

# Advisor Select Program Wrap Fee Brochure

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

## Wealth Management Services

### Advisor Select Program

### Wrap Fee Brochure

March 19, 2012

This wrap fee program 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 1-(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 a registered investment adviser and securities broker-dealer. Please note that registration does not imply a certain level of skill or training.

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**ITEM 2. MATERIAL CHANGES**

Pursuant to SEC rules, this Item summarizes the specific material changes that have been made to this Tower Square Securities, Inc., (“TSS,” “the Firm,” “we,” “our,” or “us”) Form ADV disclosure brochure (“Firm Brochure”) since its last annual update of the Firm’s Brochure on 3/31/2011.

When required or appropriate, we will also 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 1-800-842-3732.

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The following is a summary of material changes:

**Item 4. Advisory Business, a. Portfolio Basics**

Effective April 30, 2012, the MetLife Bank Money Market Account Sweep option will no longer be available and will be replaced by the Dreyfus Insured Deposit Program, which is a bank sweep product made available through Pershing LLC, the Custodian for client assets under the Program. Only Bank-Eligible Accounts, as defined in this Brochure, will have their assets in the cash investment style swept into the Dreyfus Insured Deposit Program while Bank-Ineligible Accounts will have such assets invested in a money market mutual fund, as described in this Brochure.

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## ITEM 4. SERVICES, FEES AND COMPENSATION

### a. Overview of the Advisory Services Offered by the Firm

The Firm makes available to you a number of proprietary and nonproprietary investment advisory programs and services. This Firm Brochure provides you with information about the Advisor Select Program (the “Program”) available through the Firm. If you wish to learn about other investment advisory programs and services that the Firm offers, you may contact the Firm or your Investment Adviser Representative (“IAR”) to receive a similar disclosure brochure for those programs and services.

### b. Advisor Select Program Overview

Advisor Select is an advisory program that provides a client with an IAR to help manage the client’s assets in a Program account (the “Firm Managed Account”). Alternatively, the client has the option of designating an unaffiliated third party money manager, BlackRock, to manage the client’s assets in a Program account (“Sub-Advisor Managed Account” and collectively with Firm Managed Account, each is an “Account”). The foundation of Advisor Select is the personalized investment advice and management services provided by the Firm, through an IAR, (in the case of a Firm Managed Account), or the Sub-Advisor (in the case of Sub-Advisor Managed Account). Advisor Select enables clients to receive custom investment advice and management services that are tailored to their particular financial circumstances.

The Program is one of the Firm’s proprietary investment advisory programs. In addition to this Firm Brochure, you may also receive from your IAR a disclosure brochure (“Sub-Advisor Brochure”) for BlackRock, Inc. (“BlackRock” or “Sub-Advisor”), if you choose to have your assets in the Program managed by BlackRock instead of the Firm through an IAR. You should carefully review the Sub-Advisor Brochure, since it outlines important information about BlackRock and its role and responsibilities under the Program.

When client opens and maintains a Firm Managed Account, client, in working with the IAR, has the flexibility in choosing the kinds of securities to be held in Firm Managed Accounts. These eligible securities include:

- No-Load Mutual Funds available through Pershing LLC;
- Load-Waived Mutual Funds available through Pershing LLC;
- Exchange (NYSE, AMEX) Listed Stocks;
- Exchange Traded Funds (ETFs) - Inverses and Leveraged ETFs are generally deemed ineligible;
- Closed-End Funds (Secondary Market)
- American Depositary Receipts (ADRs)
- NASDAQ Listed Securities
- U.S. Government Bonds
- Mortgage-backed Bonds;
- Corporate Bonds;
- Municipal Bonds;
- Unit Investment Trusts;
- Structured Products;
- Exchange Traded REITs/Limited Partnerships; and
- Brokerage Certificates of Deposit.

Note: B and C-share mutual funds may be transferred into and held in an Account but additional shares may not be purchased. 12b-1s on such funds will be credited back to the client. The Firm reserves the right to modify this list at any time. This list pertains only to Firm Managed Accounts.

The securities products recommended for a Firm Managed Account are limited to eligible Program securities (described above) and to those that the IAR is licensed to purchase or sell as a registered representative of the Firm in its capacity as a broker-dealer.

When client opens and maintains a Sub-Advisor Managed Account, client gives the Sub-Advisor discretion to choose any security the Sub-Advisor deem appropriate for client’s Sub-Advisor Managed Account in accordance with the Sub-Advisor’s investment strategy. Clients should review the Sub-Advisor’s Brochure for additional information on the types of securities Sub-Advisor may invest in accordance with the model portfolio selected by the client for client’s Sub-Advisor Managed Account.

For Firm Managed Accounts, any securities, positions or holdings not specifically identified above as being eligible are ineligible and may not be held in a Firm Managed Account. If an ineligible position is moved into a Firm Managed Account, such position may be liquidated or moved to a standard brokerage account at the Firm’s discretion. Sub-Advisor will contact client through the Firm if any securities transferred into a Sub-Advisor Managed Account cannot be accepted.

In order to effectuate trades under the Program, clients need to establish a brokerage account through the Firm with Pershing, LLC, (“Pershing”) who will clear trades and act as custodian for clients’ assets under the Program. Accordingly, all trading activity in connection with the Program will be effected through this brokerage account with Pershing. Pershing will act in the capacity as a clearing firm and perform centralized cashiering, bookkeeping and execution functions. Pershing will handle the delivery and receipt of securities purchased or sold in clients’ brokerage accounts, receive and distribute dividends and other distributions, and process exchange offers, rights offerings, warrants, tender offers and redemptions. Pershing will send client statements of all activity in client’s brokerage account on no less than a quarterly basis, and written confirmations of trades executed through clients’ brokerage accounts.

### c. Advisory Services under the Program

If a client wishes to participate in the Program, the first thing the IAR will do is assist the client in determining whether the Program is appropriate for the client. If the client and IAR determine that the Program is appropriate given the client’s needs, the IAR will assist client in completing an “Investment Questionnaire,” which is used to help the client define client’s investment objectives and strategies by collecting relevant financial information about client’s objectives, assets, risk tolerance and investment experience. Additionally, the client must complete the Wealth Management Services Investment Account Application and Agreement (“IAAA”). By executing the IAAA, the client is agreeing to be bound by the terms in the Advisor Select Investment Management Agreement (“ASIMA” or “Program Agreement”), which is incorporated by reference in the IAAA and which the IAR will provide to the client with the IAAA.

