PFM is Joseph Childrey, who is also a registered representative and investment adviser representative of AFP. AFP owns a minority interest in PFM, less than 5% of its interests. This relationship between AFP and PFM creates a conflict of interest because it provides an economic incentive for AFP to recommend clients participate in the Probabilities Portfolios. Although we strive to address this conflict in a manner consistent with our fiduciary duty, our judgment may be affected such that our efforts may not be entirely successful. To help mitigate this conflict, we have adopted procedures designed to ensure that the recommendation of a Portfolio is based on the Suitability Information provided by the client and we emphasize the right of the client to reject any investment or recommendation.

### *Discretion Over Account Investments*

In the Advisory Agreement, the client grants us full authority and discretion to engage in the Strategy to manage the account guided by the Portfolio designated for the account. We will have the authority and discretion to buy, sell, exchange, redeem, or otherwise effect transactions for the client's account, to accept or reject the Signals (for Probabilities Portfolios), in whole or in part, and to allocate and reallocate the account and account investments consistent with the designated Portfolio, as and to the extent we deem appropriate, in our sole discretion, without prior notice or consent of client.

We may add to, remove, or otherwise change the mutual fund families (or funds of a particular fund family), or other investments or types of investments that comprise a Portfolio or in which we invest the client's account, without prior notice or consent of the client.

We retain the discretion to revise the Proprietary Program, change the Strategy, change the investment objective, investment allocation, or other characteristics of a Portfolio, replace PFM, engage an additional investment adviser to advise us with respect to the Proprietary Program and Portfolios, and add or close a Portfolio, without prior notice or consent of the client.



#### SEPARATELY MANAGED ACCOUNT PROGRAM

Through our Separately Managed Account Program (“SMA Program”), AFP offers clients access to an extensive range of professional investment management programs (“Third-Party Programs”) sponsored by third-party investment firms (“Sponsors”). The details of the Third-Party Programs vary and the programs we have available are subject to change. Clients interested in a Third-Party Program will receive the details of a specific program from the Representative once the client’s needs and objectives have been identified. Below, we provide a general overview of terms common to many of the Third-Party Programs; however, the client must refer to the client’s program agreement with the Sponsor of the Third-Party Program and any separate advisory agreements with third-party portfolio managers (each a “Manager”) designated for the account for the specific details applicable to client.

For clients interested in the SMA Program, our Representative will work with the client to develop a personal investment profile that identifies the client’s personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account that will be managed through the SMA Program (all referred to as the “Suitability Information”), and any reasonable investment restrictions the client wishes to impose on the account.

The Representative will assist the client to select an appropriate Third-Party Program and to complete the required program applications and agreements to participate in the Third-Party Program and to open an account with the qualified custodian designated for the Third-Party Program. Then, the Representative will assist the client to designate one or more suitable third-party portfolio managers (each a “Manager”) from a roster of managers available through the particular Third-Party Program. Each Manager designated for the client’s Third-Party Program account will actively manage the portion of the client’s account allocated to the Manager according to the Manager’s stated investment style. The client will receive the Form ADV Part 2A Brochure for each Manager engaged to manage the client’s Third-Party Program account.

#### *Advisory Fee and Program Fee*

Clients who participate in the SMA Program will enter into an advisory agreement with AFP in which the client agrees to pay us “Advisory Fees” for our on-going services with respect to the Third-Party Program the client selects; provided, if we are paid a solicitor’s fee by the Sponsor for referring the client, we will offset the Advisory Fee by the amount of the solicitor’s fee we receive.

In addition to the Advisory Fee, the client will pay the Sponsor a separate fee (sometimes called a “Program Fee”) to participate in the Program. As sponsor of the Program, the Sponsor is responsible for administering the Program, paying Managers, and providing services related to client profiling assistance, strategic asset allocation assistance, style allocation assistance, research and evaluation of investment strategies and investments, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services to assist us in providing advisory services. Not all clients will benefit from all services from the Sponsor, even though the costs of such services may be borne by all accounts that participate in that Third-Party Program. Clients should be aware that they will incur other costs of participating in the Third-Party Programs, which are in addition to the Advisory Fees and Program Fees. For example, please refer to Item 5 which discusses Additional Fees & Expenses Client will incur.

#### FINANCIAL PLANNING SERVICES

Through our Financial Planning Services, the client’s Representative meets with the client to discuss and analyze the client’s investments and financial situation, and help the client to identify his or her investment goals and objectives, tolerance for risk, and investment time horizon, among other key factors to developing a financial

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plan. Based on the information provided by the client, the Representative will develop recommendations to help the client towards achieving his or her investment objectives.

For example, the Representative may recommend that the client purchase or sell securities or insurance products, reallocate existing investments, or take other steps to achieve their objectives. However, the client will not have any obligation to buy or sell any securities or insurance products, or otherwise implement the Representative's recommendations. If the client chooses to implement recommendation made by the Representative, the client may choose any qualified broker-dealer or insurance agent for such transactions.

Clients who request Financial Planning Services may be asked to provide detailed information about the client's personal and family situation, financial condition, investment objectives, risk tolerance, investment time horizon, estate and retirement plans, trust agreements, wills, investments, insurance, or other information necessary to provide the specific services requested.

AFP and client will enter into a written Advisory Agreement that describes the specific Financial Planning Services AFP will provide, the Fees for such services, and whether any written report or financial plan will be provided. For example, in the Advisory Agreement, AFP may agree to provide any one or more of the following, among other services (all the "Financial Planning Services"):

**Consulting Services:** Upon client's request, Representative will discuss with client in person or by telephone issues client would like to discuss regarding client's investments, portfolio, or financial goals and objectives. Generally, this service will not include any written report.

**Portfolio Review:** Representative will review the client's current investments, and discuss with the client the Representative's assessment of whether the current portfolio is consistent with the client's financial needs and investment objectives.

**Retirement Planning:** Representative will discuss with client estimates of the assets client may need to retire at various assumed ages and the changes, if any, which client may need to make in client's current savings plan, investment portfolio, or investment strategies to improve the client's ability to reach his or her financial objectives.

**Business Planning:** Representative will review succession planning for client's business and other specific topics of interest identified by the client.

**Asset Allocation:** Representative will discuss with the client alternative allocations of client's investments among various asset classes, and estimates for the effects changes may have on the client's portfolio at certain points in the future. While AFP believes that asset allocation represents a reasonable approach for helping certain clients to achieve their financial objectives, implementation of an asset allocation strategy provides no assurance that client's financial objectives will be attained or that client will not sustain losses in client's investment portfolio.

**Education Funding:** Based on information provided by the client regarding client's plans for children's (or grandchildren's) education, the Representative will discuss with the client estimates of the amounts necessary to fund the planned education.

**Estate Tax Planning:** The Representative will discuss with client estimates of federal and state estate taxes that may be due at the time of client's death, and strategies for minimizing such taxes.

**Survivor Income Analysis:** The Representative will discuss with client the amounts of income that may be available to client or client's spouse upon the death of each other, or to their surviving heirs.

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**Disability Income Analysis:** The Representative will discuss with client estimates of client's disability income needs, as well as a description of existing disability coverage and recommendations regarding such coverage.

In providing the Financial Planning Services, the Representative will rely on assumptions or estimates regarding a number of important factors that may or may not turn out to be accurate at any time. These assumptions will often include subjects such as future market performance and investment returns, anticipated and reasonably foreseeable living and medical expenses, tax laws, interest rates, and other factors. As a result of likely differences between the items assumed and the actual situation at any time in the future, client's (or client's successors') financial situation or needs may be materially different than anticipated and client's financial or investment objectives may not be achieved.

Unless specifically agreed in the client's Advisory Agreement, AFP will not provide a written report or written plan in connection with the Financial Planning Services. If the Advisory Agreement provides for a written report or written financial plan, it will usually include recommendations to assist the client in achieving his or her financial goals and objectives through purchasing or selling investments, purchasing new or revising existing insurance products or policies, establishing or participating in tax qualified accounts, or increasing or decreasing amounts held in savings accounts or other liquid investments.

If the client elects to purchase any securities or insurance products (including variable products) recommended in connection with the Financial Planning Services, AFP and the Representative will generally receive commissions and other forms of direct and indirect compensation (including 12b-1 Fees, as described below) as a result of those purchases. The possibility of such additional compensation creates a conflict that may affect the recommendations made to the client. The client is under no obligation to implement or otherwise act upon AFP's recommendations; and if the client elects to implement or act upon any such recommendation, the client is under no obligation to effect any transactions through AFP, Representative, or any other associated person, broker-dealer, or affiliate of AFP.

### **C. Tailored Services & Restrictions**

For each of the services we offer, we tailor our service and advice to the specific needs of the client, based on information about the client's personal and financial situation, and the account's investment objective, tolerance for risk, liquidity needs, and investment time horizon. The Representative assists the client to identify a suitable program and portfolio and will answer the client's questions about the program, the portfolio, and the client's account.

RDP Program accounts are reviewed and adjusted by the Representative to reflect the account's intended allocation (as may be modified from time to time, in the Representative's discretion) according to the investment style and strategy adopted by the Representative to achieve the account's objective.

Proprietary Program accounts are reviewed and adjusted (referred to as "rebalancing") by the Investment Committee to reflect the allocation of the account's underlying model portfolio. Proprietary Program accounts that have designated the Probabilities models are managed according to the signals received from the Signal Provider from time to time.

We permit clients to impose reasonable restrictions on the types of securities we purchase for their account, and permit clients to change the restrictions by written instruction to us. Clients should be aware, however, that in the Third-Party Programs, the Managers may have different policies with respect to investment restrictions.

#### *Changes In Client Circumstances*

Clients are advised that changes in their personal or financial situation, investment objectives, tolerance for risk, or investment time horizon may cause the strategy or portfolio designated for the client's account to become no

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longer suitable. In the event of any material change in client's personal or financial circumstances, client should contact the Representative or us promptly so that we may assist in identifying another program, strategy or other investments that better meet the client's needs.

#### **D. Information about Wrap Programs**

As discussed above, we offer a Wrap Fee Program to serve clients who want to have the costs of custody, trading and investment advice combined into one single fee. Accounts available through the wrap fee programs are not managed differently from accounts managed in non-wrap programs to the extent the same or similar investment strategy is available from the same Representative. For a complete explanation of our Wrap Fee Program, please review the Wrap Fee Program Brochure, available from our Representative or from the firm through the contact information on the front of this Brochure.

#### **E. Managed Assets**

As of December 31, 2014, we managed the following amounts of client assets:

- \$402,449,415 on a discretionary basis, and
- \$154,913,973 on a non-discretionary basis.

