

# Disclosure Brochure for Third Party Programs

**Tower Square Securities, Inc.**  
A MetLife Company

## Disclosure Brochure for Third Party Programs

**March 31, 2011**

This brochure provides information about the qualifications and business practices of Tower Square Securities, Inc. If you have any questions about the contents of this brochure, please contact us at 800-842-3732. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Tower Square Securities, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Tower Square Securities, Inc. is an investment adviser and a securities broker-dealer registered with the SEC. Please note, registration does not imply a certain level of skill or training.

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## **Item 2 Material Changes**

This disclosure brochure (“TSS Brochure” or “Firm Brochure”) contains important information about Tower Square Securities, Inc. (“TSS,” “we,” “our,” “us” or “Firm.”) and the nonproprietary third party investment advisory programs and services (“Third Party Programs”) TSS makes available to its clients (“clients” or, in the singular, “you”). Among other things, this Firm Brochure provides clients with a description of the services the Firm provides under the Third Party Programs, the compensation it receives for such services and the conflicts of interest that arise with respect to some of the Third Party Programs. This Firm Brochure is a new document prepared in accordance with recent changes to the SEC’s disclosure requirements and rules. As such, this Firm Brochure contains certain new information and is structured differently than our previous disclosure brochures.

In the future, Item 2 will discuss specific material changes that are made to the Firm Brochure and provide clients with a summary of such changes. This item also will reference the date of the last annual update of our Firm Brochure.

Pursuant to new SEC rules, we will provide clients a summary of any materials changes to this and subsequent Firm Brochures within 120 days of the close of our fiscal year. When required or appropriate, we also will provide clients interim summary updates of material changes to our Firm Brochure.

Clients may ask for a copy of our current Firm Brochure, which includes all material changes since the previous Firm Brochure, or a summary of material changes to the previous Firm Brochure at any time, without charge by contacting (800) 842-3732.

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## **Item 4 Advisory Business**

### *Description of Advisory Firm*

TSS is a Connecticut corporation and is registered as an investment adviser (“IA”) with the SEC. TSS has conducted its advisory business since 1995. Its principal place of business is 1095 Avenue of the Americas, New York, NY 10036. TSS is also registered as a broker-dealer (“BD”) with the SEC and various states. As a BD and IA, TSS is regulated by the SEC, other agencies of the United States of America, the Financial Industry Regulatory Authority (“FINRA”), as well as applicable states. Since TSS is not registered as a broker-dealer or investment adviser outside of the U.S, TSS, its investment adviser representatives (“IARs”) and financial planners generally do not provide advisory services to persons domiciled outside of the U.S.

TSS is a wholly owned subsidiary of Plaza LLC, which is wholly owned by MetLife Insurance Company of Connecticut (“MICC”). MICC is wholly owned by MetLife Inc. (“MetLife”). TSS, together with other affiliates (see Item 10 – Other Financial Industry Activities and Affiliations -- for additional information), provides a wide array of financial products and services to its clients. When appropriate, TSS’s representatives may recommend the purchase of one or more such products or services to assist clients in pursuing their savings, insurance, investment or other financial objectives. Typically, the products or services recommended will consist of or include products or services sponsored, issued, sold, distributed, advised, or serviced by TSS or its affiliates.

In addition to the advisory services described in detail in this Brochure, TSS also offers other advisory services. If you would like to learn more about the other advisory services available through TSS, please contact your IAR.

### *Total Assets Under Management (AUM)*

As of 12/31/10, the Firm has \$197.8 million AUM in total in Third Party Programs (not including Referred Services as defined below). The Firm does not manage client assets in Third Party Programs on a discretionary basis.

### *Overview of the advisory services offered by TSS*

The Firm makes available to you a number of proprietary and nonproprietary investment advisory programs and services. This Firm provides you with information about the Third Party Programs that are available through the Firm and the services the Firm provides in connection with these programs. If you wish to learn about other investment advisory programs and services that the Firm offers, you may contact the Firm or your Firm’s IAR to receive a similar Form ADV disclosure brochure for those programs and services.

For each Third Party Program you select, in addition to this Firm Brochure, you will receive from your IAR the Form ADV disclosure brochure (“Third Party Brochure”) for the unaffiliated third party investment adviser sponsoring the Third Party Program (“Third Party Adviser”).

### *Overview of the Third Party Programs*

Unless otherwise noted, any defined term used in a Third Party Program description below applies only to that particular Third Party Program. All Third Party Programs listed below are sponsored by Third Party Advisers that are not affiliated with the Firm. Please carefully review the Third Party Brochure, in addition to this Firm Brochure, for details about any Third Party Program you select prior to participating in the program. Your participation in a Third Party Program is also subject to the Third Party Adviser’s discretion and approval.

The Firm offers clients the ability to participate in various Third Party Programs available to individual clients and institutions.