The Program includes a number of model portfolios ("Portfolios") containing different allocations of asset classes based on particular risk tolerances and investment objectives. The responses to the Questionnaire are used by the IAR to recommend an initial Portfolio for the client. The Portfolio the client selects will serve as the starting point in how the client's funds are initially allocated. If the client has a Sub-Advisor Managed Account, the client will choose from Portfolios created solely by the Sub-Advisor exclusively for the Sub-Advisor Managed Account.

If the client opens a Sub-Advisor Managed Account, the client must grant the Sub-Advisor discretionary trading authority. Clients with a Firm Managed Account can either provide the Firm with discretionary trading authority or require that all securities orders receive their pre-approval before they are placed, except as otherwise indicated in this Brochure.

The grant of discretionary authority to the Firm or Sub-Advisor is provided through the IAAA. If client grants the Firm discretionary trading authority on client's Firm Managed Account, the IAR assigned to the Account will effect trades on a discretionary basis for client's Firm Managed Account on behalf of the Firm. For Accounts managed on a discretionary basis, the Firm or Sub-Advisor will buy and sell securities for the client's Firm Managed Account or Sub-Advisor Managed Account, respectively, in such manner as the Firm or Sub-Advisor deems advisable in the Firm's or Sub-Advisor's sole discretion.

Discretionary trading authority may not be granted to the Firm by clients in any Firm Managed Account subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including SEP-IRA accounts and SIMPLE IRA accounts.

For Firm Managed Accounts where a client has granted the Firm investment discretion and for all Sub-Advisor Managed Accounts, the client has the opportunity to impose reasonable investment restrictions on the Firm or the Sub-Advisor, regarding the management of the client's Account assets by identifying such restrictions on the IAAA. Investment restrictions must be reasonable, as solely determined by the Firm, or the Sub-Advisor, and must be complete and consistent with applicable law. The Firm or the Sub-Advisor, respectively, will observe the investment restrictions that the client provides in the IAAA, if deemed reasonable. However, the Firm or the Sub-Advisor may seek further information from the client before deciding whether to accept or reject investment restrictions.

The Firm, through the IAR, or Sub-Advisor, will monitor client's Firm Managed Account or Sub-Advisor Managed Account, respectively, and, if appropriate (e.g., if market or economic conditions change), recommend or initiate changes to the client's Account depending upon whether discretionary trading authority is being exercised over the Account.

Any purchase or sale of securities in a client's Account may cause the Account to vary from the asset allocation comprising the client's initial Portfolio. In addition, any securities transaction in a client's Account may constitute a taxable event to which capital gains or other taxes apply. Each client should therefore consult with his/her tax adviser.

The Firm selected a money market fund issued by an unaffiliated investment company ("Money Fund") and an FDIC-insured money market bank sweep arrangement made available by the Custodian as the cash investment style portion of all Portfolios in the Program and are used to pay the client's advisory fee for participating in the Program ("Fee") and other fees and charges assessed under the Program.

If Client's Account is a Bank-Eligible Account, as defined below, the monies in Client's cash investment style will automatically be deposited by the Custodian into the Dreyfus Insured Deposit Single Rate Program FDIC-Insured Money Market Sweep Account or another bank sweep vehicle selected by TSS (each account opened by the Custodian at a participating financial institution is a "Deposit Account") each business day in accordance with the terms and conditions disclosure document for the Deposit Account ("Deposit Account Disclosure Document"). A summary of the Deposit Account Disclosure Document is included in this Disclosure Booklet for Client's Convenience and informational purposes only, and Client agrees to read the full copy of the Deposit Account Disclosure Document, which can be obtained from the IAR upon request at any time and will be sent to Client by the Custodian once the Account is opened. The Custodian and Dreyfus Cash Investment Services, a service provider for the Custodian in connection with the Dreyfus Insured Deposit Single Rate Program, are affiliated. The Deposit Accounts are FDIC insured interest-bearing bank accounts and are therefore not securities accounts and not insured by SIPC.

A "Bank-Eligible Account" is an Account that is not deemed to be a "Bank-Ineligible Account." A "Bank-Ineligible Account" is an Account owned by an entity that is ineligible to maintain a negotiable order of withdrawal ("NOW") account under 12 C.F.R. § 204.130. Generally, entities that are organized or established to make a profit, such as for-profit corporations, partnerships and limited liability companies, are considered ineligible to maintain NOW accounts, and will not have money in the cash investment style swept to a Deposit Account, which is a NOW account. The Deposit Account is opened and maintained by the Custodian at the financial institution(s) identified in the Deposit Account Disclosure Document and is entitled "Pershing, LLC, as agent for its customers, acting for themselves or others.

If Client's Account is a Bank-Eligible Account, Client will earn interest on Client's cash investment style held on deposit in the Deposit Account(s) at the financial institution(s). The interest that Client earns may vary and how the interest is determined is described in the Deposit Account Disclosure Document. Interest will be calculated and credit to Client's Account by the Custodian and reflected in the monthly Account statement sent by the Custodian.

If Client's Account is a Bank-Ineligible Account, then Client's monies representing the cash investment style will automatically be placed by Custodian in a Money Fund selected by TSS; as a result Client will not be put into a Deposit Account. If the Account belongs to a for-profit corporation, a partnership or a limited liability company, the Account will initially, by default, be considered a Bank-Ineligible Account. However, Client acknowledges and agrees that Client is solely responsible for

determining whether monies in Client's investment style is eligible for deposit into a Deposit Account regardless of this default feature and agrees to promptly notify TSS if Client's Account is deemed to be a Bank Ineligible Account at any time. In the event that Client's Account holds any assets of an entity that is ineligible to maintain a NOW account and the Client's Account is deemed to be a Bank-Eligible Account, Client agrees to notify TSS immediately in order to have all monies in the Account representing the cash investment style automatically placed in a Money Fund selected by TSS. Client acknowledges and agrees that TSS shall have no responsibility for monitoring Client's compliance with, nor any liability resulting from Client's failure to comply with, 12 C.F.R. § 204.130.