### **Item 5. FEES AND COMPENSATION**

#### **A. Compensation for Advisory Programs & Services**

##### REPRESENTATIVE-DIRECTED PORTFOLIO PROGRAM & PROPRIETARY ADVISORY PROGRAM

As described above, clients who participate in the RDP Program and Proprietary Program will enter into an Advisory Agreement with us in which the client agrees to pay us an Advisory Fee. For both programs, the maximum annualized Fee Rate for the following "Asset Tiers" shall be as follows:

Asset Fee Tier			Maximum Fee Rate
Up to	-	\$250,000	2.50%
\$250,001	-	\$500,000	2.25%
\$500,001	-	\$1,000,000	2.00%
Over	-	\$1,000,001	1.75%

The client's Advisory Agreement will contain the actual amount of the client's Advisory Fee Rate(s), the applicable Asset Tiers, whether fees are payable in advance or in arrears, and whether the fees are calculated by multiplying the Fee Rate for each Asset Tier times the value of assets in that Tier (the "Tiered Method") or by using a single Fee Rate based on the rate applicable to the highest Tier in which the account has assets.

##### *Payment of Fees*

Unless otherwise negotiated by a Representative, Advisory Fees are due and payable immediately at the beginning of each calendar quarter or other period for which fees are calculated (and upon termination of the Advisory Agreement, for any unpaid amounts). Advisory Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the account or any Managed Asset.

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The Advisory Fees are based on the Advisory Fee Rate and the value of Managed Assets as of the last trading day of the preceding calendar quarter (or for the initial calendar quarter, the value of the Managed Assets as of the last trading day of the initial quarter, prorated beginning on the Effective Date of the Advisory Agreement).

Advisory Fees may be calculated on the basis of the actual number of days in a calendar quarter or on the basis of 4 even calendar quarters, as we elect to apply on a consistent basis.

### *Exceptions to Fee Calculation Method*

For certain legacy clients, the fee calculation methods differ from the methods detailed above. As agreed to in the Advisory Agreement, the advisory fee is calculated annually based upon the account value at the end of the previous year and paid in 4 quarterly installments due at the beginning of each quarter. During periods when account values are rising, these clients may pay a lower fee than they would using our standard monthly or quarterly billing methods. Conversely, during periods of declining account values, the client may pay higher fees than they would using our standard monthly or quarterly billing methods. We are not accepting any clients on this billing method. Clients using this billing method are permitted to transition to our standard method.

### SEPARATELY MANAGED ACCOUNT PROGRAM

As described above, clients who participate in the SMA Program will enter into an advisory agreement with us in which the client agrees to pay us an Advisory Fee for our on-going services with respect to the Third-Party Program the client selects, which we will offset by the amount of any solicitor's fee we might receive from the Sponsor for referring the client. The client will also pay the Sponsor a separate fee (sometimes called a "Program Fee") to participate in the Program.

The maximum combined Advisory Fee Rate and Program Fee Rate (the "Combined Rate") is 3% (expressed as an annual percentage); provided, the client's Advisory Agreement will contain the exact terms with respect to the actual amount of the client's Advisory Fee Rate(s), Program Fee Rate(s), the applicable asset tiers, whether the fees are payable in advance or in arrears, and whether the fees are calculated by multiplying the Fee Rate applicable to each asset tier times the amount of assets in that tier (the "Tiered Method") or by determining the single Fee Rate for the account by looking at rate applicable to the highest tier in which the account has assets.

### *Payment of Fees*

Unless otherwise negotiated by a Representative and subject to the requirements of each Sponsor, Advisory Fees and Program Fees are due and payable immediately at the beginning of each calendar quarter or other period for which fees are calculated (and upon termination of the Advisory Agreement, for any unpaid amounts). Advisory Fees and Program Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the account or any Managed Asset.

The Advisory Fees and Program Fees are based on the Combined Rate (as determined according to client's then-current selection of Manager(s) in the Third-Party Program) and the value of Managed Assets as of the last trading day of the preceding calendar quarter (or for the initial calendar quarter, the value of the Managed Assets as of the last trading day of the initial quarter, prorated beginning on the Effective Date of the Advisory Agreement).

Combined Fees may be calculated on the basis of the actual number of days in a calendar quarter or on the basis of 4 even calendar quarters, as we elect to apply on a consistent basis.

### *Changes in Fee Calculation and Billing Procedures*

Clients should be aware that the Sponsor of each Third-Party Program will act as collection agent for our Advisory Fees and we intend to work with the Sponsor, to the extent we believe reasonable, to coordinate our fee billing, calculation, and collection procedures so that they are consistent with the procedures used by the Sponsor of each Third-Party Program. Consequently, in our discretion, we may change the billing and valuation periods and

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assumptions for calculating combined Advisory Fees and Program Fees from those described above or in the client's Advisory Agreement, as we determine appropriate so that they reasonably reflect the procedures used by each Sponsor. However, such changes will not cause the combined Advisory Fee and Program Fee Rate to exceed the maximum stated above, unless we provide Client with at least 30 days' prior notice of such changes.

#### FAIR VALUATION OF ASSETS

Typically, the value of an account will be based on the value reported by the Custodian on its statements (or its internal electronic system). In the event a Custodian does not value the account or any asset, or we determine a Custodian's value of the account or an asset is materially inaccurate, the account or such asset shall be valued by us in good faith to reflect its fair value. Money market accounts and bank accounts, if any, shall be valued as of the valuation date. Transactions that have not settled may be included in either the current or the following period, as determined for the account maintained with each Custodian on a consistent basis.

#### NEGOTIABILITY OF FEES & OTHER TERMS

For the RDP Program, Proprietary Program and the SMA Program, we have the discretion to negotiate our fees, minimum account size, minimum annual fees, and other terms of each client's relationship with us, and to negotiate different fees, minimums, or other terms on a client-by-client basis.

When considering these matters, we usually consider the amount of assets to be placed under management by the client and related accounts, anticipated future revenues and anticipated future assets or other business from the client or related persons, and other existing or anticipated relationships. We may elect, in our discretion, to aggregate related client accounts for the purpose of achieving the minimum account size requirements and determining fees.

Because Advisory Fees and other terms of our programs and services may be negotiated separately with individual clients, some accounts pay lower Advisory Fees than other accounts. Waivers, discounts or more favorable terms not generally available to other clients may be offered to family members and friends of our Representatives, employees, and affiliates.

#### RISK OF LIQUIDATIONS TO PAY FEES

The Custodian will be authorized to deduct the Advisory Fees (and for the SMA Program, the Program Fees, also) directly from the client's account, without notice to the client. If sufficient cash is not available in the account to pay these fees when due, the Custodian will liquidate securities selected by the Custodian or us without prior notice to the client. If mutual funds are liquidated, the client may be charged a contingent deferred sales charge, an early redemption fee, or a fee to discourage short-term trading of fund shares. If the liquidated securities have declined in value, the client will realize a loss and lose the opportunity for future appreciation of the securities.

#### ACCOUNTS WITH MORE THAN ONE CUSTODIAN

For accounts with assets maintained with more than one Custodian, we will usually calculate the value of the account and the Advisory Fees separately for each Custodian, as we determine in our discretion. The valuation method and time periods used to value the account and calculate Advisory Fees will be applied consistently for each Custodian, but may differ from the valuation method and time periods used to value the account or calculate combined Advisory Fees of other Custodians.

Except when we determine the fair value of an account or asset, as provided above, account value shall be determined by reference to the valuations provided by or available from each Custodian, as of the close of the last day of each period for which Advisory Fees are calculated. If the last day of a period for which we calculate Advisory Fees is different than the last day of a Custodian's reporting or statement period, we (or a Sponsor) may

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value the account maintained by such Custodian as of the close of the last day of the Custodian's reporting or statement date most recently ended on or before the close of the period for which Advisory Fees are calculated, as we shall select on a consistent basis for each Custodian.

#### FINANCIAL PLANNING SERVICES

AFP charges either an hourly fee or fixed Advisory Fee for Financial Planning Services. The maximum hourly rate is currently \$450 per hour; fixed fee services typically range between \$500 and \$5,000, depending on the complexity of the client's needs on whether a written report or plan is to be provided.

The specific fee arrangement will be described in the client's Advisory Agreement, and if an hourly arrangement, the agreement will include the hourly rate and an estimate of the total fee. Client will pay a deposit of half of the fee at the signing of the Advisory Agreement with the balance of the actual fee payable upon completion of the agreed services, as described in the client's Advisory Agreement.

Depending on the nature and scope of the services to be provided, services are typically completed between 30 and 120 days, provided the client promptly provides all information needed to complete the services.

### **B. Deduction of Fees from Custodial Account**

The Advisory Agreements for the RDP Program, Proprietary Program, and SMA Program, and the separate agreement for each Third-Party Program authorizes and directs the Custodian to deduct the Advisory Fees (and Combined Fees, where applicable) directly from the account upon receipt of our or the Sponsor's instructions. As part of our agreement with each Sponsor, the Sponsor may act on as our paying agent to value the account and calculate and direct the payment of our Advisory Fees to us. We request that clients authorize the Custodian to deduct the combined Advisory Fees and Program Fees from the account and pay us (or the Sponsor) directly. The amount of the Advisory Fee deducted by the Custodian will be reflected on the Custodian's regular statements to the client. However, clients may choose to have the fees billed to them directly, in lieu of deduction from the account; however, the client must agree that any fees not paid within 60 days will be deducted automatically.

### **C. Additional Fees & Expenses**

The Advisory Fees are separate and distinct from a number of other expenses that the client's account will incur including:

- Brokerage and Investment Expenses
- Investment Company Expenses
- Cash Management Expenses
- Custodial Expenses

#### *Brokerage and Investment Expenses*

Accounts participating will generally invest in mutual funds, ETFs, money market funds, and closed end funds, but may also invest in stocks, bonds, and other types of securities. Although many of the investment company investments are "load-waived" investments, clients should expect that their account will incur some or all of the Brokerage and Investment Expenses described below.

Client accounts will pay their Custodian, Pershing, TD Ameritrade, Schwab, or Folio Institutional (or the custodian's broker-dealer affiliate), transaction-related fees for each transaction, and for some transactions, it will also pay other costs that could significantly increase your overall expenses and decrease any profits from these programs.

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Following are examples of some of the types of fees and expenses that are included in the Brokerage and Investment Expenses:

- per-trade principal trade mark-up/mark-downs, and other transaction-related costs paid to introducing and executing brokers (including AFP, its clearing firm, the Custodian and its affiliates), stock exchanges, electronic communications networks, and other trading intermediaries involved in executing account transactions to buy or sell securities; and
- odd lot charges, transfer and other taxes, floor brokerage fees, service, handling, delivery, and mailing fees, electronic wire transfer fees, currency exchange fees, margin interest, and other expenses related to investments made or assets held for the client's account.

