



## Form ADV 2A Disclosure Brochure

**Reserved for Kaiser Permanente Clients Only**

***VestAdvisor (Discretionary and Non-Discretionary) Programs***

**Financial Planning, Retirement Management Services (RMS), Educational Services, Solicitor  
Arrangements for legacy HD Vest Advisors**

***Effective April 28, 2020***

SEC File No. 801 - 29892

Avantax Advisory Services, Inc.

This Form ADV 2A Disclosure Brochure provides information about the qualifications and business practices of Avantax Advisory Services, Inc. ("AAS") which uses the trade name Avantax Advisory Services. If you have any questions about the contents of this brochure, please contact us at (972) 870-6000. This information has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Avantax Advisory Services is also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Please note that registration as an investment adviser is required by securities laws and does not imply a certain level of skill or training. You should review this brochure and consider its contents before investing in a program offered by or through AAS.

Avantax Wealth Management<sup>SM</sup> is the holding company for the group of companies providing financial services under the Avantax name. Securities offered through Avantax Investment Services<sup>SM</sup>, Member FINRA, SIPC. Investment advisory services offered through Avantax Advisory Services<sup>SM</sup>. Insurance services offered through Avantax Insurance Agency<sup>SM</sup>. 6333 N. State Highway 161, Fourth Floor, Irving, TX 75038, 972-870-6000

## **Item 2: Summary of Material Changes**

Specific changes that appear in this Form ADV since our October 2019 version include:

- Assets under management numbers were updated to reflect 12/31/2019 data. See page 4.
- The Restricted Equity Awards program has been updated and will reward the top financial professionals for their achievements across all products and programs. It is no longer based solely on net new assets to the advisory programs. See page 23.
- The Bank Deposit Sweep Program disclosures were updated for clarification. These start on page 31.
- The Educational Partners list was updated and includes new firms that have joined the program. See pages 29-30.
- Additional clarification was provided regarding rebalancing in turbulent markets. See pages 6-7.

### Item 3 Table of Contents

Item 2: Summary of Material Changes .....	1
Item 4: Advisory Business .....	3
Avantax Advisory Services.....	3
Assets Under Management.....	3
Suitability of Fee-Based Programs .....	3
Other Fee-Based Programs .....	4
The <i>VestAdvisor</i> ® Program .....	4
Program Services .....	5
<i>VestAdvisor</i> Asset Selection and Evaluation .....	6
Assets that Transfer In .....	6
Alternative Investments.....	6
Rebalancing.....	6
Information About Your Account.....	7
Referrals to Third Parties Not Thru Envestnet .....	7
Symmetry Partners’ Solicitor Arrangement .....	7
The Pacific Financial Group Solicitor Arrangement.....	7
Quick(k) Solicitor Arrangement.....	8
Retirement Management Solutions (“RMS”).....	8
RMS Total 401(k).....	9
Educational Services’ Program.....	10
Financial Planning Advisory Service .....	10
Seasonal Planning Program.....	10
FPAS Planning Topics.....	10
Initial Plan.....	10
Ongoing Relationship – Seasonal Model .....	11
Changing your Planning Topics – Seasonal Planning Model.....	11
Implementation of your Financial Plan .....	11
Private Placement Insurance Program.....	11
Item 5: Fees and Compensation .....	11
<i>VestAdvisor</i> Program Fee .....	11
Solicitor Arrangements and Fees .....	14
Symmetry Partners.....	14
The Pacific Financial Group .....	14
Quick(k) Program.....	15
Financial Planning Fees .....	15
Seasonal Planning Fees .....	15
Retirement Management Solutions Fees.....	16
RMS Total 401(k) Fees.....	17
Educational Services’ Fees .....	18
Private Placement Insurance Program Fees.....	18
Ticket Charges and Custodial Fees .....	19
Early Redemption Fees .....	19
Other Fees and Expenses .....	19
Termination of Agreement .....	19
Item 6: Performance-Based Fees and Side-By-Side Management .....	20
Item 7: Types of Clients .....	20
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	20
Methods of Analysis.....	20
Investment Strategies .....	21
Risk of Loss.....	21
Risks of Relying on Information Provided by Others.....	21
<i>VestAdvisor</i> Approved Securities .....	21
Due Diligence Process: RMS Select Portfolios and RMS	

Total 401(k).....	22
Item 9: Disciplinary Information .....	22
Item 10: Other Financial Industry Activities and Affiliations	22
Privacy Statement .....	23
Conflicts of Interest.....	23
Restricted Equity Awards to Certain Advisors.....	23
Qualified Plan Rollovers .....	23
Item 11: Code of Ethics.....	23
Item 12: Brokerage Practices.....	24
Information about National Financial Services LLC.....	24
Brokerage Practices .....	24
Principal Trading, Agency Cross Transactions and Directed Brokerage.....	25
Fixed Income.....	25
Best Execution .....	25
Trade Allocation.....	25
Trade Errors .....	25
Item 13: Review of Accounts .....	26
Monitoring Accounts .....	26
<i>VestAdvisor</i> .....	26
Quarterly Performance Reports for <i>VestAdvisor</i> .....	26
Item 14: Client Referrals & Other Compensation .....	27
Conflicts of Interest: Additional Compensation to AAS .....	27
Compensation on Approved Securities.....	27
Asset-Based Fees .....	29
Revenue Sharing Arrangements (Educational Partners). ..	29
Revenue Sharing or Expense Reimbursement from NFS ..	30
Bank Deposit Sweep Program.....	31
Account Exceptions.....	32
Bank Deposit Sweep Program Conflicts .....	32
Credit Interest for Non-Sweep Cash Balances .....	32
IRA Annual Maintenance Fees .....	33
Interest on Cash Debits.....	33
Purchasing Securities on Margin.....	33
Transfer Cost Credits.....	33
Non-Purpose Loans – Non NFS Revenue .....	33
Additional Compensation to Advisors.....	34
Client Consent.....	34
Item 15: Custody.....	34
Item 16: Investment Discretion .....	34
Item 17: Voting Client Securities .....	35
Item 18: Financial Information .....	35
Appendix 1 Schedule of Additional Fees.....	36
Appendix 2 Important Definitions and Investor Resources .	37
Investor Resources.....	38
Appendix 3 Risks of Investing .....	39
Appendix 4 Applicable only to KP Clients with Assets at Schwab .....	42

## **Item 4: Advisory Business**

Pursuant to SEC Rule 204-3 promulgated under the Investment Advisers Act of 1940, as amended (“Advisers Act”), Avantax Advisory Services, Inc. presents this Form ADV 2A, Disclosure Brochure (“Disclosure Brochure”) which provides the required Form ADV Part 2A disclosures. The programs described in this Disclosure Brochure are relevant to legacy HD Vest clients and Advisors.

### **Avantax Advisory Services**

Avantax Advisory Services, Inc. (“AAS” or “Avantax Advisory Services”) was established in 1987 and was formerly known as HD Vest Advisory Services, Inc. AAS is a wholly-owned subsidiary of Avantax Wealth Management, Inc. and an indirect subsidiary of Blucora, Inc., a publicly traded company (Nasdaq: BCOR). AAS is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser and was created to offer ongoing consultative investment management services through investment advisory programs.

AAS is an affiliate of Avantax Investment Services, Inc. (“AIS” or “Avantax Investment Services”), formerly known as HD Vest Investment Securities, Inc., a broker-dealer registered with the SEC and a FINRA member firm. AIS generally provides brokerage, custody and execution services through a clearing arrangement with National Financial Services LLC (“NFS”), a non-affiliated firm, member NYSE, SIPC and a Fidelity Investments® Company. Your Advisor may be affiliated with both AAS and AIS for the purpose of offering you a broader range of financial services.

In early 2019, Blucora acquired 1st Global, Inc. and its affiliated firms including 1st Global Advisors, Inc., an SEC registered investment adviser, and 1st Global Capital Corp., a broker-dealer registered with the SEC and a FINRA member firm. 1st Global Capital Corp. merged into HD Vest Investment Securities, Inc. and 1st Global Advisors merged into HD Vest Advisory Services. Effective upon the merger of the broker-dealers and investment advisers, the firms now operate under the Avantax name as described throughout this Disclosure Brochure.

References to “the Firm” used throughout this Disclosure Brochure refer to AAS, AIS and affiliates.

Depending on factors such as your Advisor’s licensing there are restrictions in the programs and types of investments that can be offered to you. In addition, an Advisor can elect not to offer certain programs based on subjective and objective factors including their investment philosophy or individual professional preferences. AAS’s and its Advisors’ investment advice is tailored to clients’ individual needs and limitations may be placed on trading restrictions requested by clients.

### **Assets Under Management**

As of December 31, 2019, AAS managed \$16,378,452,956 of Client assets on a discretionary basis (62,288 accounts) and \$9,319,748,684 of Client assets on a non-discretionary basis (32,112 accounts) for a total of \$25,698,201,640 in assets under management and 94,400 accounts in its various advisory programs.

### **Suitability of Fee-Based Programs**

Depending on your particular needs, you can choose different types of accounts, programs, products and levels of services offered through various Avantax Wealth Management companies. These choices have important implications in terms of the legal rights and responsibilities that attach to your relationship with AAS, the compensation earned by AAS and its Advisors, and the disclosures you receive. You should take these considerations into account when deciding which type of account best suits your individual needs.

With a commission-based brokerage account (or investments made through AIS directly with a product sponsor), AIS has no duty to provide ongoing advice and the primary service you are obtaining is the recommendation and execution of individual securities transactions. Most Advisors with AAS are also registered representatives of AIS. In their role as a registered representative of AIS, any advice provided is solely incidental to the recommended transaction, and neither AIS nor its registered representatives have an ongoing obligation to monitor your account after the transaction is executed. AIS also has a more limited obligation to disclose information about conflicts of interest than the AAS requirements. AIS is compensated by the sales commission you pay on transactions you execute and other brokerage account fees; you do not pay a separate fee for (nor do you receive) ongoing advice.

The primary service AAS offers is ongoing management of your accounts through various managed account programs. As an investment adviser, AAS acts as a fiduciary as defined by applicable law and is required to provide additional

disclosure (e.g., this Disclosure Brochure) which contains information about your account and material conflicts of interest, among other things. Unlike in a brokerage account, AAS clients do not pay sales commissions on individual transactions and instead they pay an ongoing fee based on the value of assets in the Account. On the other hand, AAS and your Advisor will earn the Program Fee for the ongoing advice they provide, regardless of whether you execute any transactions. In some advisory programs, you will also pay some or all trading costs in addition to the program fee.

You should consider the importance and value of ongoing advisory services (including ongoing advice) when comparing various options for obtaining advice, custody and safekeeping, reporting and trade execution. You should also consider your anticipated trading activity when selecting between different types of accounts and assessing your overall cost. If there are prolonged periods of infrequent trading or your portfolio contains significant cash holdings, an advisory account will probably result in higher overall expenses than if commissions were paid separately for each transaction. If you do not need ongoing advice and do not anticipate at least a moderate amount of trading, or if you would rather pay your investment professional based on each transaction you execute, a brokerage account is often the right choice for you. There is no long-term commitment with any program offered by AAS and you can cancel your SIS at any time if your needs or objectives change, or if you do not feel that you are receiving value in exchange for the program fee you are paying.

This information is not intended to address all issues or questions concerning differences between brokerage and advisory accounts. When considering a fee-based program you should understand the different investment solutions that are available to you. For example, you could decide that you want a brokerage account for certain investments and an advisory account for others. You should discuss the different account and service options and ask any questions you need answered before investing. If you have questions about the difference between brokerage and advisory accounts or would like to see our disclosure brochures on other advisory programs and services offered by AAS, ask your Advisor or contact the Advisory Compliance Department at (800) 821-8254.