If the client has a Sub-Advisor Managed Account, the Sub-Advisor is responsible for:

- Creating and maintaining the Portfolios for the Sub-Advisor Managed Account that the client may select;
- Managing the client's assets in accordance with the Portfolio selected by the client;
- Monitoring and reviewing the client's Sub-Advisor Managed Account on an ongoing basis, and on a discretionary basis, effecting changes to the securities held within, and the asset allocation of, the Sub-Advisor Managed Account, as appropriate.
- Responding to client inquiries through the Firm, or if appropriate, directly communicate with client with the Firm's assistance.

Clients should carefully review the Sub-Advisor's Form ADV disclosure brochure carefully before participating in the Program..

#### **d. Fees and Charges**

##### **1. Firm Managed Accounts**

Clients in a Firm Managed Account have two options for paying fees and charges: AdvisoryOne or AdvisoryPlus.

Under AdvisoryOne, clients pay a single fee for the Firm's advisory services, the operational, maintenance and administrative services provided by the Firm, and the custodial and brokerage services provided by Pershing. This fee is known as a "wrap" fee since it "wraps" together both advisory and brokerage services under a single fee. The AdvisoryOne fee option is negotiable and ranges from 0.25% to 2.25% (including transaction fees and charges), as determined by the Firm, though the IAR and the client. The fee that client pays under this option is reflected in the IAAA.

Under AdvisoryPlus, clients pay a fee for the Firm's advisory services as well as the operational, maintenance and administrative services provided by Firm (collectively AdvisoryPlus TSS Fee"). The AdvisoryPlus TSS Fee that client pays under this option is reflected in the IAAA. Additionally, clients pay separate transaction charges for the brokerage services provided by Pershing. Transaction fees are not included in the AdvisoryPlus TSS Fee shown in the IAAA. Accounts subject to ERISA (e.g., SEP-IRA, SIMPLE IRA, Profit Sharing, Defined Benefit/Pension) may not elect the AdvisoryPlus TSS fee option. In addition, Firm Managed Accounts with discretion may not elect the AdvisoryPlus TSS Fee option.

The AdvisoryPlus TSS Fee is negotiable and ranges from 0.25% to 2.00% (excluding transaction charges), as determined by the

Firm, through the IAR and the client. Transaction fees and charges for AdvisoryPlus are subject to change at any time and are currently as follows:

- No-Load Mutual Fund - \$17
- Load Mutual Fund at NAV - \$15
- Mutual Fund Exchange - \$4
- Systematic Purchase/Sale - \$2.50
- Listed Equities (1-999 shares) - \$25
- Listed Equities (1,000-4,999 shares) - \$28
- Listed Equities (5,000+ shares) - \$60
- Bonds - \$32
- UITs - \$32
- Stock/Bond/UIT Confirmation - \$4

Since it also acts as a broker-dealer with respect to transactions under the Program, the Firm retains a portion of the transaction fees and charges under the AdvisoryPlus option. Accordingly, the IAR may have an incentive for the client to use this option even though the IAR does not receive any portion of the transaction fees or charges.

The Firm waives mutual fund ticket charges associated with a \$10,000 or more purchase in any mutual fund (regardless of the fund family).

##### **2. Sub-Advisor Managed Account**

The fee in the Sub-Advisor Managed Account ranges between .75%–2.25% as negotiated by the IAR and client. This fee covers the advisory services provided by the Firm and BlackRock, the operational, maintenance and administrative services provided by the Firm, and the custodial and brokerage services provided by Pershing. The Firm receives the fee and pays up to .55% of the amount contributed by the client for the Program, to Sub-Advisor for providing investment advisory services under the Program. For example, if the client pays a fee of 1% for the Sub-Advisor Managed Account, the Firm may pay up to .55% of the fee to Sub-Advisor. The Firm maintains the remaining portion and pays a third party service provider for various administrative services and Pershing for ticket charges and other transaction fees.

##### **3. Other Fees and Charges**

All Accounts will be subject to the following additional fees and charges:

- ACH Return Check Fee - \$25
- Returned Check Fee - \$25
- Wired Funds - \$25 per wire
- Overnight Charges - \$20
- Ordinary IRA to Roth IRA Conversion - \$25

The above fees and charges are deducted by Pershing from a client's Account at the time they are incurred. The AdvisoryOne fee, the AdvisoryPlus TSS Fee and the fee for Sub-Advisor Managed Account (collectively each is a "Program Fee") does not include these fees.

In addition, certain client Accounts are subject to the following brokerage termination fees (the "Termination Fees"):

- Ordinary IRA and SEP - \$75
- Roth and Education IRA - \$75
- SAR/SEP, Qualified Retirement Plans, and 403(b)(7) Plans - \$75



The above Termination Fees are deducted by Pershing from the Account at termination. The Program Fee does not include these fees.

Each client's Portfolio is designed to maintain approximately 3% in the cash asset class to pay for fees and charges under the Program. IAR or Sub-Advisor, if applicable, will assist clients to ensure that their Account maintains sufficient cash to pay for Program fees and charges.

To the extent that assets used for investment in the Program come from the redemption of clients' non-Program investments, clients should consider the cost, if any, of sales charges previously paid or to be paid upon such redemption, which are in addition to the Program Fee paid under the Program. Clients should be aware that such redemptions might have tax consequences that should be discussed with an independent tax advisor before making any redemptions.

The Program Fee does not include certain other fees and charges such as any fees imposed by the SEC, wire transfer fees, fees resulting from any special requests client may have, fees or commissions for securities transactions (including without limitation dealer mark-ups or mark-downs) through any broker-dealer other than Pershing, or costs associated with temporary investment of client funds in a money market account. In addition to the Program Fee, Pershing may charge you additional miscellaneous fees (e.g., ACAT fees, IRA maintenance fees).

The Program Fee also does not include the internal management, operating or distribution fees or expenses imposed or incurred by a mutual fund ("Fund") or ETF. If your Assets are invested in any ETFs, Funds or Unit Investment Trusts ("UITs"), in addition to the Fee, Client will incur the internal management and operating fees and expenses, which may include 12b-1 fees, Fund management fees, early termination fees (which include fees on whole or partial liquidations of your Assets) and other fees and expenses that may be assessed by the investment vehicle's sponsor, custodian, transfer agent, adviser, shareholder service provider or other service providers. These expenses may include administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Further information regarding charges and fees assessed may be found in the appropriate prospectus, annual report and/or custodial agreement applicable to the corresponding investment vehicle.