## THIRD PARTY PROGRAMS

The following is a list of Third Party Programs available through the Firm, where the Firm acts as a co-adviser, or in some instances, sole adviser to you with the Third Party Adviser that is sponsoring the Third Party Program:

- MORNINGSTAR MANAGED MUTUAL FUND PROGRAMS
- LOCKWOOD PROGRAMS
  - *Lockwood Managed Account Link (“MAL”)*
  - *Lockwood Sponsored Program*
  - *Lockwood Investment Strategies*
  - *Lockwood Asset Allocation Portfolios*
- SEI PROGRAMS
  - *Mutual Fund Strategies*
  - *Distribution Focused Strategies*
  - *Managed Account Program*
  - *Integrated Managed Account Program (“IMAP”)*
  - *Goals-Based Mutual Fund Strategies*
  - *Goals-Based Integrated Managed Account*
- MANAGERS CHOICE PROGRAM
- LORING WARD ADVISORY SERVICES PROGRAMS
  - *Structured Investing Portfolio Services*
  - *Structured Investing Advantage*

### Third Party Adviser’s Role:

Depending on the Third Party Program, the Third Party Adviser may do one or more of the following: construct model portfolios with various investment objectives; select and monitor mutual funds, exchange traded funds (“ETFs”), money managers and/or other securities as permitted, for inclusion in the program; and/or allocate, manage and in some programs rebalance client assets in accordance with the model portfolio selected by the client. Please see the Third Party Brochure for more information about the Third Party Adviser’s role.

Following the approval of the client’s application, the Third Party Adviser allocates the client’s funds in accordance with the selected Model portfolio. The client should understand that there is no assurance that their investment objectives will be achieved by participating in the Program.

### The Firm’s Role:

An IAR will work with the client to select an appropriate Third Party Program based on a number of factors, including but not limited to client’s financial needs, preferences and cost. Once a Third Party Program has been selected by the client, the IAR will utilize a fact gathering worksheet such as investor profile questionnaire or client profiling kit, provided by the Third Party Adviser to gather information about the client. This information will be input into investment tools or other software provided by the Third Party Adviser to prepare an investment proposal. The investment proposal recommends a model portfolio to the client for the Third Party Program.

The client may accept or reject the IAR’s recommendation concerning participation in one or more of the Third Party Programs or the IAR’s model portfolio recommendation. The IAR will educate the client about the features, advantages, disadvantages, risks and costs associated with the Third Party Program the client selects. The IAR will also assist the client in completing the application and paperwork required by the Third Party Program and initiate the steps necessary for the client to participate therein. The IAR will also answer basic questions regarding the Third Party Program. The IAR will forward to the Firm all account opening documentation and information, including any reasonable investment restrictions

requested by the client. The Firm will then forward such documentation to the Third Party Adviser for review and approval. The Third Party Adviser is solely responsible for reviewing, accepting or rejecting and observing any reasonable investment restrictions imposed by the client.

The Firm will contact clients at least annually. At the annual meeting, the IAR assigned to the Account will inquire whether anything has changed in client's financial circumstances or investment objectives that might affect the manner in which the client's Account assets should be managed. This annual consultation is designed to determine whether the Third Party Program(s) and the client's model portfolio(s) are still appropriate and consistent with the client's financial circumstances and investment objectives. In addition, if the client has granted the Third Party Adviser investment discretion under an applicable Third Party Program, the client has the ability to add or modify any previously accepted investment restrictions imposed on the Third Party Adviser. The IAR also is available on an ongoing basis to discuss the client's participation in the Third Party Program(s) or the client's investments in general. The Firm will forward any updated information it receives from the client to the Third Party Adviser for review and assist the client in making any appropriate changes to the client's Account, if necessary.

The Firm does not serve as a broker-dealer for the client's Third Party Program account, and does not effect trades in connection with the securities held in client's account.

#### PROGRAM TERMINATION

The Investment Management Agreement ("Program Agreement") will continue in effect until terminated by either the client, the Firm, or the Third Party Adviser. Generally, termination requests must be made in writing to the other party or parties. Clients may terminate an Account by submitting a written request to the Firm.

Upon termination by the client, the Third Party Adviser will direct the Custodian to deliver cash and securities held in the clients program account as instructed by the client. If the client's account is liquidated as a result of a termination for any reason, proceeds will be payable to the client upon settlement of all transactions in the account.

In the event a Third Party Program or Account is terminated by the Firm or Third Party Adviser, clients will be notified and will need to contact their Investment Adviser Representative to make other arrangements.

#### REFERRAL/SOLICITOR PROGRAM

The Firm has referral arrangements with unaffiliated third party investment advisers ("Sponsors"). Under such arrangements, the Firm may refer individuals or organizations (collectively, "Referred Clients") to Sponsors for their review to determine if such Referred Clients may be eligible and appropriate for the investment advisory programs and services offered by the Sponsors (such advisory programs and services are referred to hereinafter as "Referred Services"). The Firm does not direct any investments or otherwise have any role with respect to managing assets of Referred Clients receiving Referred Services. Clients are responsible for deciding if they wish to receive Referred Services. IARs may assist Referred Clients in completing client forms necessary to submit to Sponsors for review and approval. Through its agreement with some of the Sponsors, the Firm will contact certain Referred Clients, at least annually, to inquire whether anything has changed in their financial circumstances or investment objectives that might affect the manner in which their assets should be managed by Sponsors and forward any information obtained from these contacts to Sponsors for review.

A Referred Client's participation in any Referred Services is subject to the Sponsor's sole discretion and acceptance of the Referred Client's application and executed agreement. Prior to, or at the time of, the referral, the Firm will provide a solicitor disclosure statement to the Referred Client, which describes the referral arrangement between the Firm and the Sponsor, the compensation that the Firm will receive for the referral, and the Firm's role and responsibility under the referral arrangement. The client will also be provided with the Sponsor's Disclosure Brochure, and client should read such document carefully.