In the case of financial planning, Clients will pay a flat or ongoing fee. The compensation earned by AAS is not tied directly to the number or size of transactions in your Account, and Advisors do not have an incentive to recommend transactions to generate additional sales commissions. Should you choose to implement any of the recommendations in your financial plan through your Advisor, commissions or fees will be earned depending on the product or service recommended. Educational services are offered as a flat fee or as a percentage of plan assets.

### **Other Fee-Based Programs**

For additional information about other programs offered by AAS, please ask your Advisor for further details. These programs are:

- **VestAccess™**: A digital managed fully discretionary advisory program investing only in low-cost mutual funds and exchange-traded funds for accounts with balances as low as \$5,000.
- **VestAdvisor Select®**: A wrap-fee program with professional management by the Chief Investment Strategist of AAS in low cost mutual funds and ETFs. Some models will offer additional types of securities as outlined in the Wrap Brochure. The account minimum is \$25,000.
- **VestStrategist™**: A program utilizing unaffiliated third-party money managers with a variety of investment styles, objectives and areas of expertise available to clients. Account minimums vary by money manager but typically range from \$40,000 to \$500,000.

### **The VestAdvisor® Program**

The VestAdvisor Program ("VestAdvisor" or "Program") is offered as a discretionary or non-discretionary investment advisory program by AAS and made available by the platform manager, Envestnet Asset Management Inc. ("Envestnet"), an investment adviser registered under the Advisers Act. You will be required to open a brokerage account with AAS's chosen Custodian, National Financial Services LLC, (NFS) member NYSE and SIPC, a Fidelity Investments® Company, to participate in the VestAdvisor Program, and all trades will be referred to AIS, our affiliated broker-dealer under common ownership, for execution. A conflict of interest exists since AIS will receive compensation on most transactions and on some of the assets in the selected program.

The Program offers you the ability to purchase certain mutual funds, exchange-traded funds or products ("ETFs"), stocks, bonds, unit investment trusts (UITs), alternative investments, and other allowed securities, otherwise called "Approved Securities" in your VestAdvisor Account. It is designed for individuals and businesses with investment accounts with at least \$25,000 or more of Approved Securities, although exceptions to the minimum qualifications

may be made at the sole discretion of AAS. The *VestAdvisor* Program is designed to help you pursue your investment goals and needs as communicated to your Advisor. A description of these services is provided in the “Services” section. Accounts will be considered “funded” and ready to invest upon reaching \$5,000 in assets.

Your Advisor will serve as portfolio manager for your *VestAdvisor* Account. Generally, your Advisor will evaluate quantitative and qualitative aspects of the universe of available investment products (or a subset based on their individual professional preferences) evaluated during their due diligence process. Qualitative analysis is a securities analysis that uses subjective judgment based on unquantifiable information, such as management expertise, industry cycles, strength of research and development. Qualitative analysis contrasts with quantitative analysis, which focuses on numbers such as the firm’s financials and prospectus or offering memorandums. Both techniques are often used together in order to examine a company’s operations and evaluate its potential as an investment opportunity. Not every Advisor has the same experience when managing investment portfolios, and you should carefully consider this when choosing the *VestAdvisor* Program. Your Advisor’s Form ADV, Part 2B Supplemental Brochure provides additional background on your Advisor’s experience.

To participate in the Program, your Advisor will gather information regarding your financial situation and assist you in completing the Statement of Investment Selection (“SIS”). The *VestAdvisor* Client Agreement (“Agreement”) is included as part of the SIS and supplements this Disclosure Brochure. The Disclosure Brochure and SIS are collectively referred to as “Related Documents”. The Brokerage Client Agreement, the Avantax Disclosures Packet and the Schedule of Fees are collectively referred to as the “Brokerage Agreement” and set forth the terms under which brokerage services are provided to you as part of your Agreement. All documents in the Brokerage Agreement packet are provided at or shortly after account opening. (A partial list of the fees most applicable to your *VestAdvisor* Account are included in Appendix 1 near the end of this Brochure.) If you want to provide the ability for your Advisor to trade your Account on a discretionary basis, your Agreement will include the applicable discretionary trading authorization.

AAS and your Advisor rely on the information you provide to us, and accordingly it is important that you keep that information current. You have an ongoing obligation to notify your Advisor if there are any changes to your financial situation or the information provided, including information relevant to your investment objectives or risk tolerance. You must also inform your Advisor if there is other information not reflected on the SIS that is relevant to assessing your financial situation, investment objectives or risk tolerance (for example, anticipated large expenditures in the future or short-term cash needs). Your Advisor will update your profile with AAS, NFS and Envestnet, as applicable.

You may request restrictions to your Account in consultation with your Advisor at any time during the management of the Account. Your Advisor or AAS has the option to decline or terminate the Account if your elected restrictions are too prohibitive, and we do not feel the Account can be managed within this Program. Restrictions, even those considered reasonable, will affect your Account performance and may mean the performance in the Account is not the same (or close to) the performance of other similarly managed *VestAdvisor* Accounts.

## **Program Services**

Summary of services provided by Advisors for *VestAdvisor* includes:

- Educate clients on the features of a fee-based investment management strategy
- Evaluate the suitability of the Account
- Gather data to be used in the preparation and implementation of the investment portfolio
- Assist clients with the completion of the SIS
- Present portfolio recommendations and/or asset allocations based on the information you provided
- Initial and on-going evaluation of investment and model recommendations
- Complete other paperwork required to open Account
- Facilitate Account transactions
- Conduct annual Account reviews
- Answer questions regarding your Account or the Program
- Explain investment decisions and why rebalancing may be necessary
- Deliver and review Quarterly Performance Reports
- Rebalance Account as needed
- Periodic review of your investment objectives, trading activity, and portfolio

Summary of services provided by AAS for *VestAdvisor* includes:

- Open Account upon receipt of paperwork
- Provide Quarterly Performance Reports to Advisor
- Calculate and collect the Program Fee
- Facilitate disbursement requests and performing administrative and middle office functions
- Maintain registrations of AAS and Advisors with the SEC and state securities regulators
- Prepare and update required registration forms, disclosure forms and this Disclosure Brochure
- Supervise investment activities of Advisors conducted through AAS
- Arrange for execution of trades and custody of assets in your Account

AAS will, in its sole discretion, delegate or contract with third parties for the performance of all or a portion of the services provided to clients participating under the Program, including without limitation the calculation of performance history, preparation of quarterly performance reports, billing calculations, and the implementation of securities trading decisions, to one or more affiliated or unaffiliated third parties.

### ***VestAdvisor* Asset Selection and Evaluation**

*VestAdvisor* accounts are managed by your Advisor, either with or without discretion. Your Advisor will make recommendations and assist you in determining the investment portfolio. Advisors recommend Approved Securities consistent with your investment objective set forth in the SIS. Recommendations are made on the basis of research the Advisor deems to be reliable. Advisors utilize a wide variety of information and methodologies to formulate recommendations with respect to investment portfolios.

As more fully described in the “Revenue Sharing” disclosure in the “Fees and Compensation” section, our affiliate, AIS has agreements with Educational Partners to provide AIS with payments to help defray the educational, training, recordkeeping and other costs associated with bringing these products to Clients. Educational Partners may invite Advisors and AAS portfolio management staff to attend due diligence conferences to meet portfolio managers, portfolio analysts, and other key staff in order to learn about their products, investment processes and portfolio management techniques. Educational Partners generally pay all expenses associated with travel, lodging and business meals for attendees. Educational Partners also contribute toward and participate in our Firm conferences.

### **Assets that Transfer In**

Assets that transfer in to your *VestAdvisor* account that are not considered “program assets” will be sold, unless they are kept as “unbillable” as described elsewhere. These non-program assets do not meet the asset selection and evaluation criteria as described above and as determined by your Advisor. The securities may incur contingent-deferred sales charges or other expenses and fees that are not included in the Program Fee but will be charged to the Client. Neither AAS nor the Advisor share in these contingent-deferred sales charges or other expenses and fees (outside of the Program Fee).

### **Alternative Investments**

AAS has the option of offering certain products with limited liquidity and other inherent risks, often known as alternative investments (“Alternatives”). These investments are not suitable for every investor and will have strict suitability requirements that an Advisor must adhere to before the investment can be offered to a Client. In some cases, Clients will pay imbedded fees or commissions for these products in addition to the quarterly Program Fee although it is the intent of AAS to choose Alternatives designed for managed account programs in an attempt to reduce the imbedded costs. These products are often sold by way of subscription documents, so Clients will need to sign required paperwork before the purchase can be made; this prohibits your Advisor from buying or selling most Alternatives using discretion.

Alternatives typically have restrictions on the frequency of liquidation thus limiting the ability to sell these products and are typically designed for long-term investments. Alternatives will often be excluded from the rebalancing done for other securities in your Account. Only certain risk tolerance levels will be allowed to participate. Examples of Alternatives that may be available include private equity and hedge funds, market-linked investments, and real estate investment trusts (REITs).

### **Rebalancing**

*VestAdvisor* rebalancing is available and the account will be reviewed quarterly, semi-annually or annually according to

Advisor's particular approach to asset management. Accounts are reviewed on a periodic basis, based on a variety of factors. For example, market conditions or an upturn or downturn in a particular investment may cause "drift" away from the appropriate long-term risk level associated with the Account. On the Envestnet platform, notification will be made to your Advisor if market fluctuations, withdrawals or additional deposits cause your Account to deviate more than a pre-determined amount for the model linked to your Account. Your Advisor will have the option of rebalancing to the model or making other adjustments as needed. Whether or not rebalancing is needed is reviewed at the interval chosen by your Advisor (monthly, semi-annually, or annually) but the need to initiate trades for a rebalance will occur far less frequently and in some cases, rebalancing may not be needed during the year.

During turbulent markets or at the onset of other economic conditions, rebalancing may be suspended so that practical considerations are taken into account. For example, continuous rebalancing to chase what is essentially a moving target may simply increase the transaction costs and/or taxable consequences in your account without meaningful benefit. The accounts will only be suspended from rebalancing on a temporary basis and will be monitored to ensure they remain within the chosen risk profile. We may also adjust the asset class or security level drift parameters temporarily to account for extreme market volatility.

### **Information About Your Account**

To ensure that you remain informed about your Account, NFS delivers trade confirmations and monthly statements to you when there is activity in the Account; otherwise, statements are sent quarterly. You should promptly review all account statements and transaction confirmations to ensure that your Account is being handled in accordance with your instructions, and immediately inform AAS in writing of any discrepancies. If you have questions or need additional information regarding your Account, you should contact your Advisor or AAS. Because your Advisor is most familiar with your financial situation and other important considerations, we recommend that you contact your Advisor prior to contacting AAS. *VestAdvisor* Accounts are held through AIS, an affiliated broker-dealer, which in turn introduces assets to, and clears transactions on a fully-disclosed basis through NFS. AIS directs all transactions related to the Program to NFS for execution and confirmation.

### **Referrals to Third Parties Not Thru Envestnet**

Advisors acting as solicitors for these programs are prohibited from soliciting any government entities.

### **Symmetry Partners' Solicitor Arrangement**

AAS offers advisory services by referring Clients to a third-party money manager, Symmetry Partners, LLC ("Symmetry Partners") offering asset management and other investment advisory services. The third-party managers are responsible for monitoring Client accounts and making trades in Client accounts when necessary. As a result of the referral, AAS and your Advisor are paid a portion of the fee charged and collected by the third-party money managers in the form of solicitor fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

Under this Program, AAS will assist you with identifying your risk tolerance and investment objectives. We recommend third-party money managers in relation to your stated investment objectives and risk tolerance, and you may select a recommended third-party money manager or model portfolio based upon your needs. You must enter into an agreement directly with the third-party money manager who provides your designated account with asset management services. We are available to answer questions that you have regarding your account and act as the communication conduit between you and the third-party money manager. The third-party money manager will take discretionary authority to determine the securities to be purchased and sold for your account. We do not have any trading authority with respect to the designated accounts managed by the third-party money manager.