The Firm may receive asset-based distribution or servicing fees (12b-1 fees or otherwise) from the Funds (or their related persons) for providing distribution and/or administrative services to the Funds. The Firm may, in its sole discretion, credit to clients' Accounts an amount equal to any such 12b-1 fees the Firm receives on such Assets held in clients' Accounts in order to offset the Program Fee paid by such clients under the Program. Pershing may charge certain fees in addition to the fees and charges shown above. Trustees may also charge ERISA Accounts additional fees.

Clients may purchase Securities without paying a fee or may pay less than the fee under the Program if such Securities were purchased outside of the Program. Thus, in some cases, it may be more cost efficient for clients to purchase the Securities outside of the Program. However, clients will not receive the services provided under the Program if they choose to do so. The 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.

The IAR assigned to a client's Account receives compensation as a result of the client's participation in the Program. This compensation may be more than what the IAR would receive if the client participated in other programs made available by the Firm or purchased the services provided under the Program separately. The client's IAR therefore may have a financial incentive to recommend the Program over other programs or services available through TSS.

The Firm reserves the right to lower the Program Fee for Accounts held by employees, associated persons, agents or independent contractors of the Firm or its affiliates and their immediate family members or for any other reason at its discretion. For Accounts \$2,000,000 and over, the Firm reserves the right at its discretion to reduce the overall fee.

#### **4. Fee Forgiveness**

To the extent that assets used for investment in the Program come from the redemption of Funds, clients should consider the cost of any sales charges previously paid or to be paid upon redemption. In this respect, the Firm may reduce the Program Fee to take into account the sales charges clients may have incurred in connection with the liquidation of Fund shares ("Fee Forgiveness").

Fee Forgiveness is not automatic. Instead, clients must apply for Fee Forgiveness through the IAAA and provide documentation supporting the Fee Forgiveness claim. Fee Forgiveness is available only while a client's Account is opened. If the Account is terminated for any reason, any remaining fees scheduled to be forgiven will not be forgiven. In addition, if a client does not provide documentation demonstrating eligibility for Fee Forgiveness, the client may not qualify to receive Fee Forgiveness. Additional details regarding Fee Forgiveness can be found in the Program agreement.

#### **5. Payment of Fees and Charges**

Upon acceptance of the IAAA and the Account being funded at or above the Program minimum, \$25,000, in the case of a Firm Managed Account or \$250,000, in the case of a Sub-Advisor Managed Account, unless waived by the Firm, clients pay an initial Program Fee that is based on the initial market value of the Account. The first payment is prorated to cover the period from the date the Account is opened through the end of the current calendar quarter. Thereafter, the quarterly Program Fee is paid at the beginning of each calendar quarter for such quarter. The quarterly Program Fee is based on the fair market value of the assets in the Account (which includes any assets in the cash asset class) on the last business day of the preceding calendar quarter as calculated by Pershing.

Clients also are subject to a Program Fee for any additional lump sum contribution(s) in a calendar quarter equal to or greater than \$10,000. Clients will pay for that portion of the ongoing quarterly Program Fee that relates to the number of days remaining in the calendar quarter on the date of an additional contribution equal to or greater than \$10,000. Payment of the Program Fee will be made in the quarter following any such contribution and will be based on the amount of the contribution.

The Program Fee, account debit balances, and other charges under the Program are deducted from Account assets clients have in the cash asset class, as outlined in greater details in the Program agreement. By executing the IAAA, clients instruct and authorize the Custodian to pay the Program Fee and all other fees and charges that are due and payable in a given calendar quarter under the Program from Account assets. If client's Account does not have enough cash to pay for the Program Fee, Account debit balances, or other charges, the Firm, in the case of a Firm Managed Account, or Sub-Advisor, in the case of a Sub-Advisor Managed Account, will, in accordance with the Program agreement, sell any Account assets it deems appropriate to make such cash available. In such cases, clients may face a taxable event, to which capital gains (or other) taxes may apply.

Clients may withdraw assets from their Account at any time, subject to the usual and customary settlement procedures. All withdrawals are first funded from the amount in the client's cash asset class. Withdrawals may have tax consequences such as capital gains taxes, even the sale of securities or other assets in the cash asset class may trigger taxable event, to which capital gains (or other) taxes apply. No adjustment or refund is made with respect to partial withdrawals that may be made during any calendar quarter.

If an Account is terminated, Pershing will calculate and refund to clients a pro rata portion of any pre-paid, but unearned Program 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.

If client has a Firm Managed Account and, as part of the Firm Managed Account's investment strategy, wishes to maintain up to two eligible Program securities (including cash or cash equivalent positions) in the Firm Managed Account at a concentration level that would cause the Firm Managed Account to deviate from the Portfolio's asset allocation mix, client may request to have such eligible Program securities excluded from the Portfolio's targeted investment allocation mix requirement (each an "Excluded Asset") by completing an Excluded Assets Administration Form ("EAA Form"). If approved, the Excluded Assets will be excluded from the Program Fee calculation as well. Client should be aware that requests to have Excluded Assets in the Firm Managed Account are not automatically granted, and the Firm may accept or reject such requests in its discretion. The Firm may also reject Client's request if approving the EAA Form will take the Firm Managed Account balance below the Account minimum of \$25,000 at the time of the request.

Client should also be aware that Excluded Assets will not be included in determining the Firm Managed Account balance for this purpose, and the Firm Managed Account will still be required to maintain approximately 3% of Account holdings in the cash asset class to pay for fees and charges under the Program, regardless of whether an Excluded Asset involves cash asset class positions. Client may complete and submit the EAA Form at any time to instruct the Firm to incorporate one or more Excluded Assets back into the asset allocation mix for the Firm Managed Account's Portfolio.

Once the Excluded Assets have been added into the asset allocation mix, such assets will be included in the Program Fee calculation in accordance with the terms of the Program agreement. Therefore, if all or part of an Excluded Asset is sold

and the proceeds are used to purchase a non-Excluded Asset, such non-Excluded Asset will be included in the Program Fee calculation as described herein.

#### **e. Program Termination**

The Program agreement will continue in effect until terminated by either the client (upon written notice to the Firm), or the Firm or Sub-Advisor (upon written notice to client). Notwithstanding the foregoing, the Pershing may retain amounts in a client's Account sufficient to effect any open and unsettled transactions. In this respect, clients are responsible to pay for services rendered, and for transactions effected. Any termination will therefore not affect any liabilities or obligations that are incurred or that arise from transactions before such termination.