## **Item 5 Fees and Compensation**

The specific manner in which advisory fees are charged by the Firm for each Third Party Program listed in Item 4 (excluding Referred Services) above is established in a written agreement between the client and the Firm. Please refer to the applicable Third Party Brochure and the investment management agreement between the client and the Third Party Adviser for details on how such Third Party Adviser charges fees to the client under the Third Party Program.

Where the fees charged under any of the Third Party Programs are for advisory, execution and other services, clients should understand that such bundled or “wrap” fees may cost more or less than purchasing such services separately, assuming the services can be purchased separately.

Additionally, clients may purchase securities without participating in a Third Party Program, and therefore, will not have to pay the advisory fee described below. Thus, it may be more cost efficient for clients to purchase the securities outside of the Third Party Program. However, clients will not receive the services provided under the Third Party Program if they choose to do so. The advisory fee a client pays may be higher than those charged by the Firm for other advisory programs offered through the Firm, or higher than those charged by other sponsors of comparable programs.

In addition to the advisory fees described below, the client may incur additional fees and expenses to participate in Third Party Programs. For instance, if the Third Party Program invests client assets in securities such as ETFs, mutual funds or closed-end funds, clients will be subject to the fees and expenses of such securities which are generally established by each fund’s board of directors and are subject to change. These include administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Clients should read such securities prospectus, Statement of Additional Information, offering statements and/or other offering documents, if any, for a complete explanation of applicable fees and expenses.

The client should review the specific Third Party Brochure for a description of all fees and charges that Third Party Advisers may assess for their respective Third Party Programs.

To the extent that assets used for participation in a Third Party Program come from the redemption of non-program investments, the client should consider the cost, if any, of sales charges previously paid or to be paid upon redemption, which would be in addition to the advisory fees on those assets. Clients should be aware that such redemptions might have tax consequences that should be discussed with an independent tax advisor.

The following section contains a general description of the compensation received by the Firm and the Third Party Advisers.

### **MORNINGSTAR MANAGED MUTUAL FUND PROGRAMS**

The total advisory fee that the client pays to participate in one of the Morningstar Managed Mutual Fund Programs is comprised of Morningstar’s fee (“Morningstar Fee”) and TSS’s fee (“TSS Fee” and collectively with Morningstar Fee, the “Program Fee”).

The Morningstar Fee includes Morningstar’s advisory fee and fees for clearing, custody and brokerage-related services for client’s account. The Morningstar Fee and any other applicable charges, for each program, are described in Morningstar’s Third Party Brochure and is set solely by Morningstar.

The TSS Fee covers the advisory services that the Firm provides to the client under the Morningstar Programs pursuant to the agreement between the Firm and the client. The TSS Fee is generally between .25% and 1.10% and is negotiable. In the Firm’s sole discretion, the Firm may lower the TSS Fee for certain client accounts based on factors including but not limited to account size and client’s affiliation with the Firm.

The initial Program Fee is billed directly by a third party custodian (“Custodian”) shortly after the end of the calendar quarter. The initial Program Fee is calculated by the Custodian from the date that the

account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in arrears at the end of each quarter based on the quarter-ending value of the assets as calculated by the Custodian. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. Morningstar will forward the TSS Fee to the Firm each quarter.

Clients may make additional contributions to, or withdraw assets from their accounts in any amount at any time, subject to the usual and customary settlement procedures. If an account is terminated during a quarter, such as by the client making a full withdrawal of program assets, the fees due for advisory services provided from the end of the prior quarter to the day of termination will be assessed prior to the distribution of account assets.

## THE LOCKWOOD PROGRAMS

The following co-advised Lockwood Programs are available through the Firm: *Lockwood Managed Account Link* ("MAL"), *Lockwood Sponsored Program*, *Lockwood Investment Strategies*, and *Lockwood Asset Allocation Portfolios*

The total advisory fee that the client pays to participate in a Lockwood Program is comprised of Lockwood's fee ("Lockwood Fee") and TSS's fee ("TSS Fee" and collectively with Lockwood Fee, the "Program Fee").

The Lockwood Fee includes Lockwood's advisory fee, and fees for clearing, custody and brokerage-related services for client's account. In the case of MAL and Lockwood Investment Strategies, the Lockwood Fee also includes fees for each asset manager selected by the client under those Lockwood Programs. The Lockwood Fee and any other applicable fees and charges for each program are described in Lockwood's Third Party Brochure and is set solely by Lockwood.

The TSS Fee covers the advisory services that the Firm provides to the client under the specific Lockwood program, pursuant to the agreement between the Firm and the client. The TSS Fee under all Lockwood programs is generally between .25% and 1.50% and is negotiable. In the Firm's sole discretion, the Firm may lower the TSS Fee for certain client accounts based on factors including but not limited to account size and client's affiliation with the Firm.

The initial Program Fee is billed directly by a third party custodian ("Custodian") shortly after the account is opened. The initial Program Fee is calculated by the Custodian from the date that the account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in advance for the next calendar quarter based on the value of the assets as calculated by the Custodian at the end of the prior calendar quarter. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. Lockwood will forward the TSS Fee to the Firm each quarter.

Once the account has been opened, any lump sum contribution to the account in the calendar quarter that equals to, or is greater than, \$5,000 will be subject to the Program Fee. The Program Fee for such lump sum contribution will be calculated on a prorated basis based on the number of days remaining in the quarter on the day that such lump sum contribution is made and will be billed the following quarter.