### **The Pacific Financial Group Solicitor Arrangement**

AAS offers Clients with a self-directed brokerage option under their employer's retirement plan, the ability to utilize The Pacific Financial Group's (TPFG) managed account programs. Your Advisor serves as a solicitor in this arrangement and all account management is done by TPFG and their related entities, including Pacific Financial Group's RiskPro® Funds. Investing in RiskPro Funds is a conflict of interest for TPFG since TPFG earns direct and indirect fees from your investment. For a complete explanation of the funds' costs, fees and risks, please refer to the RiskPro Funds' prospectus.



### **Quick(k) Solicitor Arrangement**

AAS offers Clients who sponsor qualified retirement plans such as profit sharing and 401(k) plans (e.g., employers) a program called “Quick(k),” which is offered through ePlan Services, Inc. (“ePlan Services”) and its affiliated registered investment adviser, ePlan Advisors, LLC (“ePlan Advisors”) (collectively, “ePlan”). ePlan is not affiliated with AAS. Clients who participate in the Quick(k) program must contract with ePlan, as well as with the third-party money manager(s) serving as investment manager(s) to the Client’s qualified retirement plan. ePlan pays AAS and your Advisor solicitor fees when Clients participate in the Quick(k) program in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations. AAS and your Advisor will not receive any other compensation from your participation in the Quick(k) program.

Clients in the Quick(k) program are charged an annual investment advisory fee which is calculated as a percentage of the value of plan assets. The advisory fee is negotiable subject to the maximum annual fee listed in the table in Item 5, “Fees and Compensation.” The exact fee schedule and fee arrangements will be detailed in each Client’s agreement with ePlan Services. ePlan Services collects the advisory fee in arrears on a monthly calendar basis. It then pays a portion of the advisory fee to ePlan Advisors as the investment adviser for the program; to AAS and your Advisor as solicitors of the program; and to the third-party money manager as investment manager to the plan.

ePlan Advisors and/or the third-party money manager will make all investment recommendations for any qualified retirement plans included in the Quick(k) program. AAS and your Advisor do not make or implement investment recommendations, provide management services, or serve as administrator, custodian or trustee of the plans. Clients may not participate in the Quick(k) program unless they work with a solicitor such as AAS.

**Enrollment Meetings and Participant Education.** Clients enrolled in the Quick(k) program have the option to request the help of their Advisor for participant education and enrollment meetings with their employees. These services are provided at no additional charge to the Client or the participant. The Advisor will adhere to the guidance provided by the Department of Labor (DOL) in their Interpretative Bulletin 96-1 when providing educational services so Advisor is not deemed to provide investment advice under the DOL’s definition.

### **Retirement Management Solutions (“RMS”)**

Our RMS platform is a managed account platform specifically designed for qualified plans including, but not limited to, 401(k), profit sharing, safe harbor 401(k), defined benefit, defined contribution, Solo(k), 403(b), SEP and SIMPLE IRAs. Access to the RMS Platform is made available to you through our Advisors.

You may develop, in consultation with us, a broad range of investment options and/or model portfolios for individual participant use. Each model portfolio type is designed to help achieve plan participant retirement objectives while staying within their stated risk tolerance and at the same time, taking into account their time horizon and unique needs and circumstances.

Your Advisor may provide advice to individual retirement plans and/or employer-sponsored retirement plans. Services may include but are not limited to, investment policy statement support, investment selection and monitoring, overall portfolio composition, participant education, and guidance to the plan sponsor on their fiduciary obligations to plan participants. When providing investment advisory services to retirement plans, your Advisor will be a fiduciary as defined under Section 3(21) (A) of ERISA. A fiduciary relationship as defined under Section 3(21) (A) of ERISA will be agreed to by both parties in writing.

AAS will design and manage portfolios (RMS Model Portfolios) for an additional fee. These portfolios may be invested like the portfolios of other clients having the same or similar investment objectives. The currently available RMS Model Portfolio types are designed as ultra-conservative, conservative, moderate, growth and aggressive growth. RMS Model Portfolios may be augmented or modified from time to time by us. Defined contribution plan participants are free to disregard the RMS Model Portfolios and choose individual mutual funds and /or ETFs at their sole discretion. The client is the retirement plan, not the individual participants.

The RMS Model Portfolios will be managed by AAS who will act as an ERISA 3(38) Investment Manager. AAS will have full authority as your agent and attorney-in-fact to manage the assets in your account on a fully discretionary basis. For all services, this discretionary authority includes the authority, without first consulting you: to determine the portion of

assets in your account that shall be allocated to each investment or asset class and to change such allocation of assets as necessary; to take any and all other actions on your behalf that AAS determines is customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities, including mutual fund shares, stocks, bonds and other investments for the account; and to select the broker-dealers or others with which transactions for the account will be effected. AAS will not have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you. A fiduciary relationship as defined under Section 3(38) of ERISA will be agreed to by both parties in writing.

SIMPLE, SEP, and Non-ERISA 403(b) Accounts offered through Aspire - AAS or Advisor will create and maintain both target date funds and fully diversified asset allocation models (RMS Model Portfolios) invested in pre-selected portfolios of mutual funds, money market funds and exchange traded funds ("ETFs"). Clients will be assigned a target date fund or RMS Model Portfolio or combination thereof based on their risk assessment, investable assets and chosen management strategy. Client can choose a diversified RMS Model Portfolio or target date fund or combination thereof but may not direct the underlying individual investments (such as mutual funds and ETFs) which comprise the RMS Model Portfolios. The range and types of diversified asset allocation RMS model portfolios may be changed from time to time by Adviser.

RMS accounts may be opened through one of ten "Platform Providers." Approved Platform Providers include July Business Services ("July"), VOYA Financial, Ascensus, Aspire, ADP, ERISA Partners, Retirement Strategies Group ("RSG"), John Hancock, Nationwide and Fidelity Direct.

Each Platform Provider has their own service providers including directed trustees, custodians, clearing firms and broker-dealers. Please refer to the provider's record-keeping agreement for information about the custodian of your assets and the broker-dealer through which trades are executed. Our affiliate, Avantax Investment Services, is the broker-dealer of record for plans placed through VOYA Financial.

### **RMS Total 401(k)**

RMS Total 401(k) is made available to plan sponsor clients with no investment adviser representative, either because they were referred to us directly or because they have terminated their relationship with a financial intermediary such as an investment adviser representative or registered representative. Under these circumstances, the client will enter into an agreement directly with AAS, which will be responsible for investing each client's assets through the RMS Total 401(k) program.

RMS Total 401(k) clients will be given access to five model portfolios representing five levels of risk. The portfolios are designed as conservative income, income, conservative growth, growth and aggressive growth. Plan sponsor participants (employees) can choose one of the available model portfolios or they may choose to construct their own portfolio of their choosing utilizing the funds that are a part of the AAS Advisors' constructed model portfolios. The plan sponsor will likely make available other investment options that are not a part of the model portfolios including a fund designated as a "qualified default investment alternative" (QDIA) or a "stable value" fund.

The RMS Total 401(k) model portfolios will be managed by AAS. AAS will serve as a fiduciary and as an "Investment Manager" for the Plan within the meaning of Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). AAS Advisors will provide a written investment policy statement (IPS) which describes, in general terms, how AAS creates and monitors these model portfolios. It is the duty of the Plan Sponsor to periodically review the IPS on behalf of a Plan to determine if it continues to meet the requirements of your specific Plan. Our duty in acting as a fiduciary is contingent of the Plan Sponsor acknowledgement and approval of the IPS that is consistent with our services and the Plan Sponsor's requirements.

In addition, as a part of AAS's service as an ERISA Section 3(38) fiduciary, AAS will provide you with periodic summaries of the model portfolios, summaries of any additions or deletions of funds used in the model portfolios as well as other material alerts as to the funds utilized in the RMS Total 401(k).

Finally, AAS will provide participants with a standardized risk tolerance questionnaire, which may be used by participants to help them select a model portfolio. The Plan Sponsor acknowledges that providing such a questionnaire to participants does not constitute fiduciary advice and that AAS's services do not include furnishing fiduciary advice directly to participants. AAS is only responsible for the products AAS selects to create our model portfolios and AAS will

not have any responsibility or liabilities in connection with other investments (e.g. employer securities, self-directed brokerage windows, etc.) offered by the plan.

July Business Services (July) will serve as the plan's record keeper and third-party administrator for the RMS Total 401(k) program, assets will be custodied with Matrix Trust Company, and Broadridge Business Process Outsourcing, LLC is the broker of record.

### **Educational Services' Program**

Educational services may be provided to ERISA accounts by certain Advisors when the Advisor is not assigned as either the Advisor or Representative of Record for the Plan. The services provided vary depending on the Client but usually include general investment education. The specific services and fees are provided in detail in a separate document called the Retirement Plan Services Agreement.

### **Financial Planning Advisory Service**

AAS's Financial Planning Advisory Service (FPAS) is guided by our proprietary Seasonal Planning Program. FPAS as offered by AAS is designed to help address your goals and needs through an ongoing relationship throughout the calendar year and beyond.

#### **Seasonal Planning Program**

AAS's Seasonal Planning Program is specially designed to formulate a financial plan that will consider your investment goals, asset allocation, family, security and cash flow needs, and any advantageous tax planning strategies appropriate for your portfolio. There are two models of Seasonal Planning: The Seasonal Model and the Financial Plan Only (or Fee for Plan) Model. The Seasonal Model of Seasonal Planning is intended to foster periodic contact between you and your Advisor throughout the calendar year, during which you and your Advisor will construct a personalized plan that will address a multitude of considerations for your portfolio. The Financial Plan Only Model is intended to provide clients with a financial plan targeting specific financial planning goals without regularly scheduled ongoing updates to the financial plan. The Financial Plan Only financial planning agreement ends upon delivery of the financial plan.

The advice you receive from your Advisor is intended for your use only. If you choose to share your analysis and recommendations with a third party, neither your Advisor nor AAS (nor any of its affiliates) is responsible for the outcome.

#### **FPAS Planning Topics**

Your Advisor will review your data and other information to formulate a plan that can help you meet your goals whether you choose the Seasonal Planning or Financial Plan Only model. Your Advisor may review any or all of the following subjects:

- Cash Flow & Debt Management
- Retirement & Distribution Planning
- Investment Planning
- Family Risk Management
- Education Planning
- Legacy Planning
- Business Planning
- Special Situations

#### **Initial Plan**

In the first year following the effective date (described below) of your FPAS Agreement, your Advisor will make best efforts to perform an analysis and deliver within 150 days an initial written plan.

The analysis and written plan will address the fundamentals of your financial situation as well as the priorities and goal(s) you have discussed with your Advisor. If you are engaging in the seasonal model of Seasonal Planning, the remainder of the first year may focus on tracking progress to goals, addressing asset allocation and portfolio rebalancing, addressing other financial planning topics – such as insurance and estate planning – and formulating a year-end tax strategy, as well as long-term tax strategies. If you participate in the financial plan only model, the FPAS agreement is complete and all financial planning obligations are met upon delivery of the financial plan.

You should expect your initial FPAS plan within approximately 150 days from the date you and your Advisor execute the Avantax Financial Planning Advisory Service Agreement. Thereafter, the Seasonal Planning Program is structured for the implementation of quarterly meetings between you and your Advisor (in participating in the seasonal model). If your personal financial circumstances or need for financial planning services changes, you should discuss whether your fee needs to change with your Advisor.

#### **Ongoing Relationship – Seasonal Model**

As your financial planning relationship continues, you will work with your Advisor following the financial planning process described above. For example, you and your Advisor will:

- Confirm your working relationship and the associated fee on an annual basis
- Track progress over time toward identified goals
- Identify key changes to your situation and revisit your financial goals
- Propose new recommendations as appropriate

Your Agreement is effective the day that you and your Advisor execute the Agreement.