### *Investment Company Expenses*

Mutual funds, money market funds, ETFs, and closed-end funds (all referred to as a "fund") deduct from their assets the internal management fees, operating costs, and investment expenses they incur to operate the fund. These internal expenses generally include recordkeeping fees, and transfer and sub-transfer agent fees, among others. All of these represent indirect expenses that are charged to the fund's shareholders.

Frequently, these internal expenses also include "Distribution Fees." These amounts are deducted from the fund's assets to compensate brokers who sell fund shares, as well as to pay for advertising, printing and mailing prospectuses to new investors, and printing and mailing sales literature. AFP receives 12b-1 Fees from fund companies whose shares we recommend to our clients. See Item 5.E for a discussion of the conflict of interest this creates. Internal expenses also commonly include "Shareholder Service Fees" which are amounts deducted from the fund's assets to pay the costs of responding to investor inquiries and providing investors with information about their accounts.

Distribution Fees and Shareholder Service Fees are referred to collectively as "12b-1 Fees," named after the SEC rule that adopted them. The 12b-1 Fees are calculated for each class of shares of a fund, and are calculated as a percentage of the total assets attributable to the share class. The 12b-1 Fees, investment management fees, and other ongoing expenses are described in the fund's prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help compare the annual expenses of different funds.

ETFs are a type of investment company that aims to achieve the same return as a particular market index. They can be either open-end companies or unit investment trusts. ETFs are not considered to be, and are not permitted to call themselves, mutual funds. ETFs differ from mutual funds and unit investment trusts because shares issued by ETFs are bought and sold by investors on a secondary market. Unlike mutual funds, retail investors generally cannot tender their shares directly to the ETF for redemption because shares of ETFs are redeemable from the fund only in very large blocks (blocks of 50,000 shares, for example).

We may use ETFs to achieve market exposure consistent with the index on which the ETF is based. Investment returns and principal value will fluctuate so that an account's ETF shares, when sold, may be worth more or less than the original cost. Mutual funds may also impose a contingent deferred sales charge ("CDSC") or short-term trading fee if shares are redeemed within a short time period, usually within 30, 60 or 90 days from the date of purchase. The CDSC or redemption fee is generally one percent.

### *Cash Management Fees and Expenses*

Cash in a client's account that is awaiting investment or reinvestment may be invested in cash balance, money market fund, or deposit account at the Custodian (or their affiliate), pursuant to an automatic cash "sweep" program. We may receive compensation based on the balances of client accounts in such sweep accounts at Custodians. The possibility of compensation provides an incentive for us to invest client accounts to increase the



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compensation we receive. We may also receive compensation from money market funds or deposit accounts used for cash management purposes, and this also provides an incentive for us to invest the account so as to increase this compensation, which may not necessarily represent the optimal investment of the client's assets.

#### *Custodial Expenses*

Clients must pay the cost of services provided by their Custodian for: (1) arranging for the receipt and delivery of securities that are purchased, sold, borrowed or loaned for the account; (2) making and receiving payments with respect to account transactions and securities; (3) maintaining custody of account securities; and (4) maintaining custody of cash, receiving dividends, and processing exchanges, distributions, and rights accruing to the client's account. The Custodian may be compensated through commissions or other transaction-based fees for securities transactions executed through the Custodian (or its affiliates) or by asset-based fees for investments settled into the Custodian's accounts, or both. The specific fees and terms of each Custodian's services are described in the client's separate Custodial Agreement.

#### *Evaluate All Costs of Our Programs*

When evaluating the overall costs and benefits of our investment programs, clients should consider not just our Advisory Fees, but also the potential Brokerage and Investment Expenses, the Mutual Fund and ETF Expenses, and the Cash Management Fees and Expenses. Clients should consider carefully all of the direct and indirect fees and expenses of our services and the investment products we recommend to fully understand the total costs and assess the value of our services.

#### *Purchases of Similar Products and Services from Other Firms*

Clients can generally purchase similar investment products or services through other firms that are not affiliated with us. Our Advisory Fees and the other costs of our programs are likely higher than amounts charged by other advisers or financial services firms for similar services and who may provide better performance or lower risk.

Clients may also purchase mutual funds or other investment products or services directly from mutual fund companies. The products may be available on a low or "no-load" basis. Although we do recommend "load-waived" mutual fund share classes, they may carry 12b-1 Fees higher than a client may be able to obtain through a client's direct purchases from a fund company.

If a client chooses to purchase investments directly or through another intermediary, the client will not receive the benefit of the services we provide in determining which investment products or services may be appropriate in view of the client's financial situation, investment objectives, risk tolerance, and liquidity needs.

Please refer to Item 12 for additional information regarding brokerage, transaction, and other fees and expenses clients will incur.

### **D. Fees In Advance & Refunds**

#### **RDP PROGRAM, PROPRIETARY PROGRAM & SMA PROGRAM**

In general, Advisory Fees in the Proprietary Program and SMA Program are payable quarterly in advance; however, each Representative may negotiate the specific terms of the Advisory Agreement with the Representative's clients, including whether fees are payable in arrears or in advance, whether they are payable quarterly or monthly, and whether fees will be billed to the client in lieu of being deducted from the custodial account. If we agree to bill the client for fees, we will deduct the fees from the custodial account if they are not paid within 60 days after billing. In no event will we ask or require prepayment of Advisory Fees of more than \$1,200 per client six months or more in advance.

An Advisory Agreement may be terminated by the client or us at any time upon written notice to the other, as provided in the Advisory Agreement. If client terminates the Advisory Agreement within five business days of the

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effective date of the Advisory Agreement, Client shall receive a full refund of any prepaid fees. If the Advisory Agreement is terminated more than five business days after the effective date, any prepaid Advisory Fees shall be prorated based on the number of days the Advisory Agreement was in effect during such quarter and the unused portion shall be refunded to Client within 30 days; any earned but unpaid Advisory Fees owed to us will be immediately due and payable upon termination.

After an Advisory Agreement has been terminated: client will be charged commissions, sales charges, and transaction, clearance, settlement, and custodial charges, at prevailing rates, by us and any executing or carrying broker-dealer; client will be responsible for monitoring all transactions and assets; and we shall not have any obligation to monitor or make recommendations with respect to the account or those assets.

#### FINANCIAL PLANNING SERVICES

An Advisory Agreement for Financial Planning Services may be terminated by the client or us at any time upon written notice to the other, as provided in the Advisory Agreement. If Client terminates the Advisory Agreement for Financial Planning Services within five (5) business days of the effective date, Client shall receive a full refund of any prepaid fees. If the Advisory Agreement is terminated more than five (5) business days after the effective date, any prepaid Advisory Fees shall be prorated based on the proportion of the Financial Planning Services that have been completed as of the date the Agreement terminates; to the extent the proportion of services completed exceeds the amount of the prepaid fees, the client shall owe the balance.

### **E. Compensation from the Sale of Securities and Other Products**

Each of our officers and Representatives is separately registered as a broker-dealer registered representative and many are also appointed as agents for life insurance companies. For accounts participating in the RDP Program and Proprietary Program, Pershing will share with AFP a portion of the “ticket charges” (trading commissions) it charges to execute transactions in client accounts.

We will also receive 12b-1 Fees as result of investment company investments by client accounts. Typically, the funds our Representatives recommend charge 12b-1 Fees; and a portion of the 12b-1 Fees will be paid to us and shared with the Representative.

#### *No Reduction or Offset of Advisory Fees*

We do not reduce or offset Advisory Fees by any 12b-1 Fees or other sales-related compensation we receive from Pershing, other Custodian, other brokers, mutual fund companies, or insurance company based on or as a result of a client’s purchase or sale of securities, insurance, or other investment products, or based on the value of a client’s account, free credit balance, margin account balance, or retirement account balances.

The only offset we apply is with respect to any solicitor’s fee we receive from a Sponsor of a Third-Party Program for referring a client to such Third-Party Program, we will reduce the client’s Advisory Fee by the solicitor’s fee we receive.

The potential for us and our Representatives to receive compensation as a result of client purchases of investment products may impair our objectivity and provide an incentive to recommend investment products based on the compensation received, rather than on a client’s needs. To address this conflict of interest:

- we disclose the conflict to our clients in this Brochure;
- we collect and maintain adequate information about our clients and their accounts, including their financial circumstances, investment objectives, and risk tolerance, and we conduct regular account reviews to confirm the designated portfolio is suitable;
- we periodically review holdings and strategies to identify significant disparities indicative of unusual treatment; and

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- we educate our Representatives and employees regarding our fiduciary responsibilities, regardless of fee arrangement.

Clients are under no obligation to accept any recommendation made by AFP or our Representative to enter into any transaction or purchase any securities, insurance, or other investment products; clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with AFP. If a client wishes to purchase such products, they may complete the purchase through any duly licensed and authorized broker-dealer, insurance agency or other financial services firm.

Please refer to Item 12 for information about our brokerage practices and conflicts of interests.

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

We are required to disclose certain information about any “performance-based” fee arrangements with clients, and any situations where we manage both accounts with performance-based fee arrangements and accounts without such arrangements.

Because we do not have any performance-based fee arrangements with our clients, we do not have further disclosures for Item 6.

## **Item 7. TYPES OF CLIENTS**

### *Our Clients*

More than seventy percent of AFP’s clients are individuals or families. AFP manages their individual, joint, IRA, Roth IRA, IRA Rollover and trust accounts. The remaining clients are corporate, pension, profit sharing, 401(k), trust, charity and estate accounts.

### *Minimum Account Sizes*

Please note that the SMA Program may be customized to the individual needs of the client by choosing a suitable Third-Party Program and one or more Managers. In some cases, this may result in the client selecting Managers who have established minimum account sizes, which often exceed \$100,000.

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

### **A. Methods of Analysis**

#### RDP PROGRAM & PROPRIETARY PROGRAM

We will generally invest RDP Program and Proprietary Program accounts in the following types of investments: fixed income and equity investments, consisting of mutual funds, money market funds, closed-end funds; inverse and leveraged ETFs; common and preferred stocks; as well as direct obligations issued or guaranteed by the U.S. Treasury, government agencies, or government sponsored enterprises; and if appropriate, “sweep” arrangements where cash balances are transferred into money market funds, money market deposit accounts, or bank accounts for cash management purposes, which may be advised by or maintained with the account’s qualified custodian (“Custodian”) or an affiliate of the Custodian.

For RDP Program accounts, each Representative is permitted to adopt his or her preferred method of analysis in developing the portfolios and selecting the securities, some of which are discussed below.

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For Proprietary Program accounts, the Investment Committee will typically rely on the Signals we receive from our third-party Signal Provider and our evaluation of available and appropriate mutual funds (or other Portfolio investments) in managing accounts. In addition to the investment recommendations provided by the Signal Provider, we conduct our own internal evaluation and selection of appropriate fund families and other investments, and allocation of client account assets.