Upon termination of the Program agreement by the client, it is the client's responsibility to instruct the Firm as to any future actions regarding the assets in the Account. Unless instructed otherwise, the Firm will move client's assets to a standard brokerage account. In addition, the Firm reserves the right to send cash related assets to client's address of record. If the Firm or Sub-Advisor terminates Program agreement, client's assets will be moved to a standard brokerage account or client will be mailed a check as determined by the Firm or Sub-Advisor. Upon termination of the Program agreement, client assets will not be managed. Any client assets transferred to a standard brokerage account will be subject to the fees and charges normally assessed by the Firm on its brokerage accounts. In addition, client will continue to be bound to the terms and conditions as described in the brokerage account agreement portion of the IAAA which is signed by the client upon establishment of the Account.

#### **ITEM 5. ACCOUNT REQUIREMENTS AND TYPE 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 a client to execute a Program agreement and a brokerage account agreement, and complete an IAAA in order to participate in the Program. 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 minimum initial contribution to open a Firm Managed Account is \$25,000, or \$250,000 for a Sub-Advisor Managed Account, unless waived by the Firm. The minimum subsequent contribution amount is \$100 if payment is made by either automated check handling, ACH, fund transfer process, or fed fund wires, and \$25 if payment is made by check. Clients may make additional payments to their Account at any time subject to the above minimums. Additional funds deposited into an Account will be invested in accordance with the Program agreement as soon as such funds are free and clear for deposit.

Additional contributions under the Program are allocated initially to the cash asset class and may remain in the cash asset class until client or the IAR (where the Firm has discretionary trading authority) or the Sub-Advisor decides to invest the contribution.

The Firm may aggregate orders for Firm Managed Accounts, and other Firm accounts not in the Program, if applicable, including those in which the Firm, its affiliates, and/or their personnel have a beneficial interest, if the Firm believes that such aggregation is in the clients' interests and feasible under current market



conditions, e.g., it would permit a better rate or execution. All of the accounts that participate in such trade order aggregation will receive the average share price of the transaction. Sub-Advisor may also aggregate orders associated with Sub-Advisor Managed Accounts through Sub-Advisor's own process in accordance with its policies and procedures. Please refer to the Sub-Advisor Brochure for details.

If an Account falls below the account minimum requirement at any time and for any reason, the Firm may, in its discretion, close the Account and transfer the Assets therein to a standard brokerage account. Once in a standard brokerage account, such assets will not be managed and will be subject to the fees and charges normally assessed by the Firm on its brokerage accounts.

Clients who intend to fund the Program with securities that cannot be accepted into the Program, will need to liquidate those securities before transferring them into the Program. If the Firm and or Sub-Advisor receives securities that cannot be accepted into the Program, the Firm and/or Sub-Advisor in its discretion may liquidate those securities holdings. Such liquidation of securities holdings that cannot be accepted into the Program may have tax consequences that should be carefully considered and discussed with a qualified tax advisor before the client initiates the transfer into the Program.

#### ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION

The Firm, through its IARs, provides clients with the advisory services described in Item 4 of this Brochure. As indicated in Item 4, Sub-Advisor is tasked with several responsibilities under the Program, which include creating and maintaining Portfolios for Sub-Advisor Managed Accounts, managing client's assets in accordance with client's selected Portfolio and monitoring and reviewing client's Sub-Advisor Managed Account on an ongoing basis. For more information on Sub-Advisor's role under this Program, please refer to Item 6 of the Sub-Advisor Brochure as well as Item 4 of this Brochure.

The Firm and its IARs' responsibility under the Program does not include taking any action or rendering any advice with respect to proxies, consents, waivers or other documents with respect to any Securities held in client's Account. Except with respect to voluntary corporate action notices, client has the responsibility for responding to proxies, consents, waivers and other documents with respect to any Securities held in client's Account. Such notices may be received from Pershing or the issuer's corporate communications service provider. Provided that Sub-Advisor timely receives voluntary corporate action notices, Sub-Advisor will determine on behalf of client whether client's Account will participate in particular voluntary corporate actions. Sub-Advisor will make such determinations in its full discretion, consistent with its policies and procedures. Client should refer to Item 6 in the Sub-Advisor Brochure for additional details on its policies and procedures in this regard.

In order to become an IAR of the Firm and provide services to clients under the Program on behalf of the Firm, the IAR generally must fulfill certain requirements including, but not limited to completing on-line training courses, meeting certain Firm-defined compliance and business conduct standards, and adhering to the Firm's Code of Ethics, which is described in Item 9 of this Brochure. Once an IAR has been approved to provide advisory services under the Program, the IAR must annually

certify that the IAR continues to comply with the Firm's policies and procedures. If an IAR is unable to continue servicing a client's account for any reason, client's account will be assigned by the Firm to another qualified IAR, who will service client's account on the Firm's behalf.

Each IAR manages, on the Firm's behalf, client assets in a Firm Managed Account by employing his or her own investment strategy and methods of analysis, which may or may not include one or a combination of the following techniques: review of third party research reports, use of model investment portfolios, use of qualitative and quantitative analysis to review securities, etc. IARs are available to answer any questions that a client may have with respect to how client's Account is managed. For more information on how Sub-Advisor manages client's assets in a Sub-Advisor Managed Account, including its methods of analysis and investment strategies, please refer to Item 6 of the Sub-Advisor Brochure.

The Firm has contracted with an independent third party to provide various levels of due diligence on Sub-Advisor. As part of this process, Sub-Advisor is subject to an annual due diligence review that includes and is not limited to:

- Review of Form ADV and Marketing Materials
- On-site visits
- Reference checks on key personnel

Neither the Firm nor the independent third party retained by the Firm to perform due diligence calculates Sub-Advisor's investment performance, or reviews its performance information in order to determine or verify i) its accuracy or compliance with any presentation standards, or ii) if such information is calculated on a uniform or consistent basis. Furthermore, the Firm does not advertise or publish any information about its own investment performance.