Your Agreement will automatically renew each year under the Seasonal Planning Model. The Agreement will remain in effect until one of the following occurs: termination by you; termination of an existing FPAS Agreement by replacing it with a new one; termination by AAS, which would require sending you written notice reasonably in advance of the termination date (except as noted in this paragraph) to your address as shown on our records; termination by AAS, with no advance notice for non-delivery of services to you by your Advisor; or termination by you through nonpayment of the FPAS fee. If you choose to terminate the Agreement before receiving your initial plan, you will receive a full refund of prepaid fees. However, if you terminate the Agreement at any time after receiving your initial plan but before remitting fees for a subsequent year, AAS reserves the right in its sole discretion to prorate the amount of the refund you receive, if any. If AAS terminates the Agreement before you receive your initial plan, you will receive a full refund of fees paid. However, if AAS terminates the Agreement at any time after you receive your initial plan but before you remit fees for a subsequent year, AAS reserves the right in its sole discretion to prorate the amount of refund you receive, if any. AAS reserves the right to return only prepaid, unearned fees.

#### **Changing your Planning Topics – Seasonal Planning Model**

Should your financial situation, goals, objectives or needs change, you must notify your Advisor promptly of the changes. In addition, after looking at all of your financial data, your Advisor may decide to recommend further assessment in a specific area that has not already been identified. Changes to your financial planning topics are confirmed to you by the delivery of recommendations consistent with your new topics. Read and understand those recommendations to determine if the topic changes are consistent with your understanding of them. If the changes differ from your understanding, please contact your Advisor. You and your Advisor should also discuss whether your fee needs to change in light of the changes to your planning topics.

#### **Implementation of your Financial Plan**

The recommendations provided by your Advisor may be implemented through AAS, its affiliates or other financial services providers. Before implementing any recommendations, you should consider carefully the ramifications of purchasing products or services, and you may want to seek further advice from your lawyer and/or accountant, particularly in connection with estate planning, taxes, or business financial planning issues.

#### **Private Placement Insurance Program**

Through Titan Advisors, accredited investors may choose to invest in private placement life insurance (PPLI) or a private placement variable annuity (PPVA) with the segregated investment account managed under the *VestAdvisor Select* program. PPLI is a variable universal life insurance policy that provides a segregated investment account and a life insurance benefit. A PPVA enables investors to defer income tax on investment gains without the traditional retail variable annuity features such as income guarantees or principal protection, thus reducing the internal fees. The life insurance portion of these products is provided through Lombard International.

### **Item 5: Fees and Compensation**

#### ***VestAdvisor* Program Fee**

You pay an annual Program Fee for *VestAdvisor*. The Program Fee is negotiable subject to the maximum annual fee (by

tier) listed in the table below. AAS and your Advisor price their services based on the total compensation they expect to receive from the Account, including revenue sharing from certain mutual funds, NFS and Educational Partners (as described below). Clients should make sure that they fully understand the services provided by AAS and the Advisor and all fees and compensation associated with the Account. The Program Fee as agreed upon between you and your Advisor will be documented in your SIS.

The Program Fee is automatically deducted from your Account, and it will be identified on your NFS account statement. The Program Fee is charged only one quarter in advance, therefore, there is no long-term commitment or contractual obligation to continue using the Program.

The Program Fee you pay includes your custodial and safekeeping fees, investment advice, reporting and, in some cases, the execution of trades in your Account. If execution costs are included, you do not pay separate ticket charges. If, however, you do pay ticket charges as indicated in your SIS, your Advisor has taken this into account when determining your Program Fee. If your ticket charges are included in your Program Fee, this is often considered a wrap-fee program. AAS is not providing a Part 2A, Appendix 1 for these Accounts simply because your ticket charges may be included in your Program Fee. In all other areas, the Program is treated the same whether it is considered “wrap” or “non-wrap”, and AAS believes this Disclosure Brochure is a better representation of the services, fees and other disclosure requirements you should review when making your decision.

The Advisor recommending *VestAdvisor* receives compensation as a result of your participation in the Program. The amount of this compensation may be more or less than what the Advisor would receive if you participated in other available AAS Programs or paid separately for investment advice, brokerage and other services. ***The Advisor has a financial incentive to recommend VestAdvisor over other Programs and services (see also “Conflicts of Interest”).*** AAS will retain a portion of the Program Fee (between 0% and 0.48%) of the Account value and the remaining portion of the fee is run through the AAS commission grid. The commission grid determines the percentage of the fee paid to your Advisor (usually between 50% and 94%). AAS retains the remaining amount of the Program Fee, in an amount ranging from 6 to 50% of the fee.

The Program Fee is a tiered or incremental fee based on the amount of Billable Securities you have in the Program and Related Accounts. The following table represents the *maximum* Program Fee per tier for *VestAdvisor* and *VestAdvisor Discretion*. (Advisory Compliance can make exceptions to the maximum by tier if the maximum fee charged to the client overall does not exceed 2.30%. These exceptions must be made in advance.) These Program Fees are effective 09/24/2018 for new *VestAdvisor* Program Accounts. Existing *VestAdvisor* accounts are “grandfathered” under their existing Program Fees until a new account is opened (in any AAS Advisory Program) or a change is made to your existing Account.

Portfolio Increments	Maximum Annual Fee by Tier
\$0 - 100,000	2.30%
\$100,001 - 250,000	2.00%
\$250,001 – 500,000	2.00%
\$500,001 – 1,000,000	1.75%
\$1,000,001 – 2,000,000	1.50%
\$2,000,001 – 5,000,000	1.25%
>\$5,000,000	1.00%

If your Account has a Billing Market Value of \$250,000 for example, you will pay a maximum of 2.30% of the first \$100,000 (or \$2,300) and a maximum of 2.00% on the remaining \$150,000 (or \$3,000) for a total maximum *annual* Program Fee of \$5,300 (or 2.12%). This will be billed quarterly in advance as explained in more detail below.

The initial Program Fee (“Inception Fee”) is calculated as of the date the Account Value reaches \$5,000 or the Account’s Start Date as listed on the SIS and trading in the Account can begin (“Inception Date”). The Inception Fee is prorated for the balance of the calendar quarter.

Subsequently the Program Fee is billed in advance on a quarterly basis and is calculated based on the balance of the billable securities in the Account as calculated on the last business day of the prior calendar quarter. The Program Fee

will not be adjusted during the quarter for changes in value (appreciation or depreciation) of the securities held in the Account. However, the Account will be charged or refunded a supplemental prorated Program Fee on a monthly basis if there are significant net additions or net withdrawals in the Account during the month. Any additions or withdrawals have a prorated fee applied for the days remaining within the quarter and all additions and withdrawals are netted daily. This prorated adjustment will only occur if the net addition or withdrawal is at least \$10,000 (the daily threshold). A prorated Program Fee (also referred to as “flow billing”) will be assessed in the month following the net addition or net withdrawal. This is based on Account additions and withdrawals and is not aggregated for “Related Accounts” as defined below. Securities that transfer into the Account that are considered “Unapproved” (i.e., not an AAS Approved Security) will be included in the Program Fee calculation for approximately 30 days after receipt in the Account. At or near 30 days, these “Unapproved Securities” will be marked as “Unbillable” and will no longer be included in Program Fee calculations or Quarterly Performance Reports.

When fees are calculated, certain assets are excluded from the market value of the Account. These are called “Unbillable Assets” and will not be included in the “billable” Market Value. Unbillable Assets are generally securities that are not considered approved for the Program or that the Advisor and Client have agreed should be held only and not included in Account rebalancing and management of Account. Cash and cash equivalents are included in the Program Fee calculations unless invested in AAS’s selection of a cash reserve fund that is not included in billing or reporting. The cash reserve funds (currently IPPXX Invesco Premier Portfolio, OMBXX Oppenheimer Government Money Market Fund and AIMXX Invesco Government Money Market Fund) are excluded from billing other than to calculate applicable credits if a billable asset is used to purchase a cash reserve fund.

For the purposes of calculating the Program Fee, the value of the Account is calculated as the sum of the long and short market value of all Billable Securities held in the Account, plus accrued interest, as of the last business day of the prior quarter. For mutual funds, we will use the fund’s net asset value, as computed by the mutual fund company. NFS prices Approved Securities based on information we believe to be reliable. If any prices are unavailable or believed to be unreliable, we will determine prices in good faith to reflect our understanding of fair market value.

Related Accounts can be linked together upon Client request to reduce the Program Fee. To be eligible for linking, you must affirmatively notify AAS of the Accounts that are to be linked and provide AAS written information on any forms designated by AAS for this purpose. Related Accounts are accepted by AAS in AAS’s sole discretion. Each Related Account should individually and separately meet the respective advisory Program requirements but should have an account balance of at least \$5,000. Exceptions can be made in the sole discretion of AAS. Together the Related Accounts should meet the Program minimum of \$25,000. Individual or Related Accounts that fall below \$5,000 are generally subject to termination from the Program at AAS’s sole discretion.

If the Agreement is terminated prior to the end of the quarter, you will receive a pro rata refund of the prepaid, unearned fees from the date the Account is removed from the Program through the end of the quarter. Please see the “Termination of Agreement” section of this Disclosure Brochure for additional information.

The *VestAdvisor* Program includes account management, certain brokerage services, reporting, custody and administrative services. In addition to the Program Fee, AAS and its affiliates will indirectly earn compensation from other sources, including fees and revenue sharing paid by NFS, Educational Partners, or sponsors of other Approved Securities held in the Account. The Program Fee is used to offset the costs of the Program and to compensate AAS and your Advisor. A portion of the Program Fee is used to cover expenses associated with trading in the Account, custody of assets, platform fees to Envestnet and the other services described in this Disclosure Brochure. The Program Fee does not include certain dealer markups or markdowns on odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic), certain transaction fees or any other fees required by law.

Depending upon the amount of the Program Fee, the level of assets and trading activity in the Account, the value of custodial and other services provided, and other factors, the Program Fee can exceed the aggregate cost of these services if they were obtained separately. Accordingly, the Program Fee is more or less expensive than if you selected separate brokerage services, without the additional Program services provided. You should consider the importance and value of these additional Program services to you when comparing various options for obtaining advice, reporting and execution services. You should also consider the amount of anticipated trading activity when selecting among Programs and assessing the overall cost. If there are prolonged periods of inactivity or an asset allocation with significant cash or cash equivalents, the Program Fees will usually result in higher overall expenses than if commissions

were paid separately for each transaction outside a fee-based advisory Program. There will be times when an account is deemed ineligible for an advisory program. At that time, the account will be moved to a commission-based brokerage account (Retail Account), and Program fees will no longer be charged to the client.

You have the option of purchasing the investments we recommend through other firms, brokers or agents that are not affiliated with AAS. If you purchased investments through a brokerage account at NFS within one year of transferring them to an advisory account, the amount of commission you paid that exceeds an average advisory fee will be refunded directly to your account. If the purchase was within thirty (30) days of transferring to an advisory account, the full amount of your commission will be refunded directly to your advisory account.

### Margin in Fee-Based Accounts

The use of margin is permitted in some fee-based investment advisory programs. Within the *VestAdvisor* program, you should be aware that a margin balance will not reduce the market value of Eligible Assets. If you use margin to purchase additional securities, to avoid liquidating securities to cover distributions or for any other purpose, your total value of Eligible Assets increases and therefore your Program Fee will increase. The increased Program Fee that you pay creates a conflict of interest as your Advisor and AAS will receive more compensation than would have been received if you did not have a margin balance.

The use of margin is not suitable for all investors, since it increases leverage in your account and therefore its risk. Please see the Margin Disclosure Statement and Avantax Disclosures' Packet for more details on the risks of margin use. These documents are provided at account opening.

### Solicitor Arrangements and Fees

Third-party money managers have account minimum requirements that vary. For a complete description of third-party money manager's services, fee schedules, information on the custodian used and account minimums will be disclosed in the third-party money manager's disclosure brochure which will be provided to you prior to or at the time an agreement for services is executed and the account is established. The actual fee charged to you will vary depending on the third-party money manager. All fees are calculated and collected by the third-party money manager who will be responsible for delivering our portion of the fee paid by you to AAS.