Proprietary Program investments may be selected or recommended on the basis of any or all of the following criteria: performance history; asset class and industry sector; the track record, management style and philosophy of the investment manager; the security's fee structure; the fund company's policies and limitations regarding excessive trading and penalties for early redemptions; the size of the investment in comparison to the size of the issuer; the fund company's trading restrictions, and our and our brokers' ability to place and execute orders and maintain records in an efficient manner, at reasonable costs. We may receive and rely on historic financial and other data from sources we deem to be reliable.

### SMA PROGRAM

For SMA Program accounts, the Representative evaluates the Third-Party Program and Managers in making the recommendation to the client. The Manager is responsible for trading the account.

The Representative will rely on the research and performance information provided by the Sponsor in reaching the decision to recommend a Third-Party Program and Manager. The Sponsor conducts research with respect to the managers and the various types of separately managed account strategies, model portfolios ("Third Party Models"), and mutual funds, unit investment trusts, real estate investment trusts, and ETFs (collectively "Funds") they manage, and provides information regarding each manager's investment discipline and approach.

Below, we describe the processes that each Sponsor has represented to us that it follows in the selection and review of strategies and investments we would consider for our accounts in the SMA Program. We have not independently verified these procedures.

The Sponsors have represented that they follow proprietary screening and evaluation processes that focus on quantitative factors such as historical performance and volatility, as well as factors such as a manager's reputation and approach to investing. Each Sponsor conducts periodic evaluations of the Managers available through their program. The Sponsor is responsible for verifying the information provided by the Managers by comparing it to other data from publicly available sources, as well as through proprietary technical, quantitative, and qualitative analyses, including attribution analysis and risk analysis.

We do not audit, verify, or guarantee the accuracy, completeness, or methods of calculating any historic or future performance or other information provided by a Sponsor or any Manager. There is no assurance that the performance information from a Sponsor or any manager, or other source is or will be calculated on any uniform or consistent basis, or has been or will be calculated according to or based on any industry or other standards.

### METHODS OF ANALYSIS REPRESENTATIVES MAY USE

In addition to the methods of analysis provided by the Sponsors, following are typical methods of analysis that Representatives in any of our programs may use; however, clients should inquire of their specific Representative the particular method the Representative intends to use in managing the client's account. Each Representative may adopt the method of analysis he or she deems appropriate.

**Fundamental Analysis:** Fundamental analysis involves analyzing a company's income statement, financial statements and health, its management and competitive advantages, and its competitors and markets. The fundamental analysis school of thought maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by trading the mispriced security and then

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waiting for the market to recognize its "mistake" and re-price the security. However, fundamental analysis does not attempt to anticipate market movements. This presents 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 stock. Therefore, unforeseen market conditions and company developments may result in significant price fluctuations that can lead to investor losses.

**Technical Analysis:** Technical analysis seeks to identify price patterns and trends in financial markets and attempt to exploit those patterns. Technical analysts follow and examine indicators such as price, volume, moving averages, and market sentiment.

**Mutual fund and ETF Analysis:** In analyzing mutual funds, we look at the experience and track record of the portfolio managers to determine if they have demonstrated the ability to invest successfully over periods of time and in different economic conditions. We also consider whether or not there is a significant overlap with the underlying investments held by other mutual funds. We monitor the mutual funds in an attempt to determine if they are continuing to follow their stated investment strategies. We also evaluate the fees of the portfolio managers and the internal expenses of the mutual funds to determine whether the client is receiving adequate value for these fees and expenses.

A risk of our mutual fund and ETF analysis is that, as in all investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds in a client's account may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund or ETF less suitable for the client's portfolio. Moreover, we do not control the portfolio manager's daily business or compliance operations, and we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

#### *Management Of Account Until We Receive Written Notice*

Unless and until the client notifies us in writing to designate a different portfolio for their account, to notify us of material changes in their Suitability Information, or to impose reasonable restrictions on the investment of their account, we will continue to manage the account according to the Suitability Information in our records. Clients should inform us promptly of significant changes in their individual or family circumstances or financial situation, or in the investment goals or objectives, investment time horizon, tolerance for risk, or liquidity needs of the account so that appropriate changes can be made.

#### *Risks Of Inaccurate Information*

Our methods of analysis assume the accuracy of the information we analyze, such as ratings, financials, and research. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **B. Investment Strategies & Risks**

For the methods of analysis and strategies we use, we have identified the material risks we believe are involved. Of course, we cannot guarantee these are the only risks of investing through our programs.

When deciding whether to participate or to continue to participate in one of our programs, prospective or current clients should feel comfortable that they have an understanding of how our programs work, the strategies we use, the risks of those strategies, the kinds of investments we use, the fees and expenses they will pay and the compensation we (and our affiliated broker-dealer) will receive, and the conflicts of interests that can potentially affect the advice we give.

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We urge prospective clients to ask questions if they do not understand any of these points.

#### *Risk of Leveraged Funds and ETFs*

As the name implies, leveraged funds and ETFs seek to provide leveraged returns at multiples of the underlying benchmark or index they track. Leveraged funds and ETFs generally seek to provide a multiple (i.e., 200%, 300%) of the daily return of an index or other benchmark for a single day excluding fees and other expenses. In addition to using leverage, these funds and ETFs often use derivative products such as swaps, options, and futures contracts to accomplish their objectives. **The use of leverage as well as derivative instruments can cause leveraged funds and ETFs to be more volatile and subject to extreme price movements.**

#### *Inverse Funds and ETFs*

Inverse mutual funds and ETFs, which are sometimes referred to as "short" funds and ETFs, seek to provide the opposite of the performance of the index or benchmark they track. Inverse funds and ETFs are often marketed as a way to profit from, or hedge exposure to, downward moving markets. Some inverse funds and ETFs also use leverage, such that they seek to achieve a return that is a multiple of the opposite performance of the underlying index or benchmark (i.e., -200%, -300%). In addition to leverage, these funds and ETFs may also use derivative instruments to accomplish their objectives. **As such, inverse funds and ETFs are volatile and provide the potential for significant losses.**

#### *Risks Associated with Leveraged and Inverse Funds*

Risk associated with holding leveraged and inverse ETF's include, but are not limited to::

- **Use of Leverage and Derivative Instruments:** Many leveraged and inverse funds and ETFs use leverage and derivative instruments to achieve their stated investment objectives. As such, these funds and ETFs can be extremely volatile and carry a risk of substantial losses.
- **Most Leveraged and Inverse Funds and ETFs Seek Daily Target Returns:** Most leveraged and inverse funds and ETFs "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Due to the effect of compounding, the return for investors who invest for a period different than one trading day may vary significantly from the fund's stated goal as well as the target benchmark's performance. This is especially true in very volatile markets or if a leveraged fund is tracking a very volatile underlying index.
- **Higher Operating Expenses and Fees:** Investors should be aware that leveraged funds and ETFs typically rebalance their portfolios on a daily basis in order to compensate for anticipated changes in overall market conditions. This rebalancing can result in frequent trading and increased portfolio turnover. Leveraged and inverse funds will therefore generally have higher operating expenses and investment management fees than other funds and ETFs.
- **Tax Treatment of Leveraged and Inverse Funds and ETFs May Vary:** In some cases, leveraged and inverse funds and ETFs may generate their returns through the use of derivative instruments. Because derivatives are taxed differently from equity or fixed-income securities, investors should be aware that these funds may not have the same tax efficiencies as other funds.

## Non Traded companies

### **REITS**

A Real Estate Investment Trust (REIT) is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, offered as a non-traded, public company or offered as a private placement. A Non-traded public company electing REIT tax status is registered with the Securities and Exchange Commission (SEC), but is not listed on an exchange. On the other hand a private company that elects REIT status is exempt from registration. As such, less information may be readily available to investors as with any private offering.

### **Business Development Companies (BDC's)**

A BDC is a form of publicly registered company in the United States that provides financing to small and mid-sized businesses. This form of company was created by Congress in 1980 as an amendment to the Investment Company Act of 1940. As a result, Congress created a new category of closed-end funds known as a business development company.

BDCs are closed-end funds that make investments in private, or in some cases public companies, typically with lower trading volumes, with investment objectives of providing for the possibility of capital appreciation and current income. BDCs are investment companies and answer to an independent board of directors. A BDC can trade on the market but can also be a public, non-traded company, just like a public, non-traded REIT. However, one difference is that unlike a REIT, a BDC cannot be a private offering.

BDCs, which essentially can be viewed as a hybrid between a traditional investment company and an operating company, represent a transparent portfolio of loans, similar in some sense to private equity or venture capital.

Publicly filing firms may elect to be regulated as a BDC if they meet certain requirements of the Investment Company Act. One such requirement is that a BDC must maintain at least 70% of its investments in eligible assets before investing in non-eligible assets. Eligible assets can include a domestic issuer that either does not have any class of securities listed on a national securities exchange, or has a class of equity securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250 million and, in each case, is not, with limited exceptions, a registered or unregistered investment company; or either:

- Does not have a class of securities that are “margin securities”
- Is controlled by a BDC and has an affiliated person of the BDC as a director
- Has total assets of not more than \$4 million and capital and surplus (shareholders’ equity less retained earnings) of not less than \$2 million.

The majority of BDCs elect to be treated as a regulated investment company (RIC) for tax purposes. As a result, they must distribute at least 90% of their investment company taxable income, as defined by the Internal Revenue Code, to shareholders every year. A BDC can also receive tax exempt status on the 4% nondeductible federal excise tax if they:

- Distribute 98% of their ordinary income for each calendar year to their shareholders

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- Distribute 98% of their capital gain net income in a calendar year to their shareholders
- Distribute any income not distributed in prior years

To continue to be treated as a RIC for tax purposes, BDCs must also:

- Continue to qualify as a BDC in accordance with the Investment Company Act of 1940
- Derive at least 90% of their gross income from dividends, interest, payments on securities loans, gains from the sale of stock or other securities, or other income derived from their business of investing in these stocks or securities
- Satisfy quarterly RIC diversification requirements by not investing more than 5% of their assets in any single security and no more than 10% of a given security's total voting assets. Following these same requirements, they also may not invest more than 25% into businesses they control or businesses within the same industry.

### ***Non-Traded Closed End Funds***

Like a public, non-traded REIT, a public non-traded closed end fund is not traded on the exchange. A closed end fund cannot elect REIT status and cannot be a private company. Like a BDC, a closed end fund is regulated under the investment act of 1940, but is unlike a BDC in terms of the type of investments it can hold. Basically, a closed end fund is a fund with a fixed number of shares, as opposed to an open end fund that creates and redeems shares on a daily basis.