Clients may withdraw assets from their Account at any time, subject to the usual and customary settlement procedures. If an Account is terminated, Lockwood will calculate and refund to clients a pro rata portion of any pre-paid, but unearned fee for the current quarter. The amount refunded to clients will be based on the number of days remaining in the quarter after the date of termination. There are no refunds for partial withdrawals.



## THE SEI PROGRAMS

The following co-advised SEI Programs are available through the Firm: *Mutual Fund Strategies, Distribution Focused Strategies, Managed Account Program, Integrated Managed Account Program* (“IMAP”), *Goals-Based Mutual Fund Strategies*, and *Goal-Based Integrated Managed Account*

### *SEI Mutual Fund Strategies and Goals-Based Mutual Fund Strategies Programs*

The total advisory fee that the client pays to participate in SEI’s Mutual Fund Strategies and Goals-Based Mutual Fund Strategies programs is comprised solely of TSS’s advisory fee (“TSS Fee”).

The TSS Fee covers the advisory services that the Firm provides to the client under the Mutual Fund Strategies Program pursuant to the agreement between the Firm and the client. The TSS Fee is generally between .25% and 2.00% and is negotiable. In the Firm’s sole discretion, the Firm may lower the TSS Fee for certain client accounts based on factors including but not limited to account size and client’s affiliation with the Firm.

SEI does not receive an advisory fee directly from clients who participate in the SEI’s Mutual Fund Strategies and Goals-Based Mutual Fund Strategies programs. Instead, SEI receives management and administrative fees from its proprietary mutual funds comprising the model portfolios based on the assets under management in each mutual fund. The purchase of mutual funds is subject to fees and expenses that are described in each fund’s prospectus and that are in addition to the TSS Fee paid to the Firm under the program. These include investment advisory, administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Clients in SEI’s Mutual Fund Strategies and Goals-Based Mutual Fund Strategies programs pay their *pro rata* share of such fees and expenses. Mutual fund fees are established by each mutual fund’s Board of Directors and are subject to change.

### *SEI Managed Account Program, Integrated Managed Account Program, Goals-Based Integrated Managed Account Program, and Distribution Focused Strategies Program*

The total advisory fee that the client pays to participate in the SEI’s Managed Account Program, Integrated Managed Account, Goals-Based Integrated Managed Account Program and Distribution Focused Strategies Program may be comprised of SEI’s fee (“SEI Fee”) and TSS’s fee (“TSS Fee” and collectively with SEI Fee, the “Program Fee”)

The TSS Fee covers the advisory services that the Firm provides to the client under the SEI Managed Account, Integrated Managed Account Programs and Distribution Focused Strategies Program, pursuant to the agreement between the Firm and the client. The TSS Fee is generally between .25% and 1.50% and is negotiable. In TSS’s sole discretion, the Firm may lower the TSS Fee for certain client accounts based on factors including but not limited to account size and client’s affiliation with the Firm.

The SEI Fee includes SEI’s advisory fee, fees for clearing, custody and brokerage-related services for client’s account, and, in the case of IMAP and MAP, fees for each SEI program manager. The SEI Fee for each program is described in SEI’s Third Party Brochure and is set solely by SEI.

### *All SEI Programs*

The initial Program Fee is billed directly by SEI Trust, who acts as the custodian (“Custodian”) and is an affiliate of SEI Investments shortly after the end of the calendar quarter. The initial Program Fee is calculated by the Custodian from the date that the account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in arrears at the end of each quarter based on the quarter-ending value of the assets as calculated by the Custodian. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. SEI will forward the TSS Fee to the Firm each quarter.

Clients may make additional contributions or withdraw assets in their accounts in any amount at any time, subject to the usual and customary settlement procedures. If an account is terminated during a

quarter, such as by the client making a full withdrawal of program assets, the fees due for advisory services provided from the end of the prior quarter to the day of termination will be assessed prior to the distribution of account assets.

#### MANAGERS CHOICE PROGRAM

The total advisory fee that the client pays to participate in the Manager Choice Program is comprised of the Firm's advisory fee ("TSS Fee").

The initial Program Fee is billed directly by a third party custodian ("Custodian") shortly after the end of the calendar quarter. The initial Program Fee is calculated by the Custodian from the date that the account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in arrears at the end of each quarter based on the quarter-ending value of the assets as calculated by the Custodian. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. MIG will forward the TSS Fee to the Firm each quarter.

The TSS Fee covers the advisory services that the Firm provides to the client under the Managers Choice Program pursuant to the agreement between the Firm and the client. The TSS Fee is generally between .25% and 1.50% and is negotiable. In Firm's sole discretion, the Firm may lower the TSS Fee for certain client accounts based on factors including but not limited to account size and client's affiliation with the Firm. To the extent there are any fees that may be charged by Manager Investment Group, LLC ("MIG"), such fees will be disclosed in MIG's Disclosure Brochure.

MIG does not receive an advisory fee directly from clients who participate in the Managers Choice Program. Instead, MIG receives management and administrative fees from its proprietary mutual funds comprising the model portfolios based on the assets under management in each mutual fund. The purchase of mutual funds is subject to fees and expenses that are described in each fund's prospectus and that are in addition to the TSS Fee paid to the Firm under the program. These include investment advisory, administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Clients in The Managers Choice Program pay their *pro rata* share of such fees and expenses. Mutual fund fees are established by each mutual fund's Board of Directors and are subject to change.

Clients may make additional contributions or withdraw assets in their accounts in any amount at any time, subject to the usual and customary settlement procedures. If an account is terminated during a quarter, such as by the client making a full withdrawal of program assets, the fees due for advisory services provided from the end of the prior quarter to the day of termination will be assessed prior to the distribution of account assets.