Under this Program, you may incur additional charges including but not limited to, mutual fund sales loads (including CDSCs), 12b-1 fees, surrender charges and IRA and qualified retirement plan fees. AAS does not share in any of these commissions, fees, or transaction charges, nor do its affiliates. Advisors acting as solicitors for these programs are prohibited from soliciting any government entities.

### Symmetry Partners

AAS and your Advisor *	Maximum fee is 2%
Symmetry	0.50% for first \$1,000,000 0.45% for next \$2,000,000 0.40% for next \$2,000,000
<b>Total Maximum Fee</b>	2.50% per year

\*This is an additional fee charged as a result of the referral of your account. Additional details are included in the Solicitor's Disclosure Statement signed by the Client.

### The Pacific Financial Group

Under the Managed Strategists Program offered by TPGF, AAS receives 0.75% annually for its role as a solicitor. This fee is paid to AAS by TPGF. No other fees are charged directly to the Client in the Managed Strategists Program, but the Client does pay advisory fees indirectly through their investment in the RiskPro Funds.

Under the Core Retirement Accounts Program, the maximum annual fees paid by the client are:

Assets Under Management	Fees Paid to Solicitor (AAS)	Fees Paid to TPGF
\$0 to \$500,000	1.00%	1.00%
\$500,001 to \$3,000,000	0.75%	0.75%

\$3,000,001 to \$5,000,000	0.50%	0.50%
\$5,000,001 to \$10,000,000	0.40%	0.40%
\$10,000,001 and above	Subject to Negotiation	Subject to Negotiation

Your Advisor does receive a portion of the fees received by AAS for both the Managed Strategists' and the Core Retirement Programs.

### Quick(k) Program

The maximum annual fee payable by the client is broken out as follows:

AAS and your Advisor	75 basis points (0.75%)
ePlan Advisors	57 basis points (0.57%)
Third-party Money Managers	5 basis points (0.05%)
<b>Total Maximum Fee</b>	1.37% per year

In addition to the investment advisory fee, ePlan Services, the custodian for the plan and/or other third-party providers may bill Clients additional fees and costs related to the investments made through the Quick(k) program. These fees are outlined in the Form ADV Disclosure Brochures for the applicable investment manager, and these should be read carefully before investing. AAS and your Advisor do not receive any portion of these fees nor do we have control over the fees that are passed along to clients. Exact fees paid to AAS are stated in the disclosure documents provided to and signed by the client at account opening. Your Advisor may earn up to 100% of the maximum annual fee paid to AAS but it is typically 50-94%.

### Financial Planning Fees

All fees for financial planning services are fixed and are negotiated between the Client and the Advisor. The Advisor can choose to provide the financial plan at no charge to the Client. The agreed upon amount for the Financial Planning Program services is disclosed in the Financial Planning Client Agreement. Fees for very complex, comprehensive engagements can exceed the maximum listed below but will be agreed upon in advance between the Client and Advisor. Should there be an instance where the Client and Advisor agree that a fee will exceed \$5,000 for the Financial Plan Only or \$10,000 for the Seasonal Planning program, pre-approval must be granted by Advisory Compliance.

You are under no obligation to act on the financial planning recommendations of your Advisor. You may elect to implement the financial plan in whole or in part through Avantax or through other individuals or firms. In the event Client elects to implement a financial plan through Avantax, Client is responsible for all fees and expenses (such as investment management fees and/or brokerage expenses) incurred in connection with the implementation of a financial plan. Client will also be provided with an appropriate disclosure document and a Client agreement describing the nature and extent of the services provided by AAS and/or its affiliates and the applicable fees charged for those services and other related matters. The fees charged by AAS, such as asset management or program fees, in connection with the implementation of a financial plan are in addition to the fees incurred by Client in connection with the formulation of that plan. Some recommendations may be for investments, services or insurance products sold through our affiliates, AIS and our affiliated insurance agencies (HD Vest Insurance Agency, Inc., 1st Global Insurance Services, Inc. or Avantax Insurance Agency Inc.). These products and services pay reasonable and customary compensation in the form of commissions which will be shared between Avantax and the registered representative on your account. The registered representative may also be your Advisor.

### Seasonal Planning Fees

FPAS fees are negotiable and there is no assurance that similarly situated clients will be assessed comparable fees. Your Advisor will explain the FPAS fee and the factors considered in calculating the FPAS fee before asking you to sign the Agreement. Some states may impose a sales tax on your FPAS fee, which AAS will collect and remit to the applicable state.

FPAS fees vary based on your Advisor's fee schedule, which may be based on factors such as local market considerations, and the overall complexity of your case.

For the Seasonal Planning Model, your Advisor will assign an overall factor of "Level 1," "Level 2" or "Level 3" based on the complexity of your financial situation, the topics you choose to incorporate into the plan and other expected life planning events such as an upcoming marriage or divorce, early retirement, or employment changes in addition to any business planning needs you may have.



If you engage in the Financial Plan Only model, your Advisor will also assign an overall complexity factor of “Level 1,” “Level 2” or “Level 3” based on the number of financial planning topics to be addressed in the plan and the extent to which each included topic will be addressed.

The minimum annual fee for the seasonal planning model of FPAS Agreements is \$500. Your Advisor’s minimum fee may be higher. The maximum fee is \$10,000. For the financial plan only model, the minimum annual fee is \$500, and the maximum fee is \$5,000. AAS reserves the right to waive the minimum and maximum fee under certain circumstances.

Ask questions about the FPAS fee so that you understand the factors considered in arriving at your financial planning fee and what you should expect for this fee.

If you engage in the Seasonal Planning Model, the fee that you pay in the first year of service may differ from the fee you pay for services in ongoing years. A portion of the financial planning service fee is paid to your Advisor for introducing you to the service, gathering the information necessary to prepare your service, helping you establish needs and goals, preparing and presenting your service, and/or providing financial advice on behalf of AAS. The remaining portion of the fee goes to AAS for the supervisory, technical, administrative and other support provided to all Advisors.

Although, there will be a fee for your personalized financial plan, AAS and your Advisor will earn commissions or advisory fees if you choose to implement all or a portion of the plan through Avantax. At all times it is solely your choice whether implementation of all or a portion of the recommendations in the financial plan are done through AAS, our affiliates, or other firms you select. You are under no obligation to do anything. If you establish an advisory account with AAS, the investment advisory fee you pay for the advisory account is separate from your FPAS fee. Please refer to the descriptions of the types of accounts offered by AAS elsewhere within this Disclosure Brochure.

Financial plans are based on your financial situation at the time and are based on financial information disclosed by you to your Advisor. You are advised that certain assumptions will be made with respect to interest and inflation rates and we will use past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. AAS and the Advisor cannot offer any guarantees or promises that your stated financial goals and objectives will be met. Further, you must continue to review any plan and update the plan based on changes in your financial situation, goals or objectives or changes in the economy.

### **Retirement Management Solutions Fees**

AAS will charge an annual asset management fee of up to 3.00% of assets under management within the RMS Program.

The Client may choose an annual fixed or variable fee. Assets must exceed \$5 million to be eligible for fixed-fee pricing. A variable fee is a percentage of account assets and will be based upon the market value of the assets in the Account determined as of the close of business on the last business day of the billing period. Securities in the account are valued daily based on the closing price as reported by the custodian for the purposes of calculating the market value of the assets in the Account that are subject to the fee. The fee for each billing period is payable in arrears.

The Client will authorize the Platform Provider (the list is provided below) to withdraw the amounts of such fees from the assets in the Account on or after the first business day of the month following each billing period for remittance to AAS. Each Platform Provider will have differing methods of fee calculation, billing frequency and different options for payment of fees. Please see the account opening paperwork, recordkeeping service agreement or custodial agreement of your chosen Platform Provider for details on how fees are calculated, methods of payment, initial fees, handling of 12b-1 fees and fees after account termination. Some of these details are listed under Billing Practices by Platform Provider.

The asset management fee does not include the cost of custodial and recordkeeping services, which are disclosed in the Platform Provider recordkeeping service agreement. Our affiliated broker-dealer, AIS, does not retain any 12b-1 fees on assets in any of our RMS retirement plans. Some providers use 12b-1 fees to offset recordkeeping and asset management fees and some providers rebate them back to participant accounts.

July clients will be responsible for paying the entire quarterly asset management fee at the first quarterly billing cycle after establishment of the account. Meaning, if your account is established mid-quarter, you will pay for the entire quarter. The full quarter asset management fee will be due until and unless all assets are distributed from the plan. Meaning, if all assets are distributed from the plan mid-quarter you will not be responsible for paying for a pro-rated

portion of the asset management fee for the prior quarter. All other providers will pro-rate the initial and final billings based on the remaining days in the calendar quarter. AAS receives a portion of the Client Fee.

RMS Model Portfolios are diversified asset allocation models invested in pre-selected portfolios of mutual funds, money market funds and/or exchange traded funds. The RMS Model Portfolios will be managed by AAS and can be made available to participants with plans through providers on the Matrix Trust Company platform. Speak with your Advisor about which RMS providers custody through Matrix Trust Company. The fee to include RMS Model Portfolios amongst the available menu of investment options for participant use is 10 basis points. 6.5 basis points is paid to AAS to manage the portfolios and 3.5 basis points is paid to Matrix Settlement and Clearance Services, LLC (MSCS) for trade processing and custodial services.

### **RMS Total 401(k) Fees**

ERISA 3(38) Investment Manager Services are charged as follows:

Plan Assets	Annual Fee
\$0 - \$2,499,999	.25%
\$2,500,000 - \$4,999,999	.20%
\$5,000,000 - \$9,999,999	.15%
\$10,000,000 +	.10%

The asset management fee does not include the cost of custodial and recordkeeping services, which are disclosed in the recordkeeping service agreement and/or custodial agreement. Annual asset management fees have been designed with full acknowledgment that 12b-1 fees not used to offset record-keeping fees will be rebated back to the plan. Our affiliated broker-dealer, AIS, does not retain any 12b-1 fees on assets in our RMS Total 401(k) retirement plans. Broadridge Business Process Outsourcing, LLC will process 12b-1 fee rebates for July clients. Broadridge retains 10 percent of all 12b-1 fees to perform this task. The remaining fees are rebated back to the plan, pro-rata, across all participant positions.

### **Billing Practices for RMS**

RMS Plans (clients) pay fees in arrears. New July Business Services clients will be responsible for the entire quarterly fee in the quarter in which the account was established. Quarterly fees will be assessed on all accounts until such time as all assets in the account have been distributed. Plans may not be responsible for paying the advisory fee for the “final” quarter, if all assets are distributed from the Plan prior to the final quarterly billing cycle. RMS Plans will not receive an invoice. Plans on the July platform with accounts opened prior to this billing change will receive a prorated bill the final quarter in which the plan had assets. All other providers will pro-rate the initial and final billings based on the remaining days in the calendar quarter.

For RMS accounts, the billing methodology is dependent on your chosen Platform Provider.