### ***Non-traded Public Companies***

Other companies that are not organized as a REIT, BDC or closed end fund may be organized as a non-traded company, similar to a public company like Apple, except that the company does not trade on an exchange. This structure is sometimes used for offerings that are not real estate, such as specific sector offerings like clean energy.

### ***Risks Associated with Non-Traded Company Investments***

The risks of non-traded REITs, BDCs, non-traded closed end funds and non-traded public companies are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, making them illiquid investments. This could limit or restrict a client's ability to dispose of such investments in a timely manner and/or at an advantageous price. Consequently, a client should exercise caution to avoid over- concentration of their assets in these types of illiquid investments.

### ***Valuation and Advisory Fees Associated with Non-Traded Company Investments***

Ausdal may advise certain qualified clients to invest in non-traded REITs, BDCs, non- traded closed end funds or non-traded public companies. In order for these offerings to be purchased in an Ausdal advisory account, the distributor must provide advisory-class pricing for their products through a custodian. Generally this means that the distributor allows purchases at a price that "waives" the sales charge, or "load" therefore allowing Ausdal to include the product in the quarterly or monthly asset management fee billing established for the client's account.

The price of a non-listed security on your account statement provided by a custodian could potentially reflect the original purchase price and not any price or value from a secondary market, a repurchase offered by the sponsor, or the book value. The actual value of the investment on a secondary market or through a repurchase by a sponsor could potentially be significantly higher or lower than the original purchase price contained on the account statement provided by the custodian. The asset management fee for non-traded investments included in your program may be based upon the current valuation set by the product sponsor, as reflected on the custodian's account statement. Due to the fact that non-traded investments are illiquid, the value is not easily or



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readily ascertainable or reported. As a result, the value shown on the account statement provided by the custodian is the most reliable method for determining the present value of the investment.

***Additional Compensation Received by Ausdal from Non-Traded Company Sponsors***

In addition to the monthly or quarterly advisory fee, Ausdal may receive additional compensation from the product sponsor, typically ranging from .08% to 1.00% of the dollar amount of the client's purchase. Sponsors may also provide Ausdal with additional compensation in the form of providing sponsorship and reimbursement of fees and expenses related to the firm's annual meeting. The additional compensation represents a conflict of interest due to the potential that the fee or expense reimbursement received from the sponsor could influence the firm's decision to recommend offerings by specific sponsors or the recommended dollar amount of a purchase.

***Interest Rate Risk***

Interest rates may go up, causing the value of debt securities held by an account (or by any mutual fund, money market fund, or other fixed income security owned by the account) to decline. This is known as interest rate risk, which may be greater for securities with longer maturities. Again, this is a known risk factor for the Programs, depending on specific allocations.

***Credit Risk***

The issuer (or other obligor) of a security owned by the account (or by any mutual fund, money market fund, or variable product owned by the account) may fail to pay principal or interest, or otherwise defaults, or may be perceived to be less creditworthy, or the security's credit rating may be downgraded, or the credit quality or value of any underlying asset may decline. This is known as credit risk. This risk is greater for high yield securities than for securities of higher credit quality. Accounts participating in the Programs may invest in high yield securities.

***Prepayment Risk***

During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the account (or any mutual fund, money market fund, or variable product owned by the account) to reinvest in lower yielding securities. This is known as call or prepayment risk.

***Extension Risk***

During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration (a calculation of a security's future payments designed to measure sensitivity to interest rate changes), increase the security's sensitivity to interest rate changes and reduce the value of the security. This is known as extension risk.

***Liquidity Risk***

From time to time, as a result of economic, market, or issuer-specific reasons, one or more investments held by the account may become difficult to sell at a favorable price, and in certain adverse markets or economic conditions, may become difficult to sell at any price. The causes of a loss of liquidity may not be related to any specific adverse changes in the business of a particular issuer.

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*Risk of Errors in Investment Decisions*

There is a risk that our judgment about the attractiveness, relative value, or potential appreciation of a particular market sector or security, or about the timing of investment purchases or sales, may prove to be incorrect, resulting in losses to the account.

*Risk of holding cash balances for an extended period of time*

Some strategies may seek to improve long-term risk-adjusted performance by holding substantial cash balances for extended periods of time. However, because the account will continue to be charged Advisory Fees on the cash balances, and holding cash balances in this manner can ultimately reduce portfolio returns, especially in times when money market rates are extremely low.

*Risk of Delays In Accounts*

For a variety of reasons, there may be periods of time when we will not be able to trade an account. For example, accounts may require several weeks after the Advisory Agreement is signed by all parties before we will be able to enter trades with the Custodian (and such period may be lengthened as a result of delays by client or third parties in transferring assets to the Custodian). Similarly, accounts that are transferred between Custodians, or whose registrations are changed, or that change Portfolios may experience periods during which we will not be able to trade the account. Further, there will likely be periods when we are not able to trade an account as a result of the Firm's administration, review, portfolio management, trade execution, or other handling of that account or the account for other clients.

During periods when we are not able to trade the account, we may receive a Signal that we may not be able to effect. As a result, the account may incur losses that would not have been incurred, or may miss profits or opportunities that would have been realized, if the account had been traded.

Following such periods, we will endeavor to trade the account and effect transactions so that the account reflects the Portfolio designated for the account, but such transactions may result in immediate losses for the account. We assume no responsibility for losses or missed profits or opportunities resulting from: the account not being traded during any such period; engaging in transactions so that an account reflects the Portfolio; or from implementing any instruction from the client.

Advisor does not guarantee that transactions will occur within any minimum period of time following receipt of a Signal or that transactions for any account will occur at the same time as transactions for other accounts. We will attempt, when reasonably able, to move all clients promptly following receipt of a Signal, but clients should expect that delays will occur, transactions for particular accounts may be delayed until after transactions for other accounts have been effected, and losses may be incurred or profits or opportunities may be missed, all at the risk (and potential benefit) of the client. Although with respect to any particular Signal or transaction, certain accounts may not be treated the same as other accounts, We will implement procedures to avoid particular accounts being treated unfairly over reasonable periods of time.

## **C. Risk of Loss and Other Risks**

The risks described below apply to all of our Programs.

*Risk of Loss*

Investing in securities involves risk of loss that clients should be prepared to bear. Securities are not guaranteed and clients may lose money on their investments. We ask that clients work with us to be sure we understand their willingness and financial ability to bear the risks of their current investments and the investments we recommend for their account.

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#### *Insolvency of Brokers and Others*

Clients will be subject to the risk of failure of the brokerage firms that execute their trades, the clearing firms that such brokers use, and the clearinghouses of which such clearing firms are members. Although we believe the institutions we recommend have sufficient capital, there is no assurance this will continue to be the case.

#### *Margin Transactions*

Although not expected to be used frequently, there may be occasions when the client's account will use a margin account offered by the Custodian to borrow sufficient funds to purchase a security for an account. This typically happens if sufficient cash is not available in the account to purchase the security and it is not advantageous to sell other investments. The use of margin carries risks that clients should understand. We do not expect to use significant amounts of margin or other leverage in our strategies; however, certain types of transactions may or must be executed through a "margin account."

In volatile markets, security prices can fall very quickly. If the net value of a client's account (less the amount the client owes to the broker) falls below a certain level, the broker will issue a "margin call" and the client will be required to sell the security (and other positions) or add more cash to the account. You could lose more money than you originally invested. Additionally, the client must pay interest on the margin balance owed to the broker until it is repaid in full. The amount of margin interest will diminish the client's profits and in some cases could cause net losses in the client's account.

#### *Allocation of Investment Opportunities*

At times, there will be limited supply of an investment and we will be required to decide which accounts will be able to purchase the investment. Although we do not receive allocations of initial public offerings of stock (IPOs), this would be an example of a situation where demand for an investment opportunity could far outweigh supply. When supply is not sufficient to meet demand, we will be required to decide how which account will participate, and to what extent, in the allocation of the amount of the security we are able to acquire.

In determining which portfolios or accounts will participate or receive an allocation of a limited investment opportunity, we may consider and give greater weight to, among other factors, any one or more of the following factors: asset class or type of security; identity and industry sector of the issuer; market and economic conditions; quantity of the security available to us; available cash, liquidity needs, size, and investment objective of the eligible accounts; effective, current, or target yields, returns, spreads, coupon, duration, or credit quality; volatility (as measured by standard deviation, by comparison against a benchmark or index, or by other measures selected by us); actual, estimated, or target rates of return targets; liquidity, tax position, and investment restrictions; and current performance relative to target benchmarks compared to other portfolios or accounts relative to their target benchmarks. Such factors may be calculated, derived, or estimated by us or any third party or data source we believe is reasonably reliable.

Although the selection of one or more portfolios or accounts to participate in a particular investment opportunity may, in that instance, work to the benefit of the participating portfolios or accounts (and to the detriment of any non-participating portfolios or accounts), we will use reasonable efforts to manage all accounts and portfolios fairly and non-preferentially over time.

#### *Risk of Trade Errors*

On infrequent occasions, an error may be made in a transaction for an account. For example, a security may be erroneously purchased for an account instead of sold. In these situations, if we are responsible for such error, our policy is to restore or return the account to the position it would have been in had the trading error not occurred. Depending on the circumstances, various corrective steps may be taken, including but not limited to, canceling the trade, adjusting an allocation, or reimbursing the account.

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### *Changes In The Portfolios*

We may change, add, or remove portfolios (and the objectives or strategy of any portfolio) from time to time, without prior notice to the client. If a portfolio is changed or removed, we will designate for the account a suitable remaining portfolio, and will notify the client that such designation has occurred. If the client objects to such designation, we may terminate the Advisory Agreement and liquidate the account.

### *Risks of Market, Economic, Political, or Regulatory Events*

As a general matter, the values of account assets may fall due to changes in general market conditions, such as real or perceived adverse economic, political, or regulatory conditions, inflation, changes in interest or currency rates or adverse investor sentiment. Adverse market conditions may be prolonged and may not have the same impact on all types of securities. The values of securities may fall due to factors affecting a particular issuer or the securities market as a whole. The risk to a portfolios in the programs will depend on the specific portfolio allocation.

## **Item 9. DISCIPLINARY INFORMATION**

On June 27, 2011 Ausdal Financial Partners, Inc. discovered that certain e-mail addresses were not being retained by AFP's then third-party email vendor. AFP promptly contacted the e-mail vendor to inquire why e-mails were not being retained. Ausdal learned that the e-mail addresses at issue had not been properly set up.