#### LORING WARD ADVISORY SERVICES PROGRAMS

The Firm offers the following programs from Loring Ward Advisory Services: *Structured Investing Portfolio Services* and *Structured Investing Advantage Program*.

##### *Structured Investing Portfolio Service*

The total advisory fee that the client pays to participate in the Structured Investing Portfolio Services Program, may be comprised of Loring Ward's fee ("Loring Ward Fee") and TSS's fee ("TSS Fee" and collectively with Loring Ward Fee, the "Program Fee").

TSS Fee covers the advisory services that the Firm provides to the client under the Structured Investing Portfolio Services, pursuant to the agreement between the Firm and the client. The TSS Fee is generally between .25% and 1.10% and is negotiable. In the Firm's sole discretion, the Firm may lower the TSS Fee for certain client accounts based on factors including but not limited to account size and client's affiliation with the Firm.

The Loring Ward Fee includes Loring Ward's advisory fee for advisory related services for the client's account. The Loring Ward Fee is described in Loring Ward's Third Party Brochure and is set solely by Loring Ward.

#### *Structured Investing Advantage Program*

The total advisory fee that the client pays to participate in Loring Ward's Structured Investing Advantage Program is comprised solely of TSS's advisory fee ("TSS Fee").

The TSS Fee covers the advisory services that the Firm provides to the client under the Structured Investing Portfolio Services Program pursuant to the agreement between the Firm and the client. The TSS Fee is generally between .25% and 2.00% and is negotiable. In Firm's sole discretion, the Firm may lower the TSS Fee for certain client accounts based on factors including but not limited to account size and client's affiliation with the Firm.

Loring Ward does not charge clients an advisory fee for participating in the Structured Investing Portfolio Services Program. Instead, Loring Ward receives management and administrative fees from its proprietary mutual funds comprising the model portfolios based on the assets under management in each mutual fund. The purchase of mutual funds is subject to fees and expenses that are described in each fund's prospectus and that are in addition to the TSS Fee paid to the Firm under the program. These include investment advisory, administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Clients in this program pay their *pro rata* share of such fees and expenses. Mutual fund fees are established by each mutual fund's Board of Directors and are subject to change.

For Both Programs:

Under both Programs, the Loring Ward Fee, if applicable, or TSS Fee does not include transaction charges payable to the custodian and/or broker dealer. Clients can review the Structured Investing Custodial Comparison chart with their Advisor for the transaction charges associated with each Custodian offered through the programs.

The initial Program Fee is billed directly by a third party custodian ("Custodian") shortly after the account is opened. The initial Program Fee is calculated by the Custodian from the date that the account is opened until the end of the calendar quarter. Thereafter, Program Fees are deducted by the Custodian in advance for the next calendar quarter based on the value of the assets as calculated by the Custodian at the end of the prior calendar quarter. The Custodian is also responsible for deducting all fees, expenses and/or charges associated with the Account and the securities in the programs, if applicable. Loring Ward will forward TSS' Fee to the Firm each quarter.

Clients may make additional contributions or withdraw assets from their Account at any time, subject to the usual and customary settlement procedures. If an Account is terminated, Pershing will calculate and refund to clients a pro rata portion of any pre-paid, but unearned fee for the current quarter. The amount refunded to clients will be based on the number of days remaining in the quarter after the date of termination. There are no refunds for partial withdrawals.

For a more complete description of all fees and charges under the Loring Ward Programs, please read the Loring Ward Disclosure Brochure.

#### REFERRAL/SOLICITOR PROGRAM

With respect to the Referred Services provided by a Sponsor through the Referral/Solicitor Program described in Item 4 above, Sponsors pay a referral fee to the Firm, which the Firm shares with the IAR who made the client referral. The referral fee that the Firm receives will vary according to its agreement with each Sponsor. The compensation that the IAR receives is based upon the agreement between the Firm and the IAR. Prior to, or at the time of, the referral, the Firm will provide a solicitor disclosure statement to Referred Clients, which discloses the compensation that the Firm will receive for the referral. For information on fees charged by the Sponsor for its Referred Services, please review the Sponsor's Disclosure Brochure.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

The Firm does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) with respect to any of the programs or advisory services discussed herein. Please refer to Item 6 of the applicable Third Party Brochure and the investment management agreement between the client and the Third Party Adviser to determine if the Third Party Adviser charges performance-based fees under the Third Party Program.

## **Item 7 Types of Clients**

The Firm provides investment advisory services to individuals, high net worth individuals, various types of business organizations, pension and profit-sharing plans, charitable institutions, foundations, endowments and trusts. The Firm generally requires clients to execute an investment management agreement and complete an application form in order to participate in any of the Third Party Programs. Some clients (e.g., a trust or a corporate pension plan) may be required to submit additional documentation in order to open an account.

The Firm does not have any minimum contribution or maintenance requirements. Each Third Party Adviser imposes its own account opening and/or maintenance requirements, including minimum contribution amounts. Generally Third Party Advisers require a client to complete an application and execute an investment agreement in order to participate in their Third Party Program. Please refer to Item 7 in the Third Party Brochure and the investment management agreement between the client and the Third Party Adviser for additional information applicable to the Third Party Program selected by the client.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

The Third Party Programs described in this Firm Brochure are created and maintained solely by Third Party Advisers. Client assets in Third Party Programs are invested solely by such Third Party Advisers based on their proprietary investment strategies and analyses in accordance with the model portfolio selected by the client. Client should carefully review Item 8 of the Third Party Brochure(s) and the investment management agreement(s) between the client and the Third Party Adviser(s) for details about Third Party Adviser's methods of analysis, investment strategies, risks and other pertinent disclosures applicable to the selected Third Party Program(s).