- Aspire will bill for asset management fees in arrears based on the balance of the account on the last business day of the calendar quarter. The plan sponsor will choose to direct debit fees from the account pro-rata (proportionately) from all participant fund account positions, or, per capita (the same dollar amount) from all participant fund account positions.
- July will bill for asset management fees in arrears based on the balance of the account on the last business day of the previous quarter for services rendered in the previous quarter. Fees may be paid from the plan forfeiture account, plan debit pro-rata or via ACH.
- VOYA Financial will bill for asset management fees in arrears based on the balance of the account on the last business day of each month during the previous quarter for services rendered in the previous quarter. While the billing calculation is based on monthly values, participant accounts are not debited on a monthly basis. The fee is debited quarterly and is the average of the three-monthly amounts. Please note that the following will be excluded when determining the value of Plan assets: i) Any outstanding loan balances; ii) Assets in the Self-Directed Brokerage Account; iii) The value of any life insurance; and iv) Assets in the Employer Stock Fund. Fees will come out of the client’s EASE account which is funded with 12b-1 and sub-transfer agent fees. The plan sponsor is responsible for any amount of the fee not available in the EASE account.
- Ascensus will bill asset management fees in arrears and will be based on the total market value of the Plan as of the last business day of the quarter (excluding any frozen assets). The amount payable will be 25 percent of the annual fee. Securities in the Plan’s account are valued daily based on the closing price as reported by the custodian for the

purposes of calculating the market value of the assets in the account that are subject to the fee. Ascensus allows you to choose between two billing methodologies: 1) Process an asset-based amount from plan assets pro-rata based on account balance or per capita; or 2) Process an asset-based amount from the plan's AFCA (for amounts exceeding the plan's AFCA, the remainder due can be debited from plan assets pro-rata based on account balance, per capita, via ACH or from the plan forfeiture account). You will elect which billing method you prefer in the Ascensus Plan Establishment Kit and the RMS Investment Advisory Agreement.

- Fidelity offers four fee payment method options: 1) Annualized basis points paid out quarterly; 2) Annualized amount per participant paid out quarterly; 3) Quarterly plan total deducted pro-rata in proportion to each participant's account balance; and 4) Quarterly plan total to be deducted evenly across all participants.
- ERISA Partners, Inc. will bill for asset management fees in arrears based on the balance of the account on the last business day of the previous quarter for services rendered in the previous quarter. The advisory fee will be directly debited from plan assets.
- Retirement Strategies Group (RPG) will bill for asset management fees in arrears based on the balance of the account on the last business day of the previous quarter for services rendered in the previous quarter. The advisory fee will be directly debited from plan assets.
- Nationwide can bill a flat dollar amount or basis points taken quarterly. Fees are deducted pro-rata across participant accounts at quarter-end.
- ADP will either charge a flat dollar amount or basis points taken quarterly. In the case of a basis point payment, the fee will be calculated based on either an average daily balance or period ending balance. Fees may be paid from the PBA account or from participant accounts on a pro-rata basis.
- John Hancock will support various fee payment options including basis points on total plan assets and per participant fees. Any revenue received in excess of what it costs to administer the plan is shared back to the plan in the form of an ERISA budget. John Hancock will provide you with complete revenue disclosure, so you are aware of the fees and costs associated with administering your retirement plan. Advisor compensation can be paid either through a traditional asset-based process that relies upon pre-existing back-office procedures or through an ERISA budget that allows the plan sponsor to approve compensation payable to the advisor from the plan trust. All investment revenue is taken into consideration when compensating the advisor. Depending upon the specific product chosen, fees may be calculated monthly or quarterly, in arrears.

Seasonal Planning program fees are only payable via check and the check must be made payable to AAS. You may also choose to have your fees paid directly from your AAS brokerage or advisory account by submitting a check request or setting up a systematic withdrawal plan.

### **Educational Services' Fees**

All fees for educational services are negotiated and agreed upon between the Client and the Advisor. The fees are disclosed in the Retirement Plan Services Agreement and may be based on assets under management or a flat annual fee. The assets under management fee shall not exceed 1% of the market value of the Account and the flat fee shall not exceed \$7,500, unless pre-approved by Advisory Compliance. There is not a \$5 million account minimum to be eligible for a flat annual fee.

Neither AAS nor your Advisor will provide legal or accounting advice, and any fees payable by Client under the Financial Planning Client Agreement or Retirement Plan Services Agreement (or other document as may be required) cover only the services rendered by AAS and Advisor. AAS and Advisor are not responsible for drafting or providing any legal or other documentation, or taking any action relating to or arising from implementation of Client's financial plan (subject to the considerations set forth in the following paragraph).

Each of the advisory services we offer is tailored to the Client and designed to work toward their individual investment objectives, financial needs and tolerance of risk. They are drawn from research and analysis we believe to be reliable and appropriate to your financial circumstances.

### **Private Placement Insurance Program Fees**

AAS will earn a 25-basis point management fee on the PPLI and PPVA accounts established through Titan Advisors in addition to the fee split between AAS and the Advisor. The Advisor and Client will agree to a fee according the *VestAdvisor* Fee Schedule listed above. Transactions for accounts in either the private placement variable annuity or private placement life insurance program will be traded through our affiliated broker-dealer, AIS, so additional fees will be earned. This additional compensation is a conflict of interest because additional revenue is generated for Avantax.

### **Ticket Charges and Custodial Fees**

Ticket charges and custodial fees are assessed by NFS as noted in the Schedule of Fees in Appendix 1. These fees are separate from any Program Fee or mutual fund fee outlined previously. In the *VestAdvisor* Program, you agree whether you will pay the Ticket Charges assessed to your Account in addition to the Program Fee, by checking the appropriate box in the Fees section of the SIS. When considering this election, you should consider the Ticket Charges identified in Appendix 1 that are assessed as applicable and who is responsible for paying them. If there is active trading in your Account the Ticket Charges could be significant, and Ticket Charges are a significant aggregate expense for an Advisor overall when considering the number of Accounts serviced by the Advisor. This creates a conflict of interest for an Advisor who is responsible for paying Ticket Charges in Client Accounts as they receive a smaller percentage of the Program Fee you pay. Please see the “Conflicts of Interest” section in this brochure for additional information about Ticket Charges. Advisor has the option of paying Ticket Charges on behalf of the Client on some or all transactions. The choice is at the sole discretion of the Advisor.

### **Early Redemption Fees**

Some mutual funds impose fees for assets that are held less than a specified time period as stated in their prospectus. These are also known as “early redemption fees”, “market timing fees” or “short-term trading fees” and are determined by the mutual fund sponsor. Fees vary by fund company and by fund and are outlined in the mutual fund’s prospectus. If imposed, these fees are paid by the Client and are in addition to the Program Fee. The early redemption fees are not shared with AAS or the Advisor. These early redemption fees will reduce the return on your investment.

### **Other Fees and Expenses**

If you invest in the Retirement Management Solutions Platform, a retirement plan may choose a default fund that meets the definition of a Qualified Default Investment Alternative (“QDIA”) as defined in the Pension Protection Act of 2006. If you choose a QDIA for your plan, participant assets will be placed in the default fund if no investment elections have been made. Participants must be given an opportunity to provide investment direction. You are responsible for providing a notice to participants in advance of the first investment in the qualified default investment alternative and annually thereafter. Depending on the fund, the fund may charge an annual asset-based fee. The fees and charges of the fund options will be listed in their respective prospectus or offering document.

Third-party recordkeeping platform providers through RMS charge recordkeeping fees. They may also charge TPA fees if providing a bundled recordkeeping and TPA service. Additionally, there are typically custodial charges from the custodian of your plan assets. Please review your recordkeeping and custodial documents carefully for fees and expenses.

### **Termination of Agreement**

Clients who want to terminate their Agreement should notify their Advisor or AAS verbally or in writing. Program Fees are paid in advance; therefore, AAS will provide a pro rata refund of unearned, prepaid fees if the contract is terminated prior to the end of the quarter. You will incur any gain or loss in your Account for any period it was invested.

AAS reserves the right to terminate the advisory relationship if the market value of Approved Securities in the Account falls below the minimum level. At the end of the quarter, AAS will review and terminate Accounts that no longer meet the Program’s minimum qualifications. Each Related Account should individually and separately meet the respective advisory Program requirements but should have an account balance of at least \$5,000. Exceptions can be made in the sole discretion of AAS. Together the Related Accounts must meet the Program minimum of \$25,000. Individual or Related Accounts that fall below the minimums are generally subject to termination from the Program at AAS’s sole discretion.

If you terminate the Agreement, the Account will be converted to a Retail Account for which you are obligated to pay commissions for each transaction you direct. In a Retail Account you will generally be subject to an annual maintenance fee imposed by the Custodian. If you elect to close your Retail Account, you may be also be assessed a termination fee imposed by the Custodian. Please refer to the Avantax Disclosures Packet for a description of brokerage fees. This document is provided by the Custodian at Account opening. It is important you understand this distinction since any transactions you request once the account is no longer in the Program will incur fees over and above the Program Fee paid while the Account was in the Program.

Upon moving to a Retail Account, you may be required to convert advisory mutual fund share classes to a retail share class. Retail share classes typically involve greater expenses than advisory share classes, and AIS and your Advisor, if appropriately FINRA licensed, will receive 12b-1 fees on retail share classes. Please see the fund's prospectus and consult your tax advisor for additional details. Instructions to terminate *VestAdvisor* accounts can take up to two business days to process once notification is received by AAS.

Client has the option to terminate the Financial Planning Client Agreement or Education Services Agreement at any time with written notification. If fees are paid in advance, unearned, prepaid fees will be refunded.

RMS plan clients utilizing July will be responsible for the entire quarterly asset management fee at the first quarterly billing cycle after establishment of the account. As long as there are billable assets in an RMS account you will be responsible for paying fees. You will not be responsible for paying your next quarterly fees if all assets have been distributed from the account. For example, if all assets in the plan have been distributed by Feb 20th, you will not be responsible for paying a bill for the 1st quarter even though you had assets in the plan during the 1st quarter. All other RMS plan clients will pay a pro-rated amount when the account is opened and a pro-rated amount after all assets have been distributed from the plan.

### **Item 6: Performance-Based Fees and Side-By-Side Management**

AAS does not charge performance-based fees or engage in side-by-side management of accounts. AAS does not share in any performance-based fees that may be charged by Sub-Managers in other advisory programs.

### **Item 7: Types of Clients**

All Programs are designed for individuals, pension and profit-sharing plans, charitable organizations, corporations or other businesses with investment portfolios valued at \$25,000 or more, although exceptions can be made in the sole discretion of AAS. There is no account minimum for Financial Planning or Educational Services' clients. Account minimums for Symmetry, Quick(k), and The Pacific Financial Group are outlined in their Form ADV Brochure. The products offered through Titan Advisors will only be available to accredited investors.

AAS does not design its programs for municipal or other government entities as these are prohibited account types under our policies.

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

AAS and its Advisors use various methods of analysis and investment strategies when formulating investment advice. Methods and strategies will vary based on the Advisor providing advice. Methods and strategies used by one Advisor are often different than methods and strategies used by other Advisors. In the *VestAdvisor* Program your Advisor will be responsible for making investment recommendations, in some cases without your prior approval.

Some Advisors may use just one method or strategy while other Advisors rely on multiple methods or strategies. We do not require or mandate a particular investment strategy be implemented by our Advisors. Further, we have no requirement for using a particular method of analysis and our Advisors are provided flexibility (subject to supervision and compliance requirements) when developing their investment strategies. The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that may be used by our Advisors.

#### **Methods of Analysis**

When developing recommendations for you, your Advisor compares your financial goals with your investment risk tolerance and the risk and potential of a specific product. Your Advisor uses current asset values, current and projected return information, and other information you provide, as well as historical return analysis provided by third parties. Your Advisor has the option of using one or more computer software packages that take a needs-based approach to analyze your goals using one or more methods of analysis, including deterministic and probability modeling. The analysis and projections generated by these types of tools or other methods of analysis described in this section of the Disclosure Brochure includes information regarding the likelihood of various potential investment outcomes. The information generated is hypothetical in nature, will vary depending on a number of different factors, do not reflect actual investment results and is not a guarantee of future results. The probability of success also varies based on differing assumptions, on different tools and from one year to the next based on changing circumstances and market

information. Results reflect one point in time only and are only one factor you should consider as you determine how best to plan for your future.

If your Advisor's recommendation includes an asset allocation analysis designed to assist you in allocating your funds, the recommended portfolio allocation will be determined based on a variety of factors, including your personal financial information and the historical and anticipated performance of different asset classes. The analysis is meant only to illustrate the relative experience among asset classes and portfolios. The asset allocation analysis does not provide a comprehensive financial analysis of your ability to reach other financial planning goals you have, and it does not identify the impact of your investment strategy on certain tax and estate planning situations. The principal source of information used by your Advisor is the data provided by you, such as your personal data, assets and liabilities, income expectations, short-term and long-term financial goals, risk tolerance associated with goals, and other relevant information. Asset allocation does not guarantee a profit or protect against loss.