AFP promptly conducted a firm-wide undertaking to ensure that all of its representatives and associated person's emails would be captured by its existing e-mail vendor's system. On a going-forward basis, AFP was also able to recapture a number of the e-mails for certain of the AFP representatives and/or associated personnel that had not been captured and retained. This was made possible because these certain individuals had maintained e-mails on their personal hard drives. AFP self-reported this issue to FINRA, in writing, on July 15, 2011. AFP changed e-mail vendors as of October 28, 2011. All AFP representatives and associated persons were required to use the new e-mail vendor's platform as of January 1, 2012. AFP representatives were advised of this requirement at the AFP annual compliance meetings held on October 20, 2011 and November 10, 2011. AFP representatives work directly with AFP's new e-mail vendor to ensure that the representatives AFP email address is set up properly and is being captured and retained by the new e-mail vendor's system. AFP, upon receiving notice from the e-mail vendor that the AFP representative's e-mail address has been set up properly and e-mails are being captured and retained, then conducts its own testing to verify that all representative e-mails are, in fact, being captured and retained.

FINRA findings - Section 17(A) of the Securities Exchange Act of 1934 and Rule 17A-4, FINRA Rule 2010, NASD Rules 2110, 3110; the firm failed to retain some e-mail correspondence related to its business as a broker-dealer for over two years. The firm began using a new third-party provider to retain its e-mails and when the provider implemented the firm's e-mail retention system, it established e-mail addresses for the firm's personnel on its server. After the initial set-up, the firm was responsible for establishing new e-mail addresses on the server for several newly registered representatives and associated personnel and therefore failed to retain the e-mails of these representatives and associated personnel. The firm was able to retrieve e-mails for some of these representatives and associated personnel after it discovered that the e-mail addresses had not been established on the server. The firm allowed its registered representatives to use their personal e-mail addresses, as long as they forwarded securities related e-mails to any of the e-mail review boxes established by the firm. However, for a period, the e-mails sent to one of these e-mail review boxes were not retained. These e-mails were deleted on a weekly basis because the review box would become full and would not accept any additional e-mails. Without

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admitting or denying the findings, the firm consented to the sanctions and to the entry of findings and therefore the firm was censured and fined \$25,000.

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

The principal business of AFP is that of a securities broker-dealer. As such, the company is actively engaged in the business of selling securities and is compensated for these sales through the payment of commissions. AFP is a member in good standing of FINRA and has been since 1979.

As part of AFP's services as a broker-dealer, AFP is engaged in an agreement with Princeton Fund Advisors, LLC for the marketing and distribution of several Princeton mutual funds. The specific mutual funds include the Sandalwood Opportunity Fund, the Eagle MLP Strategy Fund, the Princeton Futures Strategy Fund, and the Probabilities Fund. This primary distribution and solicitation will be to other financial institutions, but this relationship with Princeton Funds creates a conflict of interest, since some IARs may use these funds in their portfolios. IARs do not receive additional commissions for offering these funds to their clients. Payments received from the above activity are paid directly to the broker/dealer Representative that solicits this product to other financial institutions.

AFP owns less than 5% of Probabilities Fund Management, LLC. Robert B. Ausdal Jr., President and CCO of AFP serves as a consultant to the PFM investment committee, a position for which he receives no compensation. AFP may benefit financially from advisory fees paid to PFM.

Pershing, LLC, Schwab, TD Ameritrade, and Folio Institutional are all separately owned, independent from and unaffiliated with AFP.

AFP and its Representatives are engaged in selling various insurance products through a number of different life insurance companies. The arrangements between the insurance companies and AFP are governed by standard agency contracts. Ausdal may receive compensation from advisory clients and others for the purchase of insurance products.

### AUSDAL FINANCIAL PARTNERS — STRATEGIC PARTNERS PROGRAM

AFP participates in joint educational and marketing efforts with select mutual funds, insurance companies, brokerage firms, investment management firms and other financial service providers. The Ausdal "Strategic Alliance Program" offers these firms exposure to AFP advisors via educational sessions and other meetings. Expenses associated with these events are funded through a fixed fee paid by partner firms. In 2013 there were 15 "Strategic Alliance" firms participating in the program with contributions ranging from \$5,000 to \$10,000 per firm. During the course of the year, partner firms were allowed:

- Business contact information for all AFP registered representatives
- Speaking Time at one AFP Quarterly Educational Meeting
- Participation in AFP's National Sales Conference (exhibition space and speaking time)
- Booth space at various other AFP functions

In general, these partners are selected based on the popularity of the products and services with AFP's registered representatives and advisors. In some cases, new "partners" are selected for inclusion based on AFP's assessment of the firms' potential value to AFP, its representatives and its clients. Strategic Alliance firms are not the sole participants in Ausdal meetings and events. Many other products and services are included in Ausdal meetings and events irrespective of financial support. However, the access granted to the Strategic Alliance partners may constitute a conflict of interest. The inclusion of a firm in the program does not necessarily benefit any client and may serve only to benefit AFP and its advisors.

RECOMMENDATION OR SELECTION OF OTHER ADVISERS

We are required to disclose if we recommend or select other investment advisers for our clients and if so, whether we receive any compensation that creates a material conflict of interest. We must also disclose if we have other business relationships with those advisers that create material conflicts of interest, and describe the conflicts and how we address them.

We do not recommend or select other advisers, except in connection with the SMA Program and the Ausdal Wrap Fee Program. We do not receive any direct compensation from the Sponsors of the Third-Party Programs or any of the Managers in connection with the recommendation of any of the advisers. All direct compensation is paid in the form of the Advisory Fees that are paid by the client, and the 12b-1 Fees, and other transaction-related compensation we receive in our capacity as a broker-dealer for the client accounts.

Nonetheless, through the SMA Program and Ausdal Wrap Fee Program, we have access to certain research and portfolio modeling tools that are made available to us, which tools we would not have access to if we did not refer clients to the Sponsors or Third-Party Programs.

Consequently, to the extent we may value the use of any of the Sponsor or Third-Party Program tools and research, there is a conflict for us to act in our own economic best interest, rather than in the best interest of our clients, by recommending and selecting the Sponsors, Third-Party Programs and Managers so we will continue to have access to these tools and research and do not have to arrange or pay for these services from our separate funds.

We address this conflict of interest by disclosing it in this Brochure. We also monitor our accounts and evaluate the quality and costs of the services provided by the Sponsors, Third-Party Programs and Managers who provide portfolio management services for our clients to determine whether our recommendation or selection of them continues to meet our fiduciary obligations.

Although we continue to believe that our selection of the Sponsors, Third-Party Programs and Managers meets our fiduciary obligations and is in the best interests of our clients, it is possible that our judgment could be materially affected by our desire to continue using these tools and services.

## **Item 11. CODE OF ETHICS, INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

We have adopted a Code of Ethics expressing our commitment to ethical conduct. Our Code of Ethics describes our fiduciary responsibilities to our clients, and our procedures in supervising the personal securities transactions of our supervised persons who have access to information regarding client recommendations or transactions ("access persons").

A copy of our Code of Ethics is available to our clients and prospective clients. You may request our Code of Ethics by email at [ausdal@ausdal.com](mailto:ausdal@ausdal.com) or by calling us at (877) 722-8732.

We owe a duty of loyalty, fairness, and good faith towards our clients and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of our access persons' quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of

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securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement, and recordkeeping provisions.

Our Chief Compliance Officer may grant exceptions to certain provisions contained in the Code where we reasonably believe the interests of our clients will not be materially adversely affected or compromised. Doubts arising in connection with personal securities trading should be resolved in favor of the client even at the personal expense of our employees.

Our Code of Ethics prohibits the misuse of material non-public information. While we do not believe that we have any particular access to material non-public information regarding publicly traded companies that would be subject to misuse, all employees are reminded that any such information may not be used in a personal or professional capacity.

The Firm and its principals, officers, affiliates, employees and Representatives may act as investment adviser for others, may manage funds or capital for others, may have, make and maintain investments in its or their own names, or may serve as an officer, director, consultant, partner or stockholder of one or more investment partnerships or other businesses, subject to compliance with the Firm's Code of Ethics. In doing so, the Firm or such persons may give advice, take action, and refrain from taking action, any of which may differ from advice given, action taken or not, or the timing of any action, for any particular client.

Neither the Firm nor any Representative has any obligation to purchase or sell, or to recommend for purchase or sale, any security which the Firm or any principal, officer, employee or Representative purchases or sells for his own account or for the accounts of other clients, unless such conduct is a fiduciary obligation.

#### *Confidentiality Of Client Information*

Protecting the confidentiality of our customers' nonpublic information is paramount for the Firm. As such, we have instituted policies and procedures to ensure that nonpublic customer information is kept confidential. We do not disclose nonpublic personal information about our clients or former clients to any nonaffiliated third parties, except as provided pursuant to our privacy policies or as required by or permitted by law.

In the course of servicing a client's account, the Firm may share client information with service providers, such as Sponsors, Managers, Custodians, transfer agents, accountants, and attorneys. The Firm will share information about the client, the client's account, and account activity.

## **B. Recommendations Involving Our Financial Interests**

### PRINCETON FUND ADVISORS, LLC

As part of AFP's services as a broker-dealer, AFP is engaged in an agreement with Princeton Fund Advisors, LLC, for the marketing and distribution of several Princeton mutual funds. The specific mutual funds include the Sandalwood Opportunity Fund, the Eagle MLP Strategy Fund, the Princeton Futures Strategy Fund, and the Probabilities Fund. This primary distribution and solicitation will be to other financial institutions, but this relationship with Princeton Funds creates a conflict of interest, since some investment adviser representatives may use these funds in their portfolios. Investment adviser representatives do not receive additional commissions for offering these funds to their clients. Payments received from the above activity are paid directly to the broker-dealer registered representative who solicits this product to other financial institutions.

### AMPLIFY HOLDINGS, LLC

AFP has signed a best efforts selling agreement to participate in the private placement to accredited investors only of membership units ("Units") in Amplify Holdings, LLC ("Amplify"), a business that is being organized to acquire the assets of an Exchange-Traded Fund and to develop a financial services distribution company primarily

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focused on distributing ETFs. We will solicit the purchase of Units by individuals and businesses who are advisory clients; however, any such purchases will be made through brokerage or other accounts the assets of which we are not managing as advisory assets. The Units will not be held as assets in any advisory account and we will not purchase the Units in any advisory account through the exercise of discretion.

Clients should understand that we have a conflict of interest because our Chairman of the Board and our Executive Vice President will control two of the three seats on Amplify's Board and also own a significant percentage of its membership interests; consequently, AFP will be deemed to "control" Amplify. These individuals will earn compensation from Amplify that will be paid from amounts raised from investors, and AFP will earn selling compensation as a broker-dealer for the sale of the Units, and the selling Representative will share in such compensation for selling the Units, even if the investment is not successful for investors. Consequently, even though we have adopted procedures to ensure that no client invests advisory assets, and that all investments are suitable for the investor, it is possible that our judgment could be materially affected by the prospective of the financial gain.