As described in Item 4 of this Brochure, the Firm and the IAR assigned to client's account receive a portion of the Fee that client pays to participate in the Program. The Firm does not charge client any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Because the Firm offers a variety of investment advisory programs, the Fee that client pays under the Program may be more or less than other advisory programs offered by the Firm or by unaffiliated investment advisers. An IAR may have an economic interest in recommending this Program over other investment advisory programs because the IAR may earn more compensation. An IAR may also have an economic interest in recommending a Firm Managed Account over a Sub-Advisor Managed Account because the IAR may receive more compensation through a Firm Managed Account, since the Sub-Advisor does not receive a portion of the Fee that client pays under a Firm Managed Account. Notwithstanding the foregoing, there are material differences in the features and/or eligibility requirements among the investment advisory programs available through the Firm, as there are also material differences between a Sub-Advisor Managed Account and a Firm Managed Account. Such differences may affect a client's eligibility to participate, or preference in participating, in a particular investment advisory program, and hence an IAR's recommendation to a client. Examples of these differences include, but are not limited to, client's preference for, or client's financial circumstance may require, a particular type of model portfolio, whether the program

includes a tax harvesting feature that client is seeking, types of securities that may be invested, costs, accessibility of portfolio managers, and any initial investment minimum. Clients should carefully review each program's Form ADV disclosure brochure, disclose all pertinent client financial information to the IAR, and ask questions of the IAR prior to participating in any program.

Investing in Securities involves risk of loss that clients should be prepared to bear. Clients may experience loss in the value of their Account under the Program due to market fluctuation. There is no guarantee that a client's investment objectives will be achieved by participating in the Program. Clients should read carefully a copy of the current prospectus, or other disclosure documents, associated with the Securities prior to investing. Those disclosure documents contain information regarding any fees, expenses, investment objectives, investment techniques and risks associated with the Securities. The investment returns on a client Account will vary and there is no guarantee of positive results or protection against loss. No warranties or representations are made by the Firm concerning the benefits of participating in the Program. The Firm and its IARs do not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert.

#### **ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

As described in Item 4, any information supplied by the client to the Firm, including client's financial information disclosed in the IAAA, may be used by the Firm and its IARs to provide client with investment advisory services under the Program. The Firm also makes available such information to Sub-Advisor so that Sub-Advisor may fulfill its obligations under the Program as described in Item 4 of this Brochure and in the Sub-Advisor Brochure. Client has the obligation to inform the IAR of any change in client's financial and personal circumstances that may have a material impact on the management of client's Account. Any updated information that client provides is also shared with Sub-Advisor, for Sub-Advisor Managed Accounts.

#### **ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients have access to their IAR for information on their Account. IARs will also accept inquiries from clients about Sub-Advisor and its role under the Program and coordinate the provision of responses to clients. Clients generally can not contact the Sub-Advisor directly.

#### **ITEM 9. ADDITIONAL INFORMATION**

##### **a. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of its management. The following are disclosures applicable to the Firm:

In January 2002, the Firm entered into a settlement with the National Association of Securities Dealers, Inc. ("NASD", now known as the Financial Industry Regulatory Authority, Inc. ("FINRA")) that the Firm 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 "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.

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

The Firm is registered with the SEC as an investment adviser and a broker-dealer and certain of 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 the public. The insurance products available through the Firm include products issued by affiliated insurance companies as well as those issued by unaffiliated issuers. As part of this business, the Firm, through its RRs who may also be IARs, provides a broad range of securities brokerage services which may include clients who participate in the Advisor Select Program. The Firm, as a broker-dealer, effects securities transactions for these brokerage customers for compensation and may recommend that customers buy or sell securities or investment products in which the Firm or its officers, directors, employees or RRs have a financial interest or may themselves purchase or sell. Clients should be aware that compensation earned by the Firm and its RRs vary by product and by issuer. Therefore, the Firm and its RRs may receive more compensation for selling certain products issued by a Firm affiliate than for selling certain 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 its clients.

##### **1. Broker Dealers, Other Investment Advisers and Investment Companies**

The Firm is registered with the SEC as an investment adviser and a broker-dealer and certain of its principal officers are as IARs and/or registered representatives. The Firm is affiliated with Walnut Street Securities, Inc. ("WSS"), MetLife Securities, Inc. ("MSI") and New England Securities Corp. ("NES"). The Firm, WSS, MSI and NES are each an investment adviser registered with the SEC and a member broker-dealer firm of FINRA.

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

As indicated in Item 4, the Firm also serves as the broker-dealer for the client Accounts under the Program. If available, the Firm, as a broker-dealer, receives asset-based distribution or servicing fees (in the form of so-called “12b-1 fees” or otherwise) from certain mutual funds for providing distribution and/or administrative services to mutual funds. Further information regarding these fees and other charges assessed by mutual funds may be found in the appropriate prospectus or annual report. This compensation to the Firm from such mutual funds is in addition to the advisory and other fees the Firm receives under the Program. The Firm has an incentive for clients to invest in mutual funds that pay 12b-1 fees. The Firm may, in its sole discretion, credit to Clients’ Accounts an amount equal to any such 12b-1 fees the Firm receives on such assets held in Clients’ Accounts in order to offset Fees paid under the Program.

Should a trade error occur where the Firm acts as the broker-dealer to the Account and the error/correction results in a gain, that gain will be kept by the Firm and will not be credited to the client. Gains that are captured due to trade errors are placed in the Firm’s general account and used at the discretion of the Firm. If gains are not used to cover an expense within a fiscal year, such gains will be considered a profit.

For the AdvisoryPlus fee option, the client pays ticket charges on security transactions in the Program in addition to the advisory fee. Although the IAR does not receive compensation from any ticket charges collected from the client, the Firm may receive a portion of these charges. Therefore, the Firm may earn more compensation if more trades are placed in a client’s Firm Managed Account.

The Firm may receive rebates or service credits on certain charges from Pershing based on the number of Accounts opened by clients in a given time period. This is in addition to the advisory and other fees, the Firm receives under the Program. As a result, the Firm has an incentive for clients to participate in the Program. Client should understand that these rebates are paid directly to the Firm and are not shared with the IAR or IAR’s branch manager.

Certain IARs of the Firm may also be affiliated with and provide investment advisory services through an investment adviser that is not affiliated with the Firm (“Third Party Adviser”). In that respect, such IARs may offer investment advisory programs through both the Firm and the Third Party Adviser. The compensation that they receive from the Third Party Adviser for offering investment advisory services may be more or less than the compensation that they receive from the Firm. While the investment advisory programs made available by the Third Party Adviser may differ materially from the programs made available by the Firm, IARs may potentially recommend an investment advisory program that offers them the greatest compensation potential.

## 2. Banking or Thrift Institutions

MetLife Bank, N.A. is a nationally chartered bank providing traditional services to individuals and institutions. The MetLife Bank is affiliated with the Firm. The Firm’s registered representatives, some of which are also IARs, may refer the Firm’s clients to the Bank for retail banking and mortgage services in exchange for a referral fee.