Sources for research your Advisor may consult include Morningstar, product sponsor materials, corporate press releases and annual reports, SEC filings, corporate rating services, prospectuses and financial industry periodicals as well as additional information published or provided by AAS or independent third parties. You should discuss your Advisor's investment process to ensure it is consistent with your investment objectives and expectations.

### **Investment Strategies**

Your Advisor will often recommend long-term strategies, such as dollar-cost averaging, reinvestment of dividends or other proceeds on investments, and asset allocation. Recommendations can also be made to help you realize capital gains or losses on securities or investment products that you own. Before implementing the recommendations made by your Advisor, you should carefully consider the implications of purchasing investment products or services, and you will want to seek further advice from your lawyer and/or accountant, particularly in connection with estate planning or taxes issues.

### **Risk of Loss**

In choosing any advisory services through AAS, you should be aware that all investments are subject to risk, and you must understand that we do not guarantee any return on the investments or investment strategies recommended or advised upon. There is no guarantee that the advisory services provided by us will result in meeting your goals and objectives. Investing involves risks, including the risk of loss of principal, and investment decisions made for your account may be subject to numerous risks, such as market, interest rate, currency, economic, political and business risks, among others. Past performance is no guarantee of future results. Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services, strategies and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. Investing in securities involves the risk of loss which you should be prepared to bear.

### **Risks of Relying on Information Provided by Others**

Analysis methods rely on the assumption that the companies whose funds and securities are recommended for purchase and sale, the rating agencies that review such funds and securities, and other available sources of information about such funds and securities, are providing accurate, reliable and unbiased data and information. AAS cannot guarantee that analyses and recommendations will not be compromised by or free from any inaccurate, incomplete, or misleading data and information provided by such other third parties.

### **VestAdvisor Approved Securities**

Securities for your Account are recommended or selected based on your investment objective and risk profile as contained in the SIS and other information you provide your Advisor. This section discloses the details regarding assets that are eligible for the Program.

AAS maintains a list of Approved Mutual Funds for the *VestAdvisor* Program. The lists change periodically and AAS has sole discretion to add or remove a security from the list. You should consult with your Advisor if you have questions regarding the Approved Securities in your Account. Approved Securities offered through AAS are *not* guaranteed by the FDIC or any other governmental agency and may lose value. However, the bank deposit sweep alternative is FDIC insured up to applicable limits. Please see the Cash Sweep Disclosure Statement for additional detail.

Most types of securities are eligible for purchase in a *VestAdvisor* Account including, but not limited to, common and

preferred stocks, exchange-traded funds or other exchange-traded products, unit investment trusts, corporate, municipal and government bonds, certificates of deposit (including market linked certificates of deposit), options and certain mutual funds. Certain investments excluded from the Program include annuities, most limited partnership interests, and new issue securities including bonds on the primary market (unless an advisory CUSIP is available). In some cases, mutual funds that cannot be purchased in an advisory share class or load-waived A shares will be considered ineligible.

While new-issue bank certificates of deposit (CDs) are Approved Securities, the yield of new-issue CDs takes into account a sales concession in order to compensate the firms which sell the CDs. Within advisory accounts, AAS does not receive this sales concession since it is retained by the underwriter. Although we do not receive the sales concession, the overall yield on the CD to the Client is still impacted. Since AAS charges a Program Fee on all Approved Securities within an Account, you are effectively charged both the sales concession (retained by the underwriter) and the Program Fee on the CD. These charges reduce the overall yield on the CD and, in some cases, result in a negative return. You should be aware that you can obtain the same CDs without being subject to the Program Fee if it were purchased in a non-advisory brokerage account or directly from the bank. However, securities purchased outside of your Account will not be monitored or supervised by AAS as part of the Program.

Unapproved securities (i.e., not an AAS Approved Security) can be held in a *VestAdvisor* Account but additional buys of the unapproved security are prohibited; only sell orders are allowed. The Firm determines which unapproved securities can be held in the Account and can revise or amend its determination at any time as it deems appropriate. Unapproved securities are excluded for purposes of calculating the Account's performance. Unless they are waived or subject to another arrangement, you will incur fees for transactions related to unapproved securities pursuant to the Avantax Disclosures Packet. Securities that transfer into the Account that are considered unapproved will be included in the Program Fee calculation for approximately 30 days after receipt in the Account. Unapproved Securities that transfer into the Account will be moved to Unsupervised Securities after thirty (30) days. These are included in "Unbillable Securities" and will no longer be included in Program Fee calculations or Quarterly Performance Reports at that time. The cash reserve funds (currently IPPXX Invesco Premier Portfolio, OMBXX Oppenheimer Government Money Market Fund and AIMXX Invesco Government Money Market Fund ) are excluded from billing other than to calculate applicable credits if a billable asset is used to purchase a cash reserve fund.

#### **Due Diligence Process: RMS Select Portfolios and RMS Total 401(k)**

The Investment Committee is responsible for selection, monitoring and termination of the investment managers, mutual funds, and ETFs used in the RMS Total 401(k) program. The RMS Investment Committee may undertake, approve and disseminate different criteria as the methodology for fund/ETF selection, monitoring and termination/replacement decisions for the RMS programs as compared to the oversight of our other advisory programs.

#### **Item 9: Disciplinary Information**

In the past 10 years, AAS has not been involved in any material disciplinary events as an investment adviser. To obtain information about AAS's disciplinary history, or to verify AAS has not been involved in any material disciplinary event, you may visit [adviserinfo.sec.gov](http://adviserinfo.sec.gov). For information on any broker-dealer related disciplinary events of AIS or NFS go to [brokercheck.finra.org](http://brokercheck.finra.org).

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

AAS is a national investment advisory firm providing advisory and other financial services to individuals, pension and profit-sharing plans, charitable organizations, corporations or other businesses. Companies affiliated with and/or under the same control with AAS include Avantax Wealth Management, Inc., the parent company of AAS, AIS and AIC. AAS may recommend that Clients use AIS or AIC to implement investment strategies. AIS, a registered broker-dealer and member of FINRA and SIPC, provides brokerage services to AAS Clients.

Your Advisor is, in most cases, an independent contractor of AAS solely for the purpose of providing investment advisory services as described in this Disclosure Brochure. In addition to the investment advisory services provided through AAS or securities brokerage services through AIS, he or she may provide legal, tax, accounting, audit, payroll or other products or services that are not affiliated with AAS. AAS does not endorse or supervise any of your Advisor's activities conducted outside of AAS. The responsibilities of AAS and its affiliates relate specifically to offering approved securities and investment advisory services. Some of these outside services present a conflict of interest with services provided by Avantax. To the extent that is the case, by entering into the Agreement you acknowledge and agree that

you have considered any such conflicts and have decided to proceed despite their existence. Please ask your Advisor and refer to the Form ADV Part 2B (Brochure Supplement) for more detailed information.

Any securities investments recommended by your Advisor must be made through Avantax, and all checks related to a *VestAdvisor* account must be made out to "National Financial Services LLC". You should immediately contact the Advisory Compliance Department at (800) 821-8254 if you are asked by your Advisor to make any investments outside of Avantax or if you are asked to make an investment payment to your Advisor's outside business or any other third party.

### **Privacy Statement**

AAS will not sell Client information to other companies for marketing purposes. AAS employs reasonable security standards and safeguards to protect our Client's personal information and prevent fraud. In addition, AAS will continue to protect our Client's privacy even if they cease being our Client. For more information, please read our Privacy Statement on [avantaxwealthmanagement.com](http://avantaxwealthmanagement.com) or refer to the Avantax Disclosures Packet you will receive from NFS shortly after Account opening.

### **Conflicts of Interest**

Other conflicts of interest are highlighted throughout this Brochure and in Item 14 "Client Referrals & Other Compensation".

### **Restricted Equity Awards to Certain Advisors.**

Avantax's parent company Blucora will award \$5.5 million in equity grants of its publicly traded stock (Nasdaq: BCOR) to Avantax firms with the top gross dealer concession (GDC) during the performance period of January 1, 2020 – December 31, 2020; and, allocations on an individual advisor basis based on percentage of year-over-year total increase in GDC. This equity compensation is a conflict of interest as it provides your Advisor an incentive to recommend products and services which will increase his/her revenue on an individual and/or firm basis. However, Avantax monitors all financial product and service recommendations made by our Advisors for client suitability, and the equity awards are based on total GDC across all product lines so that no one particular financial product or service is incentivized over another.

### **Qualified Plan Rollovers**

If you are rolling over assets from an employer-sponsored Qualified Retirement Plan ("QRP"), such as a 401(k), to an Individual Retirement Account ("IRA") with us, you should carefully evaluate all choices which are typically available. These four options include: leaving your assets in your former employer's plan (if permitted), rolling over the assets to your new employer's plan (if permitted), rolling your assets to an IRA with us or another firm, or cashing out the account value. You should consider the following factors, among others, in deciding whether to keep assets in a QRP, roll over to an IRA or cash out: investment options, fees and expenses, the ability to make penalty-free withdrawals and differences in creditor protection. Of these options, AAS will only earn compensation if you open an IRA account with us. In addition, the costs of maintaining and investing assets in an IRA with us will generally involve higher costs than keeping the assets in your current QRP. While we typically offer a broader range of investment options and services than an employer-sponsored QRP, there are no guarantees that the additional investment options will outperform your employer-sponsored QRP. See section on Transfer Cost Credits below for additional details.

### **Item 11: Code of Ethics**

AAS clients are entitled to expect high ethical standards of conduct in all of their dealings with us. AAS strives to foster a culture that supports our ability to meet our Clients' expectations. To assist us in minimizing potential conflicts of interest and prevent inappropriate activity, we have developed a Code of Ethics ("COE"). The COE defines "Access Persons" and describes standards of conduct, personal securities transactions, securities covered by the COE, insider trading, conflicts of interests and confidentiality. If you are a Client or prospective Client and would like to receive a copy of the current AAS Code of Ethics, please contact your Advisor. Alternatively, you can send a written request to Avantax Advisory Services, ATTN: Advisory Compliance, P.O. Box 142829, Irving, TX 75014 or call (800) 821-8254.

AAS and our Advisors recommend or effect transactions in securities in which an AAS director, officer, employee or another Advisor may also invest directly or indirectly. This poses a conflict of interest to the extent that transactions in



such securities on behalf of AAS Clients may advantage such related persons. We monitor equity trading activity in Client accounts to ensure that Advisors' trades are not placed ahead of Client trades which may result in the Advisor receiving a better price. Advisors are prohibited from using discretion to purchase BCOR in their clients' accounts.

## **Item 12: Brokerage Practices**

AAS requires *VestAdvisor* accounts be established and held through AIS as an introducing broker-dealer while trades are executed and cleared through NFS. Accounts managed by AAS Advisors must be established with AIS and cleared through NFS. Financial planning or consulting services are not directly relevant to brokerage practices; however, in the event you elect to open a brokerage account through AIS, the following brokerage practices would apply.

### **Information about National Financial Services LLC**

As custodian of your brokerage account, NFS, at the direction of AAS, is responsible for:

- The execution, clearance, and settlement of securities transactions
- Preparing and sending transaction confirmations and periodic statements of your account
- The custody (or safekeeping), receipt, and delivery of funds and securities
- The extension of margin credit upon approval

As a registered broker-dealer, NFS is subject to the rules and regulations of the SEC, FINRA, and other exchanges of which NFS is a member, and the MSRB. NFS is also a member of the New York Stock Exchange (NYSE) and SIPC.

AAS chooses to use NFS based on several important factors, including the fact that NFS and AIS have an agreement currently in place. Other factors are outlined below. The commissions to us and NFS may be higher or lower than those obtainable from other broker-dealers in return for the products and services offered. While we consider our rates competitive, they are not necessarily the lowest possible commission rates available for your account transactions. Not all advisors require their clients to use a specific custodian.