### **C. Investments in Securities We Recommend to clients**

Individuals associated with the Firm may buy or sell securities for their personal accounts identical to or different from those recommended to clients. It is the policy of the Firm that no person employed by the Firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of clients. Subject to the Code of Ethics, the Firm and its employees are permitted to trade for their own accounts side-by-side and in block transactions with the Firm's clients in the same securities, and at the same time. We have adopted the procedures described in Item 11.D to address the actual and potential conflicts of interest raised by our policies.

### **D. Investments Around Time of Client Transactions**

Subject to the procedures in this section 11.D, the Firm and its employees are permitted to trade for their own accounts side-by-side with clients in the same securities at or around the same time as clients on the same trading day, and are permitted to aggregate trades for their proprietary accounts with trades for client accounts. The Firm, its employees, and its affiliates may buy or sell securities for their personal accounts identical to the securities recommended to clients.

We have adopted the procedures described below to address the conflicts of interest arising from our policies described in Items 11.C and 11.D:

- the Firm prohibits employees from knowingly purchasing or selling securities (other than mutual funds or other securities that are not treated as "reportable securities") immediately prior to client transactions, in order to prevent employees from benefitting from transactions placed on behalf of advisory accounts;
- no director, officer, or employee of the Firm shall 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 employment, unless the information is also available to the investing public on reasonable inquiry;
- no director, officer, or employee of the Firm shall knowingly prefer his or her own interest to that of an advisory client;
- the Firm maintains records of securities held by the Firm and its access persons. These holdings are reviewed on a regular basis by the Investment Committee;
- the Firm emphasizes the unrestricted right of the client to decline to implement any advice it has rendered (except where the Firm has entered an order pursuant to its exercise of discretionary authority);



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- the Firm requires all employees to act in accordance with all applicable Federal and State laws and regulations governing registered investment advisory practices; and
- any individual not in observance of the above may be subject to discipline.

## **Item 12. BROKERAGE PRACTICES**

### **A. Factors in Recommending Custodians and Brokers**

In Item 12, we describe the factors that we consider when recommending custodians and brokers. We also describe the conflicts of interest that can affect our decisions and the steps we take to attempt to address these conflicts.

#### **1. RESEARCH AND OTHER SOFT DOLLAR BENEFITS**

AFP recommends custodians that are broker-dealers or are affiliated with broker-dealers taking into their consideration the nature of the services and reporting required, the technology integration capabilities, cost, quality of services, reputation, integrity and financial condition.

Our recommendations are directly affected by the fact that AFP is a dually-registered broker-dealer and investment adviser. Our investment adviser representatives are registered representatives of our broker-dealer. We recommend Pershing as custodian and broker because we are intimately familiar with its operations and are able to place orders, assist clients, resolve questions, and administer accounts very efficiently.

Clients should be aware, however, that even though this arrangement is very efficient for us, we have an obligation to evaluate the custodians and brokers we recommend on a continuing basis to determine they are appropriate for our clients and consistent with our fiduciary responsibilities. An arrangement that is best for our firm is not necessarily best for you.

In addition to Pershing, AFP participates in the institutional advisor programs offered through Charles Schwab & Co., Inc. ("Schwab") member FINRA/SIPC, TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC, and Folio Institutional ("Folio") member FINRA/SIPC. Schwab, TD Ameritrade and Folio are all independent, unaffiliated SEC-registered broker-dealers. Through these programs, Schwab, TD Ameritrade and Folio offer to independent investment advisors various services not generally available to retail investors, including custody of securities, trade execution, clearance and settlement, and access to mutual funds otherwise only available to institutional investors.

AFP participates in and recommends the Schwab, TD Ameritrade and Folio institutional advisor programs to its clients for custody and brokerage services. There is no direct link between AFP's participation in these institutional programs and the investment advice AFP gives to its clients; the various useful benefits and services AFP or its personnel receive through participation in these programs do not depend on the amount of brokerage transactions directed to these custodians. These services generally are available to independent investment advisors on an unsolicited basis, at no charge so long as a certain minimum amount of client assets are maintained in accounts at the particular custodian.

Through AFP's participation in these institutional programs, Schwab, TD Ameritrade, and Folio, may provide AFP or its various useful benefits and services described below. Schwab, TD Ameritrade, and Folio provide these benefits and services to AFP due to our relationship with them, which may be based on the amount of client assets custodied with them or the level of trading activity in client accounts; however, none of these services described here or under Item 14 are provided in consideration of brokerage commissions directed to Schwab, TD Ameritrade or Folio.

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Some of the useful benefits and services made available by Schwab, TD Ameritrade, or Folio through their institutional customer programs or by Pershing may benefit AFP but may not benefit all or any of our client accounts. When we select or recommend Pershing, Schwab, TD Ameritrade, or Folio, we may take into consideration whether such firms provide us with such benefits and services.

We review our recommendations on a continuing basis to determine if our selections are reasonable and consistent with our fiduciary responsibilities. In recommending custodians and brokers, we consider the full range and quality of their services, including, among other things, execution capability, cost, financial responsibility, responsiveness, and the value of research and other services provided. We will not recommend a custodian solely on the basis of the lowest possible commission cost, but rather, we will determine whether the custodian has the ability to provide the best overall qualitative execution considering all factors.

The reasonableness of compensation is based on the custodian's ability to provide professional services, competitive commission rates, research, and related services that will help us in providing investment services to our clients. Consequently, we may recommend a custodian that provides useful brokerage, research, and related services, even though lower costs may be available elsewhere.

Each of the custodians we recommend makes available to us useful benefits and services that include advanced technology, support, and services that assist us in managing and administering our advisory accounts, including:

- Receipt of duplicate client statements and confirmations;
- Consulting services;
- Access to a trading desk serving AFP clients;
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- The ability to have advisory fees deducted directly from client accounts;
- Access to an electronic communications network for client order entry and account information;
- Access to mutual funds with no transaction fees and to certain institutional money managers which may result in lower client expenses;
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to AFP by third-party vendors;
- Communication services that support communication of trade instructions;
- Post-trade matching and routing of settlement instructions;
- Access to electronic client account records and data; and
- Provides research, pricing and other market data.

We have no obligation to refer clients to Pershing, Schwab, TD Ameritrade, or Folio; however, it is unlikely that we would continue to have access to these tools if we did not refer clients to them.

Importantly, the availability of these useful benefits and services creates a financial incentive for us to recommend these firms for our clients' accounts so that we can continue to receive all of these services, and avoid paying for them separately at our own expense. Our interests conflict with our clients' interests in obtaining the lowest possible execution costs.

Although we strive to address this conflict in a manner consistent with our fiduciary duty, our judgment may be affected such that our efforts may not be entirely successful. To help mitigate this conflict, we have adopted procedures to analyze periodically the services and programs provided by or available through our custodians and brokers, to evaluate the usefulness of these services in relation to the costs of the services, and to assess the overall quality of the services.

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#### *Lower Costs Available for Similar Services*

We offer no assurance that the advisory fees, transaction costs, or investment expenses our clients will incur by using our firm as their investment adviser or introducing broker-dealer, or using our clearing firm as broker for their accounts will be as low as the fees or investment expenses charged by other firms for similar services. It is likely that lower costs are available for similar services from other advisers, brokers or custodians, and by paying lower costs, clients could significantly improve their long-term performance.

#### *Brokerage Services Do Not Benefit Specific Accounts*

We do not attempt to put a dollar value on the useful benefits and services each account receives from Pershing, Schwab, TD Ameritrade, or Folio, nor do we attempt to allocate or use the economic benefits and services received for the benefit of specific accounts, or attempt to use any particular item to service all accounts. We will use the economic benefits and services we receive to assist in managing accounts not maintained with the custodian whose commissions were used to pay for such services. The useful benefits and services we receive from custodians and broker-dealers are used to help our Firm to fulfill its overall client obligations. Clients will likely pay commissions or other transaction costs that will be used to pay for services that are not used to benefit their account.

### 2. BROKERAGE FOR CLIENT REFERRALS

We are required to disclose whether, in selecting or recommending a broker, the broker (or a third party) refers clients to us. If so, we must disclose certain additional matters. Our clearing firm, Pershing, does not refer clients to us.

### 3. DIRECTED BROKERAGE

We do not require, but will accept “directed brokerage” instructions from our clients. This means the client requires us to use a particular broker to execute all of their brokerage orders, even if we could obtain more favorable execution elsewhere.

When a client directs the use of a particular broker-dealer, we will not aggregate the client’s orders with the orders of clients at other brokers. Orders for these accounts will not be placed until after orders are placed for accounts that have not directed the use of a particular broker. As a result, the client will not receive the benefit of reduced transaction costs or better prices that may result from aggregation of client orders, as discussed in Item 12.B. Further, when we are directed to use a particular broker-dealer, we will not have the authority to negotiate commissions, obtain volume discounts, or seek price improvement from other broker-dealers.

Consequently, clients should understand that the direction to place orders with a broker-dealer may result in the broker not achieving most favorable execution of the client’s transactions. This practice may cost the client more than if we had discretion to select another broker-dealer. A disparity may arise such that clients who direct brokerage may pay higher overall transaction costs and receive less favorable prices than clients who do not direct brokerage.

## **B. Aggregation of Transactions**

For the RDP Program and Proprietary Program, the Advisory Agreement authorizes, but does not require, AFP to aggregate orders of more than one client for the same security into “block trades.” Proprietary accounts of our firm or its supervised persons (employees) may participate in block orders on the same basis as clients.

For certain types of investors and accounts, the ability to have their orders aggregated into a “block order” with other clients can offer economic benefits, including the potential for volume discounts on their orders, potentially timelier execution, a potential reduction of adverse market effects that can occur from separate, competing

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orders, and mutual sharing of transaction costs. For accounts that purchase individual securities, such as stocks or bonds, the broker may be able to negotiate price improvements for block orders.

Block orders are typically placed through an “average price account” or similar account such that transactions for accounts participating in the order are averaged as to price (which will be NAV for all mutual fund securities), and the securities purchased or net proceeds received are allocated pro rata among the accounts in proportion to their respective orders placed that trading day.

Typically, partial fills will be allocated among accounts in proportion to the total orders participating in the block, unless we determine that another method of allocation is equitable (such as an alphabetical rotation, rotation based on the clients of a particular Representative, or other method). Exceptions may be granted or allowed due to varying cash availability, divergent investment objectives, existing concentrations, tax considerations, investment restrictions, performance relative to a benchmark, performance relative to other accounts in the same strategy or portfolio, or a desire to avoid “odd lots” (an amount of a security that is less than the normal unit of trading for that security).

## **Item 13. REVIEW OF ACCOUNTS**

### **A. Account Reviews**

RDP Program account investments are reviewed continuously by the Representative assigned to the account. The Representative also conducts periodic evaluations of the portfolio for consistency with investment objectives and restrictions, and with the account’s stated objectives and strategy.