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

To help manage conflicts of interest, TSS 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. IARs who offer Firm Managed Accounts 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 TSS 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 TSS.

TSS 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 these Program. In addition, TSS and its IARs may give advice or take action in performing their duties for one client in the Program that differs from the advice provided, or in the timing and nature of action taken, with respect to another client in the Program.

TSS does not effect any principal or agency cross securities transactions for client accounts. The Firm will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys securities from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlling, controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## d. Review of Accounts

The Firm through its IAR is responsible for managing a client’s Firm Managed Account and the Sub-Advisor is responsible for managing a client’s Sub-Advisor Managed Account. However, the IAR will consult with the client at least annually on a client’s Firm Managed Account or Sub-Advisor Managed Account. At the annual meetings or on a more frequent basis, the client’s IAR will review the client’s Portfolio. This review is designed to determine that the selected Portfolio and the client’s positions thereunder are still appropriate and consistent with the client’s financial circumstances. In addition, as noted above the client has the ability to add or modify any reasonable investment restrictions, if applicable.



Each client's IAR also is available on an ongoing basis during normal business hours to discuss the client's participation in the Program or the client's positions thereunder. The IAR will assist the client in making any appropriate changes to the client's Firm Managed Account. The Firm will forward to the Sub-Advisor any questions or requests from the client, or any request to change the investment restrictions imposed on the Sub-Advisor, or other client information as received from the client.

Additionally, the Firm monitors the activities of Firm Managed Accounts on an ongoing basis. The Firm will notify the IAR and/or the IAR's supervisor regarding a Firm Managed Account, or to take any corrective actions as required by the Firm's policy, where appropriate.

The Firm's review of Firm Managed Accounts is generally limited to monitoring:

- the Firm Managed Accounts' asset allocation versus its target asset allocation as accepted by the client.
- the Firm Managed Accounts' holdings to insure that such accounts are adequately diversified

Sub-Advisor is responsible for managing and monitoring Sub-Advisor Managed Accounts. Please review Sub-Advisor Brochure for more detailed information.

### **1. Performance Reports and Account Statements**

Clients will receive a copy of a quarterly Account Performance Report from the Firm. Additionally, clients have the ability at any time to request from their IAR an Account report. The quarterly Account Performance Report and the Account report are two separate and distinct reports that the Firm makes available to clients. These reports generally include the beginning and ending account value, net contribution and withdrawals, and a rate of return for a specific time period. Clients should be aware that these reports are not official Account statements from Pershing about the assets held in, and the transactions effected in, your Account. They should be used only for informational purposes and should not be relied upon for making investment decisions or tax purposes. Clients should promptly notify the Firm or IAR upon discovery of any errors, discrepancies or irregularities in these reports.

At least quarterly, clients will receive an Account statements from Pershing covering, among other things:

- All transactions made in the Account during the quarter;
- All contributions and withdrawals made to and from the Account;
- All fees and expenses charged to the Account;
- The value of the Account at both the beginning and end of the quarter; and
- The performance of the client's Account.

These Account statements also include a reminder to clients that they should inform their IARs of any changes in their financial situation or investment objectives or of any desire to impose or modify, if applicable, any restrictions on their Account. Pershing will also send written confirmations of all trades executed through clients' brokerage accounts established under the Program.

Your IAR is available to discuss the Account Performance Reports and Account statements, the asset allocation of and securities underlying the client's Account and any other issues relating to the Program.

### **e. Client Referrals and Other Compensation**

#### **1. Additional Compensation Related to Advisory Activities and Referral Arrangements**

The Firm is registered as both an investment adviser and a broker-dealer. In its role as a broker-dealer, the Firm focuses on a select group of mutual funds. These fund families (also called Strategic Partners and Mutual Fund Marketing and Compensation Arrangements" ("Partners Disclosure"), which clients will receive during the Account opening process. The distributor, investment adviser or another entity related to the Strategic Partner and Conference Partner fund family makes cash payments to the Firm to participate in the Strategic Partners and Conference Partners Programs. A list of the participating Strategic and Conference Partners can be found in the Partners Disclosure. Clients should understand that none of the cash payments described therein are made directly to the Firm's branch managers, registered representatives or IARs who sell or recommend these products. Furthermore, branch managers, registered representatives and IARs do not receive a greater or lesser compensation for the sales of products for which the Firm receives cash payments.

Clients should also be aware that marketing or educational activities paid for with these payments may lead to greater exposure of these companies' products with the Firm's registered representatives and IARs. Therefore, payments made by Strategic and Conference Partners may create an incentive, or lead to a greater likelihood, for the Firm or its IARs to recommend the Program over other advisory programs that do not include mutual funds issued by Strategic and Conference Partners.

Since a client's Program Account may contain Strategic Partners and Conference Partners mutual funds, payments made by Strategic Partners and Conference Partners funds may create an incentive for the Firm and the IAR to recommend such a fund or purchase it on a client's behalf (if the IAR has discretionary trading authority) over other mutual funds available in the Program. These payments are in addition to the fees received by the Firm under the Program and any distribution or servicing fees described above.

BlackRock, Inc., which is the parent company of the Sub-Advisor in the Program, is a Strategic Partner. The Firm does not control or influence how the Sub-Advisor may invest client assets in the Sub-Advisor Managed Accounts. Clients should review the Sub-Advisor Disclosure Brochure for details on any potential or actual conflicts of interest that the Sub-Advisor may have.

From time to time, the Firm and its registered representatives (who may also be IARs) may also receive other compensation from mutual fund companies. Such mutual fund companies may sponsor their own conferences for training and educational purposes, which certain of the Firm's registered representatives are invited to attend. In addition to the Firm's RRs attending these conferences without charge, these mutual fund companies may also reimburse or pay for the travel and other related

expenses incurred by the Firm's RRs or reimburse a Firm's branch office for expenses related to dinners or events for clients and other miscellaneous business-related expenses incurred by registered representatives.

The Firm enters into certain agreements with various organizations and associations pursuant to which such entities 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.