Clients should understand that investing in any one of the Third Party Program involves risks that clients should be prepared to bear.

## **Item 9 Disciplinary Information**

The following legal or disciplinary events related to the Firm may be material to your evaluation of whether to receive investment advice from the Firm with respect to a Third Party Program. Please carefully review Item 9 of the Third Party Brochure for details about Third Party Adviser.

In January 2002, the Firm entered into a settlement with the National Association of Securities Dealers (NASD), now FINRA, that the Company failed to maintain and/or enforce written supervisory procedures in certain areas related to variable contracts. The Firm agreed to hire a consultant to review and recommend changes to certain of its policies and procedures, to offer restitution of \$4,365,167.26, and to pay a fine of \$200,000.

In August 2007, the Firm reached a settlement with the State of Connecticut Department of banking, regarding allegations that the Firm failed to establish, enforce and maintain a system for supervising respective agents and its Connecticut office operations in a manner designed to achieve compliance with applicable securities laws. The Firm agreed to conduct a branch office audit and paid a fine of \$300,000.

In November 2009, the Firm and affiliates reached a settlement with the Financial Industry Regulation Authority (FINRA) regarding the supervision of email correspondence, and the supervision of associated persons in outside business activities and private securities transactions. The Firm and its affiliates were fined \$1,200,000 jointly and severally. The Firm's portion of the fine was \$144,000.

## **Item 10 Other Financial Industry Activities and Affiliations**

The Firm is registered with the SEC as an investment adviser and a broker-dealer and its principal officers are registered as IARs and/or registered representatives ("RRs") of the Firm. In its capacity as a broker-dealer, the Firm sells variable insurance products and general securities (including, but not limited to, stocks, bonds, municipal and government securities), mutual funds, and registered limited partnerships, to the public.

As part of this business, the Firm, through its RRs who may also be IARs, provides a broad range of securities brokerage services to customers, including persons who otherwise participate in one of the Third Party Programs or Referred Services. As a broker-dealer, the Firm effects securities transactions for these brokerage customers for compensation and may recommend that customers buy or sell securities or other investment products in which the Firm or its officers, directors, employees, RRs or IARs have a financial interest or may themselves purchase or sell. For example, the Firm may recommend that brokerage customers purchase, among other investments, variable annuity or variable life insurance contracts issued by an affiliate.

Clients should be aware that the Firm's and its RRs' compensation vary by product and by issuer. As noted, the products sold by the Firm as a broker-dealer include products issued by affiliated insurance companies as well as those issued by unaffiliated issuers. Products issued by affiliates of the Firm may pay the Firm and/or its RRs more compensation than products issued by companies that are not affiliated with the Firm.

The following describes the relationship or arrangement that the Firm has with its affiliates that may be material either to the advisory business of the Firm or to clients.

### **BROKER DEALERS, OTHER INVESTMENT ADVISERS AND INVESTMENT COMPANIES**

The Firm is affiliated with New England Securities Corporation ("NES"), Walnut Street Securities, Inc. ("WSS") and MetLife Securities, Inc. ("MSI"). The Firm, NES, WSS and MSI are each an investment adviser and a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

In addition to the advisory business relationship between Lockwood and the Firm described in Item 4 above, Lockwood and the Firm co-sponsor other investment advisory programs. These other programs are deemed to be proprietary programs of the Firm. Under these proprietary programs, Lockwood and the Firm share the advisory fees paid by clients who participate in such programs. Furthermore, Lockwood pays a fee to the Firm to attend Firm sponsored sales and/or training conferences. Lockwood generally networks with, and provides training to, the IARs and Firm personnel during these conferences. The fee received by the Firm is used to offset expenses associated with hosting the conferences and is not paid to the IARs or other Firm associated persons. While the IARs do not receive a portion of this fee, IARs may be more likely to recommend Lockwood Programs to prospective clients because of the education and the exposure they receive on the Lockwood Programs and/or Lockwood.

With respect to the Referred Services described in Item 4 above, the Firm receives a referral fee from Sponsors for introducing Referred Clients to Sponsors. The compensation that the Firm receives from Sponsors is disclosed in the solicitor disclosure statement that the IAR provides to Referred Clients prior to, or at the time of, the referral. Referred Clients should carefully review the solicitor disclosure statement and the Sponsor's Form ADV disclosure brochure prior to hiring the Sponsor. The Firm receives compensation as a result of the client's participation in a Third Party Program or a Referred Services. This compensation may be more or less than what the Firm would earn if the client participated in other advisory programs made available by the Firm, in programs that wrap advisory and

execution services together in a single wrap fee, or if client did not participate in an advisory program and paid separately for investment advice, brokerage, and other services. Clients should discuss with TSS or the IAR the variety of programs and services available through the Firm in order to independently determine which program(s) may be appropriate for their needs.

Where permitted by the Firm and authorized by the prospective customer, an RR or an IAR of NES, MSI or WSS may refer such prospective customer to a Firm RR or IAR in exchange for a referral fee, or such RR or IAR of NES, MSI or WSS may work with a Firm RR or IAR in order to jointly sell advisory products and services, including the Third Party Programs and Referred Services, to a prospective customer. Any commissions or fees generated as a result of the joint sale will be shared.