Proprietary Program model Portfolios are reviewed continuously by the Investment Committee (or a senior manager of the Firm). Individual accounts are reviewed periodically by the Representative for consistency with investment objectives and restrictions, and with the account’s stated objectives and strategy.

SMA Program accounts are reviewed periodically by the Representative for consistency with investment objectives and restrictions, and with the account’s stated objectives and strategy.

More frequent reviews can be triggered by significant market or economic factors, or if the client notifies the Representative of changes in the client’s financial situation, large withdrawals or significant deposits, or changes in the account investment objectives, liquidity needs, or risk tolerance. The Investment Committee (or a manager of the Firm) will be responsible for overseeing all reviews.

### **B. Client Reports**

Clients participating in the RDP Program, Proprietary Program and SMA Program will receive monthly or quarterly account statements and confirmations from their Custodian. We do not generally provide client reports. Please refer to Item 15 for further information about account statements.

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

### **A. Arrangements with Third Parties**

#### *Pershing FundVest Program*

AFP has entered into an arrangement with Pershing whereby Pershing pays AFP a fee based on the value of client assets invested in the Pershing FundVest funds. This is a list of approximately 3000 funds from approximately 200 fund families. Investments can be made in the Fundvest funds without paying a load or a trading commission.

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These funds are called no transaction fee funds. This approach is possible because the funds participating in FundVest pay Pershing fees to be on the FundVest list. The payment of this compensation constitutes a conflict of interest. Consequently, in order to continue to participate in the FundVest arrangement, AFP may have an incentive to recommend to its clients that the assets under management by AFP be held in custody with Pershing and to recommend that clients place transactions for client accounts in the FundVest funds.

However, the FundVest fees are not shared with IARs. While AFP may have a competitive or other incentive to encourage reps to buy and hold FundVest funds over other investments for its clients' accounts, IARs have no incentive beyond the attraction of a no transaction fee option for their clients. Other brokerage firms/custodians (TD Ameritrade and Schwab) offer "No Transaction Fee" fund programs but do not pay AFP any fee for client participation in such programs. The payment of compensation by Pershing does not diminish AFP's duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

As described in Item 12, our clearing firm, Pershing, provides many services on which we depend in offering advisory services to our clients in an efficient and cost-effective manner. AFP recommends Pershing to clients for custody and brokerage services. There is no direct link between AFP's participation in the Pershing's program and the investment advice it gives to its clients, although AFP receives economic benefits through its participation in the program that are typically not available to Pershing's retail investors.

#### *TD Ameritrade Additional Services Addendum*

TD Ameritrade has arranged for Orion Advisor Services, LLC ("Orion") to provide certain "Additional Services" to for AFP, all at TD Ameritrade's expense. These services currently include trading, billing and account data management services. AFP and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

AFP's receipt of Additional Services creates a conflict of interest because it does not have to pay for such services out of its own funds and it provides an economic incentive for TD Ameritrade to recommend TD Ameritrade to its clients based on the economic benefits it receives rather than the best interest of the client in seeking the custodian and broker that offers best execution, for example.

Because TD Ameritrade has the right to terminate the Additional Services Addendum with AFP, in its sole discretion, provided certain conditions are met, AFP has a continuing economic incentive to continue recommending it to its clients and to place transactions for Client accounts with TD Ameritrade. AFP's receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

While there is no direct linkage between the investment advice we give and services made available by the custodians and brokers we recommend, it is likely we would no longer have access to these services if we did not recommend or select them. Consequently, we have an incentive to act in our own economic best interest, rather than in the best interest of our clients, by recommending and selecting these firms so we do not have to arrange or pay for these services from our separate funds.

#### *Custodian Institutional Program Benefits*

As discussed in Item 12, AFP participates in institutional advisor programs offered by Schwab, TD Ameritrade and Folio. AFP recommends these firms to clients for custody and brokerage services. There is no direct link between AFP's participation in such programs and the investment advice it gives to its clients, although AFP receives economic benefits through its participation in these programs not typically available to retail investors or other institutional advisors. Please refer to Item 12 for a complete description of all of the useful benefits and services that Schwab, TD Ameritrade and Folio provide to AFP in connection with their institutional advisor programs.

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We address the conflicts of interest described in this Item by disclosing them in this Brochure. We also monitor our accounts and evaluate the quality and costs of the services provided by Pershing, Schwab, TD Ameritrade, and Folio to determine whether our recommendations of them continues to meet our fiduciary obligations. Although we continue to believe that our recommendations and selections are appropriate for our clients, our judgment may be materially affected by our dependence on the services they provide, particularly our clearing firm, Pershing.

## **B. Referral Arrangements with Third Parties**

We refer clients to third-party advisers, as described in Item 10 in connection with the SMA Program. In addition, from time to time, AFP will enter into agreements with unaffiliated individuals (Solicitors) that refer clients to the firm. All such agreements will be in writing and comply with the applicable state and federal regulations. If a client is introduced to AFP by a solicitor, AFP will typically pay that solicitor a fee in accordance with the applicable federal and state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation paid to solicitors will be based upon a percentage of the total fees received by the adviser from clients solicited by the solicitor on an ongoing basis, a fixed number of basis points based on the assets under management from clients solicited by solicitor on an ongoing basis, or fixed dollar amount for each referred client, who becomes an advisory client of the Adviser. Any such fee shall be paid solely from AFP's fees, and shall not result in any additional charge to the client. The solicitor has a financial incentive to recommend our firm to you for advisory services, which creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

## **Item 15. CUSTODY**

Clients will receive account statements directly from their Custodian on at least a quarterly basis showing all transactions in their account during the reporting period. Clients should review the Custodian's statements carefully.

AFP typically does not provide reports regarding a client's account as part of our advisory services. Some representatives may provide reports to clients. AFP never provides account statements detailing account debits, credits, receipts, deliveries, and positions. Clients will receive account statements directly from their Custodian. If a client receives any report from AFP or a representative of AFP which refers to the value of an asset also shown on a Custodian's statement, we urge the client to compare the information with the statement they receive from the Custodian and contact us immediately if any discrepancies are found.

## **Item 16. INVESTMENT DISCRETION**

Generally, in the RDP Program and Proprietary Program we require clients to grant us full authority and discretion, on the client's behalf and at the client's risk to buy, sell, exchange, redeem, and retain investments, and exercise such other powers as we deem appropriate to manage the account. We have full discretion to: open, close, and modify portfolios in any program; adjust or change the investment allocations of a portfolio, the asset classes that comprise a portfolio, the percentage that any asset class represents of a portfolio, or the mutual funds or other securities comprising any asset class; and remove, replace, or add to the managers or other third parties, if any, that manage or provide research, model portfolios, buy and sell signals, or other information or services used in creating, allocating, reallocating, or managing a client's account.

All grants of discretionary authority must be in writing. If a client wishes to impose reasonable limitations on our discretionary authority (such as restrictions on the type of securities held in their account), such limitations must be included in the Advisory Agreement or otherwise submitted to us in writing. The Client may change these

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limitations, as desired, by written instruction to us by mail to the address shown on the cover page of this Brochure. All grants of discretionary authority must be in writing.

The Third-Party Program agreements with the Sponsor and the Manager(s) also require the client to grant the Sponsor and the Manager(s) discretion over the client's account to fulfill their respective administrative and portfolio management responsibilities. The terms of the client's grants of discretion are negotiated separately between the client, the Sponsor and Manager(s).

We may, in our sole discretion, agree to accept accounts that will be managed on a non-discretionary basis, on terms we will negotiate separately with the client. Clients should be aware that because we must obtain client consent prior to placing trades for non-discretionary account, this will usually result in trades for the account being entered after trades have been executed for our discretionary accounts. This will cause orders for the non-discretionary accounts to be filled later (and potentially, at less advantageous prices), or not to be filled on the same day as orders for discretionary accounts.

Orders for non-discretionary accounts will typically not be included in block orders with discretionary accounts, and these accounts will not receive the benefits of sharing execution costs or using an average price account, as used with orders for discretionary accounts. Consequently, the transaction costs, the quality of execution, and overall performance of non-discretionary accounts may be less favorable, as compared to discretionary accounts.

## **Item 17. VOTING CLIENT SECURITIES**

We require the client to retain responsibility for voting all account securities. We will not vote proxies, exercise rights, make elections, or take other such actions with respect to securities held for accounts we manage. If desired, a client may instruct us in writing to forward to the client or to a third-party materials we receive pertaining to proxy solicitations or similar matters. Upon receipt of the client's written instructions, we will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, we will discard proxy and related materials.

Clients may obtain proxy materials by written request to the account's Custodian. For information about how to obtain proxy materials from a Custodian, clients may contact us by email to [ausdal@ausdal.com](mailto:ausdal@ausdal.com), or by mail to the address on the front of this Brochure. However, we do not provide advice about the issues raised by proxy solicitations or other requests for corporate actions.

Similarly, we do not advise or exercise rights, make elections, or take other actions with respect to legal proceedings involving companies whose securities are or were held for a client's account, such as asserting claims or voting in bankruptcy or reorganization proceedings, or filing "proofs of claim" in class action litigation.

If desired, a client may instruct us in writing to forward to the client or a third party any materials we receive pertaining to such matters. Upon our receipt of such written instructions, we will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, we will discard such materials. Written instructions should be sent by email to [ausdal@ausdal.com](mailto:ausdal@ausdal.com), or by mail to the address shown on the cover page of this Brochure.

The terms of a client's agreement with an SMA Program Sponsor may contain different terms regarding the voting of proxies. These terms must be separately negotiated between the client and the Sponsor.

## **Item 18. FINANCIAL INFORMATION**

### **A. Prepayment of \$1,200 Six Months or More in Advance**

Investment advisers who accept fees of more than \$1,200 per client, six months or more in advance are required to provide their clients an audited balance sheet.

Because we do not accept pre-paid fees exceeding \$1,200 per client, six months or more in advance, we have not provided a balance sheet.

### **B. Disclosure of Certain Financial Conditions**

SEC-registered investment advisers who have custody or discretion over client funds or securities, or who require prepayment of fees exceeding \$1,200 six months or more in advance must disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients.

There is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

### **C. Bankruptcy within Past Ten Years**

Advisers who have been the subject of a bankruptcy petition during the past ten years must disclose certain information about the matter.

We have never been the subject of a bankruptcy petition.

## **Electronic Delivery**

Upon written client authorization, AFP may deliver any required regulatory notices and disclosures or correspondence via electronic mail or via AFP's Internet website. AFP shall have completed all delivery requirements upon the forwarding of such document, disclosure, notice or correspondence to the client's last provided email address (or upon advising the client via email that such document is available on AFP's website). Client may, at any time, notify AFP in writing that it does not wish to receive electronic communications and instead wishes to receive paper communications.