The Firm may enter into marketing arrangements with third parties ("Solicitors") who will receive compensation from the Firm for referring prospective investment advisory clients to the Firm. Where required by federal or state law, each marketing arrangement will be governed by a written agreement between the Firm and the Solicitor that complies with the SEC's "cash solicitation" rule (Rule 206(4)-3). In particular, clients will be provided with copies of the Firm's Brochure, a separate solicitor disclosure statement that describes the nature of the marketing or 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 marketing or referral arrangements may affect the amount of the Firm's overall fees or its willingness to negotiate fee reductions in particular instances.

Under these marketing arrangements, a Solicitor may introduce prospective clients to the Firm or an IAR to further discuss whether the Firm's investment advisory services, including the Program, may be appropriate for the prospective clients. The Solicitor's sole responsibility under the marketing arrangement is to refer prospective clients to the Firm or an IAR and may not provide investment advice to prospective clients or the Firm's clients on behalf of the Firm or the IARs. Additional information about this arrangement, 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 a separate solicitor disclosure statement, which the Solicitor will provide 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 where 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 obtain 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 obtain advisory services from the Firm.

The compensation paid to Financial Institutions or their employees as described herein may increase or otherwise affect the fees a customer pays for obtaining advisory services from the

Firm. The fees and expenses that the Firm pays to a Financial Institution under these arrangements are not passed on to referred clients, but depending on the circumstances, the existence of such marketing or referral arrangements may affect the amount of the Firm's overall fees or its willingness to negotiate fee reductions in particular instances.

Certain UITs may make payments to the Firm. These payments are generally disclosed in the applicable trust's prospectus. As a result of these compensation arrangements, a conflict of interest may exist regarding the recommendation of particular UITs for the Firm Managed Accounts. The Firm does not control or influence how a Sub-Advisor invests client assets in Sub-Advised Managed Accounts. Please see Item 9 of the Sub-Advisor Brochure for details.

IARs are compensated by the Firm and/or an affiliated company for the sale, renewal and servicing of proprietary and certain non-proprietary products. This compensation includes commissions and other forms of compensation that may vary from product to product and by the amount of the investment made by clients. Clients should be aware that the amount of an IAR's compensation may increase in part based upon the relative amount of proprietary products that he or she sells during a set period. Your IAR is also eligible for additional cash compensation (such as medical, retirement and other benefits) and non-cash compensation (such as conferences and sales support services) based on his or her sales of proprietary products and overall sales productivity. While the Program is not a security, it is considered proprietary for these purposes. Therefore, your IAR may have an incentive to favor this Program over non-proprietary programs.

#### **f. Other Disclosures**

For a client that has chosen the AdvisoryOne payment option, the compensation paid to the IAR may be more than what the IAR would receive if the client paid separately for investment advice, brokerage and other services. Factors that bear upon the cost of AdvisoryOne in relation to the cost of the same services purchased separately include, among other things, the type and size of the Account the historical and/or expected size and number of trades for the Account, the number and range of supplementary advisory and client related services provided to the Account, and Account balance. Since the fee under the AdvisoryOne option received by the Firm and the portion thereof retained by the IAR may be greater than would have been the case if the client paid separately for investment advice and brokerage and other services or participated in another advisory program, the IAR may have an incentive to recommend Advisor Select over alternative programs or over the purchase of such services separately.

Similarly, for a client that has chosen the AdvisoryPlus payment option, the compensation paid to the IAR may be more than what the IAR would receive if the client paid a single "wrap fee" for investment advice, brokerage and other services. The same factors listed in the prior paragraph will bear upon the cost of AdvisoryPlus in relation to the cost of the same services purchased under a single wrap fee.



IARs are charged a minimum annual administrative fee for each Firm Managed Account they open. A part of the Program Fee will be used to pay for such administrative fee. If the portion of the Program Fee initially allocated to cover the administrative fee is insufficient to fully cover the administrative fee, the IARs will have to pay the difference. While clients are not billed for this annual administrative fee, it is paid out of a portion of the Program Fee. Therefore, IARs may have a financial incentive to charge clients a higher Program Fee in order to cover the administrative fee. In addition, since an IAR's compensation is a percentage of the Program Fee less an annual administrative fee charged by the Firm for opening an Account, and the AdvisoryPlus administrative fee is lower than the AdvisoryOne administrative fee, an IAR may have an incentive to recommend AdvisoryPlus rather than AdvisoryOne.

Clients may directly purchase the securities in their Account (i.e., outside of the Program) without paying the Program Fee. Thus, it may be less expensive to purchase such securities outside of the Program. However, clients will not receive the services provided by the Firm (and the Sub-Advisors, if applicable) if they choose to do so. The Program Fee may be higher than that charged to other clients who participate in the Program or higher than the cost of similar services offered through other financial firms.

From time to time, the Firm may provide IARs with an administrative reimbursement to compensate them for their administrative activities related to establishing a Firm Managed Account for an existing advisory client of the Firm or an affiliate. This administrative reimbursement may be up to 0.20% of the amount transferred by an existing client of the Firm or an affiliate into the Program at the time an Account is opened. This administrative reimbursement is paid by the Firm out of its revenues. Accordingly, IARs may have an incentive to recommend that clients transfer assets currently invested in other programs available through the Firm or an affiliate to the Program over other advisory programs for which IARs do not receive such administrative reimbursement.

From time to time, the Firm may share the portion of the Program Fee it receives for administering and operating the Program with IARs that, due to the nature and size of their advisory practice, allow the to more efficiently service Firm Managed Accounts under the Program. The amount shared may be up to 0.08% of an Account value and is paid by the Firm out of the revenues it receives under the Program. This sharing does not increase a client's Program Fee. As a result of this practice, the IAR may have an incentive to recommend the Program to you (over other advisory programs available through the Firm).

TSS earns fees on the amount of money in the Deposit Account, including Client's assets. TSS may earn a higher fee if Client assets are swept into a Deposit Account than if Client invests in a Money Fund. The Custodian and the financial institutions that participate in the bank sweep arrangement ("Program Banks") may also earn a fee in connection with offering and/or administering the arrangement and the Deposit Accounts. Please refer to the Deposit Account Disclosure Document for full details. TSS is not affiliated with Custodian or any of the Program Banks. TSS and its affiliates may provide offer products and services to Custodian, Program Banks and each of their employees, offers, directors, agents and independent contractors in TSS's normal course of business.

## **g. Making an Informed Decision**

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 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.

## **h. Financial Information**

The Firm does not require clients who participate in the Program to prepay its fees six months or more in advance. It is therefore not required to provide a balance sheet. Additionally, the Firm does not have any material financial conditions that it is required to disclose to clients.