The Firm and its affiliates may give advice or take action in performing their duties for other clients or for their own accounts that differs from the advice provided, or in the timing and nature of action taken, with respect to clients in any investment advisory program made available through the Firm. In addition, the Firm and its affiliates may give advice or take action in performing their duties for one client in an investment advisory program that differs from the advice provided, or in the timing and nature of action taken, with respect to another client in the same investment advisory program.

While the client is under no obligation to purchase securities, insurance or additional products from, or through, the Firm or its affiliates, if you choose to do so additional compensation will be paid to your IAR in his/her capacity as a registered representative and/or insurance agent as well as to the Firm and/or its affiliates. Such compensation typically takes the form of commissions and other payment streams tied to the sale of products. As a result of such additional compensation being paid for the sale of products or services, a conflict of interest arises as the additional compensation gives the IAR an incentive to recommend products based on the compensation received, rather than on a client's needs.

In addition, your IAR may act as a registered representative of an affiliated broker-dealer or as an insurance agent of an affiliated insurance company. He/she may sell securities or insurance products issued, sponsored, advised, underwritten, distributed, or serviced by the Firm or one or more of its affiliates. In such cases, one or more of the Firm's affiliates is receiving compensation in addition to the commission and/or other compensation paid to the Firm and your IAR in connection with such securities or insurance products. Thus, your IAR has a conflict of interest when recommending the sale of affiliated securities or insurance products as a registered representative or as an insurance agent.

The Firm wants its clients to make an informed decision when they purchase products or receive services from a Firm's RR or IAR. Therefore, the Firm is disclosing material arrangements and any potential conflicts of interest that clients may find informative when making their decisions. In addition to providing disclosures to its clients, the Firm, on an ongoing basis, communicates, trains and/or supervises its RRs and IARs on its policies and procedures regarding conflicts of interest. Furthermore, when an RR or an IAR makes a product or program recommendation to a client, the Firm reviews whether the program is suitable for the client against any financial information provided by the client, such as the client's risk tolerance, time horizon and investment objective. Nevertheless, clients should always carefully and independently review all product or program features and risks, along with any applicable disclosures before making any investment decisions.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **CODE OF ETHICS**

To help manage conflicts of interest, the Firm has adopted a code of ethics (the "Code") pursuant to an SEC rule. As a general summary, the Code, among other things, requires certain persons to observe guidelines regarding fiduciary responsibilities, and observe restrictions in the giving and receipt of gifts. The Code also requires certain persons of the Firm to periodically report certain personal securities holdings, accounts and transactions, including those of certain family (household) members, and periodically certify that they understand their obligations under the Code and the firm's Investment Adviser Compliance Manual. Some personnel who are authorized to provide specific advisory services are required to move their and/or their family (household) members' personal securities accounts and other

accounts under their control or beneficial ownership to a brokerage account at the Firm or one of its affiliates, and to observe blackout restrictions and other limitations with respect to those accounts. A copy of the Code will be made available to all clients and prospective clients upon request to the Firm.

The Firm or its IARs may give advice or take action in performing their duties for other clients or for their own accounts that differs from the advice provided, or in the timing and nature of action taken, with respect to clients in the Third Party Programs. In addition, the Firm and its IARs may give advice or take action in performing their duties for one client in the Third Party Program that differs from the advice provided, or in the timing and nature of action taken, with respect to another client in the Third Party Program.

## **Item 12 Brokerage Practices**

Please refer to Item 12 of the applicable Third Party Brochure to review the Third Party Adviser's brokerage practices as applicable to the Third Party Program that you have selected. The Firm and the IARs do not independently review, screen or appoint custodians for Third Party Programs. However, under certain Third Party Programs (e.g., Loring Ward's Third Party Programs), the IAR may assist and review with the client the list of approved custodians provided by the Third Party Adviser for the client to select for the account. The client is ultimately responsible for selecting the custodian for client's account. The Firm does not participate in any soft dollar or directed brokerage arrangements with these custodians, and neither the Firm nor the IAR, receives any compensation from these custodians or the Third Party Adviser for assisting the client with the client's review.

## **Item 13 Review of Accounts**

An IAR will contact the client, at least annually, to determine whether anything has changed in the client's financial circumstances or investment objectives that may affect the manner in which the client's account should be managed by the Third Party Adviser and whether the client wishes to impose new investment restrictions or modify any current investment restrictions on the management of the client's Third Party Program account. Changes conveyed by the client will be forwarded by the Firm to the applicable Third Party Adviser.

The Firm and its IARs do not review client accounts established under Third Party Programs or Referred Services. Please refer to the investment management agreement between TSS and the client for details about the role and responsibility of the Firm and its IARs under each Third Party Program. Please refer to Item 13 of the Third Party Brochure or Sponsor's disclosure brochure to review the applicable Third Party Adviser's or Sponsor's account review obligations and practices.

## **Item 14 Client Referrals and Other Compensation**

The Firm enters into certain agreements with various organizations and associations pursuant to which such entities make available or endorse financial products and services offered by or through the Firm and its affiliates. Typically, such entities provide access to their members in exchange for a flat fee that the Firm or an affiliate pays.

The Firm and its IARs may receive additional compensation from Third Party Advisers other than its advisory fees. For example, a Third Party Adviser may sponsor its own conferences for training and educational purposes to which certain IARs are invited. In addition to attending these conferences without charge, the Third Party Adviser may also reimburse or pay for the travel and other related expenses incurred by IARs or a Firm branch office in connection with dinners or events for clients and other miscellaneous expenses incurred by IARs.

Certain of the Third Party Advisers with whom the Firm has a relationship with may from time to time pay the Firm an additional payment based on the dollar value of assets contributed by the Firm's clients. This additional payment is paid directly to the Firm from the Third Party Advisers' own assets and therefore does not increase the fees and charges assessed to the client. As a result of these additional

payments, the Firm and its IARs have a financial incentive to recommend a Third Party Program offered by a Third Party Adviser in which such additional payments are made over another in which such payments are not made or are not as large. The Firm generally uses the funds received through these arrangements to offset its expenses associated with conducting due diligence on the Third Party Adviser or the Third Party Program, marketing, and training IARs on the Third Party Adviser or the Third Party Program, or for other business purposes.

The Firm may enter into referral arrangements with third parties (Solicitors”) who will receive compensation from the Firm for referring prospective investment advisory clients to the Firm. Where required by applicable law, each marketing arrangement will be governed by a written agreement between the Firm and the Solicitor. Clients will be provided with copies of the Firm Brochure, a separate solicitor disclosure statement that describes the nature of the referral arrangement (including compensation features) applicable to the client being referred, and any other document required to be provided under applicable law. The fees and expenses that the Firm pays to a Solicitor under these referral arrangements are not passed on to referred clients, but depending on the circumstances, the existence of such referral arrangements may affect the amount of the Firm’s overall fees or its willingness to negotiate fee reductions in particular instances.

Under these referral arrangements, a Solicitor may introduce prospective clients to the Firm or an IAR to further discuss whether the Firm’s investment advisory services may be appropriate for the prospective clients. The Solicitor’s sole responsibility under the referral arrangement is to refer prospective clients to the Firm or an IAR. The Solicitor may not provide investment advice to prospective clients or the Firm clients on behalf of the Firm or the IARs. Additional information about these arrangements, including the relationship between the Solicitor and the Firm, the role of the Solicitor and any compensation that the Firm pays to the Solicitor for introducing prospective clients, is outlined in the separate solicitor disclosure statement referenced above. The Solicitor will provide the solicitor’s disclosure statement to prospective clients before they are introduced to the Firm or an IAR.

The Firm and certain banks and credit unions (collectively “Financial Institutions”) have entered into alliance arrangements whereby employees of Financial Institutions may refer individuals who may be interested in learning more about the Firm’s advisory services to IARs. The Firm will share a portion of the fees earned by the Firm with Financial Institutions for referring individuals who eventually obtained advisory services from the Firm. Employees of the Financial Institutions are not authorized to provide investment advice, or discuss the features of, or qualify individuals for, advisory services, on behalf of the Firm. Employees of Financial Institutions may receive nominal compensation for referring individuals to IARs regardless of whether such individuals obtains advisory services from the Firm. The compensation paid to Financial Institutions or their employees as described herein will not increase or otherwise affect the fees a customer pays for obtaining advisory services from the Firm.

## **Item 15 Custody**

The Firm does not maintain custody of client assets under any of the Third Party Programs or Referred Services. Clients may receive quarterly performance reports from the Third Party Adviser or the Sponsor and will receive at least quarterly account statements from the unaffiliated broker-dealer, bank or other qualified custodian (each, a “Custodian”) that holds and maintains the clients’ investment assets associated with the Third Party Program or Referred Services, respectively. Performance reports are not official account statements of the Third Party Program or Referred Services, and clients should carefully review all account statements from the Custodian for accuracy and promptly notify the Custodian if any error or irregularities are found. Please see the Third Party Brochure or the Sponsor’s disclosure brochure for details.

To the extent that the Custodian, the Third Party Adviser or the Sponsor electronically transmits any client account data to the Firm, the Firm may provide an account transaction report to the client for informational purposes only. Such account transaction report is not a substitute for the Custodian’s official account statement or the Third Party Adviser’s or the Sponsor’s performance report, and therefore, should not be relied upon for making investment or tax decisions.



**Item 16 Investment Discretion**

The Firm and its IARs do not exercise investment discretion over client assets in any accounts established under any of the Third Party Programs or Referred Services. Please refer to the Third Party Brochure or the Sponsor's disclosure brochure and the investment management agreement between the client and the Third Party Adviser or the Sponsor, respectively, for details concerning investment discretion.

**Item 17 Voting Client Securities**

The Firm and its IARs have no obligation or authority to take any action or render any advice with respect to the voting of proxies for a client in any Third Party Program or Referred Services. Please refer to the Third Party Brochure or the Sponsor's disclosure brochure and the investment management agreement between the client and the Third Party Adviser or the Sponsor, respectively, for details on client's obligation, if any, with respect to voting proxies or corporate actions for the securities held in your account. Contact the applicable Third Party Adviser or Sponsor directly if you have any questions about the proxy voting practices in any Third Party Program or Referred Services.

**Item 18 Financial Information**

The Firm does not require clients who participate in any of the programs described in Item 4 to prepay its fees six months or more in advance. Additionally the Firm does not exercise any discretionary authority over, or maintain custody of, any client assets under any of the programs described in Item 4. The Firm does not have any material financial disclosures that it is required to make to clients. Clients should review Third Party Brochure or the Sponsor's Form ADV disclosure brochure for any disclosures that the Third Party Adviser or the Sponsor may make under this item.