Through the relationship with NFS, we receive economic and non-economic benefits. These benefits include, but are not necessarily limited to:

- A dedicated service group and a Relationship Manager for AAS accounts on the NFS platform
- Receipt of duplicate confirmations and bundled duplicate statements
- Online Access for Clients to access their account information
- Availability of third-party research and technology
- Access to a trading desk and capital markets
- Access to operational and platform solutions that are integrated with NFS' offerings
- Trading and custodial experience
- The ability to have advisory fees for AAS Sponsored Programs directly debited from Client accounts (in accordance with federal and state requirements)
- Electronic download of trades, balances and position information
- Access to an electronic communications network for Client order entry and account information

### **Brokerage Practices**

NFS may receive additional compensation in the form of order-flow payments from options and other equity trades. In addition, NFS can receive compensation from one or more of the firms it routes equity orders to as a fee for providing execution services to those firms. Please refer to the "Fees and Compensation" section for a discussion of additional fees that you may incur.

NFS has the option of directing Client trades to one or more marketplaces, and they may employ an alternative trading system ("ATS") to execute fixed-income transactions. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements, NFS uses its discretion in selecting these marketplaces or ATSs to enter or execute Client orders.

Client orders for over-the-counter equities and listed equity securities are routed to other execution venues by NFS as appropriate, with best execution being the highest priority. Several factors are considered when determining where to send Client orders, including execution speed and price, price improvement opportunities, the availability of efficient

and reliable order-handling systems, the level of service provided, and the cost of executing orders. NFS strives to execute all held orders at prices equal to or better than the displayed national best bid/offer price, up to the displayed size, at the time of execution. Not-held orders are worked for best price by the trading desk. NFS may utilize non-affiliated third-party Authorized Participants ("APs") when transacting large blocks of ETFs. APs are typically large institutions like market makers or specialists who can create ETFs by trading the underlying securities.

### **Principal Trading, Agency Cross Transactions and Directed Brokerage**

Even though AIS is permitted by contract and by law to do so, as a matter of policy we do not execute principal trades or agency cross transactions. AAS does not, under normal circumstances, allow Clients to direct brokerage to other firms or custodians. Investing in the *VestAdvisor* Program generally requires the use of NFS as custodian.

### **Fixed Income**

As a result of the "over-the-counter" nature of fixed income securities, the available trading methods differ from that of equity securities. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements AIS has contracted with Advisors Asset Management, Inc. ("AAM") to execute trades for Clients in fixed income securities, unit investment trusts (UITs) and structured products, and Advisors have the option of placing these trades with either AAM or Bond Trader Pro at NFS. These firms consider a number of factors when determining where to execute orders including the type, size, supply, liquidity, and complexity of the order along with the prevailing market conditions.

### **Best Execution**

For both equity and fixed income securities, AAS regularly reviews transactions for quality of execution, and takes action, as appropriate, for Client price improvement and to fulfill our best execution obligations. AAS and its affiliates have a Best Execution Committee that reviews trading activity and the vendors and systems we use to process transactions, among other things. Client orders are treated with the same priority and procedural flow as non-advisory brokerage customer trades. AAS does not have soft dollar arrangements with its custodians.

### **Trade Allocation**

The ability to enter aggregate or bunched trades on the Envestnet platform allows for Advisors with discretion to utilize the average price feature. This allows an average price for Accounts included in the bunched trade if the entire order does not fill at one price. Average pricing will only occur for trades in the same security entered at the same time by the same Advisor and not among different Advisors and only for stocks and ETFs. It is possible that there will be two or more aggregate trades for the same security for the same Advisor on the same day, i.e., one bunched trade is entered in the morning and one or more are entered later that same day. AAS will not generally do an average price calculation across multiple aggregate trades (either among the same or different Advisors).

Bunched or aggregated trades are entered with specific details for the Client Accounts included in the trade and upcoming allocation of shares (i.e., the number of shares allocated to each Account that is included in the bunched trade) so the Advisor is not in a position to change the allocation based on execution. In the majority of cases, the complete order will execute at one time eliminating the need for an average price (i.e., the entire order will execute at the same price). If, however, the order does require multiple fills, the price of the different executions will be "averaged" and allocated as originally submitted. If the order does not execute in its entirety, the shares will be allocated on a pro rata basis based on the original aggregated trade. There will be occasions where the pro rata allocation is increased or decreased to avoid holding odd lot or small numbers of shares, especially for smaller accounts. This allocation is determined in good faith in an attempt to be fair and equitable.

### **Trade Errors**

The Firm endeavors to identify and correct trade errors as soon as possible. When a trade error has been identified by Avantax, the Advisor or Client, Avantax will correct the error promptly with the goal of restoring the account back to the same condition that would have resulted if the error had not occurred. Losses associated with trade errors that are not caused by the Client will be borne by Avantax or the Advisor. Under some circumstances, our correction of an error could result in a gain. If the error correction results in a gain, Avantax will retain the gain. For purposes of determining the gain or loss, related transactions will be corrected in the aggregate so that profits offset associated losses; a Client may not elect to ratify only those portions of a related transaction that are profitable. All trade errors will be reviewed at least quarterly by a designated employee in the Advisory Compliance Department.

## Item 13: Review of Accounts

### Monitoring Accounts

Accounts and transactions are reviewed for adherence to criteria and guidelines on security selection, concentration, diversification and other restrictions that may apply. These reviews are performed by compliance and sales supervision personnel who provide these services to AAS and its affiliates, including AIS. The compliance and sales supervision personnel are assisted by various data processing exception reports. They do not review every individual transaction.

### ***VestAdvisor***

Your Account is monitored by your Advisor on a periodic basis (at least annually) to ensure that your portfolio remains aligned with the current investment selections and is consistent with your investment objective is set forth in the SIS. If you and/or your Advisor determine that an Approved Security no longer meets your needs, the Advisor will recommend a replacement and all investment decisions will be made by you in an account that provides discretionary trading authority to your Advisor (i.e., *VestAdvisor Discretion*). Additional details provided in Item 16.

### Quarterly Performance Reports for ***VestAdvisor***

AAS will provide Quarterly Performance Reports (QPRs) for your *VestAdvisor* Account to your Advisor who will then make them available to you. Individual or Related Accounts with a total market value equal to or less than \$500 will not receive a Quarterly Performance Report. You may elect electronic delivery of your QPRs through an electronic client portal, currently eMoney Advisor. Notify your Advisor if you have not yet enrolled and would like to do so. The pricing and performance figures included in the QPR are believed to be accurate but are not guaranteed. Performance calculations are reported using a time-weighted rate of return, a method of calculating portfolio performance. Returns shown are after fees are deducted (i.e., net of fees), and include the impact of dividends or capital gains in the calculations. Regarding fixed income, an accrual accounting method is used for billing and performance reporting for interest payments that have been accrued but not yet paid within the period. Regarding mutual funds and equities, a cash accounting method is used for billing and performance reporting, and therefore does not reflect dividends that have been declared but not yet paid within the period. These methods differ only in the timing of when transactions (i.e., dividends and interest payments) are credited to your Account. The timing difference may result in an increase or decrease in the performance of your Account or the amount billed to your Account.

In addition to the QPRs, the Custodian delivers statements to you on at least a quarterly basis. You should compare the information in the QPR with the information in the account statement provided by the Custodian. There may be a difference in the values represented as a result of the different billing methods indicated above. The Custodian's Account statement is the official record of the holdings and value of investments held in the Account.

QPRs are provided by Envestnet. . Performance is calculated using the Modified Dietz method and not the previous Time-Weighted Rate of Return method. This will show a slight variance in the performance calculations. If your accounts were opened prior to January 1, 2019, you will see differences (in most cases) of the group performance numbers shown on your QPR statements. This is caused by the difference in calculation methodology and the transfer of historical information to Envestnet. It is not an error. With the transfer of historical data to Envestnet, all inflows and outflows are calculated as if they occurred at mid-month, regardless of the actual transaction date. This does not affect calculations at the account level or transactions that occurred after January 1, 2019. It only affects performance history provided at the group level for transactions that occurred before January 1, 2019.

QPRs and the Custodian's Account statements and trade confirmations are provided to keep you informed of your Account performance and activity and to ensure that the Account is being handled in accordance with your instructions. *You should review all reports and statements on a timely basis and notify AAS immediately if you believe that any investment or activity in the Account was not authorized or is inconsistent with your instructions. Please contact your Advisor or AAS if you do not receive your QPRs or your Account statements. Transactions that are not challenged within ten (10) calendar days of confirmation will be deemed accurate. Also notify AAS immediately if you receive a statement at any time from your Advisor that does not match the QPRs or Account Statements.*

If you enrolled in eMoney Advisor, go to <https://wealth.emaplan.com/hdvest/SignIn?hdvest> for access to your account statements.

## **Item 14: Client Referrals & Other Compensation**

**Strategic Alliance Program.** AAS and/or our Advisors may receive client referrals from outside solicitors (usually attorneys, CPAs or other professionals). The Strategic Alliance Program is a referral program designed to compensate outside professionals or firms, such as attorneys, accountants, or other broker/dealers and investment advisers, for referring your advisory business to Avantax and your Advisor. These professionals or firms are known as “solicitors.” If your advisory account is referred by a solicitor to AAS or your Advisor, AAS will pay a portion of the advisory fee earned by your Advisor to the solicitor, typically for as long as you maintain an advisory relationship with us, to compensate the solicitor for the referral. AAS will not charge a client who is referred to AAS by a solicitor any amount for the cost of obtaining the client that is in addition to the fee normally charged by AAS for its investment advisory services. The amount of this compensation, however, may be more than what the solicitor would receive if the client participated in our other programs or paid separately for investment advice, brokerage, and other services. The solicitor, therefore, has a financial incentive to recommend one or more of AAS’s wrap fee programs over other programs or services, including non-advisory programs and services, that may be available to the client for which the solicitor would not receive referral compensation. Such solicitation arrangements are disclosed to clients at the time of the solicitation via execution of a Solicitor Disclosure Statement or similar document that outlines the nature and amount of the compensation we pay to the solicitor and whether the solicitor is affiliated with or related to Avantax. Solicitors are required to provide prospective clients with a current copy of AAS’s Form ADV Part 2 no later than the date on which the client enters an advisory relationship with AAS and the Advisor.

Solicitors participating in the Strategic Alliance Program are prohibited from soliciting municipal or other government entities.

**Unaffiliated Banks or Credit Unions.** Although they do not presently have such a relationship, AAS and AIS may in the future have a referral relationship with one or more unaffiliated banks or credit unions (together “Institutions”) that allows for the payment of compensation to these Institutions. The compensation they receive is based on the advisory fee that you pay. If you are introduced to us through one of these arrangements, you will receive a separate written disclosure statement indicating that a referral fee is being paid to the Institution along with the amount of the referral fee. The Institution receives a pre-determined percentage of the fees earned by your Advisor, and you are not charged an additional amount to offset the referral fee paid to the Institution.

AAS does refer clients to unaffiliated third-party money managers as outlined throughout this Brochure and receives a fee for doing so. These relationships are currently Symmetry, Quick(k) and The Pacific Financial Group. Details are provided under Item 5, “Fees and Compensation.” Please refer to previous disclosures contained in Item 5 and Item 10 of this brochure explaining our other compensation arrangements.

### **Conflicts of Interest: Additional Compensation to AAS**

AAS endeavors to provide our advisory programs to Clients at a cost that is reasonable in relation to the services provided. In evaluating an investment in any of our advisory programs, you should be aware that AAS and its affiliates earn compensation from several sources related to your Account in addition to the Program Fee. The choice of Approved Securities affects the compensation AAS, its affiliates and Advisors earn as a result of your investments and thus poses various conflicts of interest. This section of the Disclosure Brochure is intended to describe significant conflicts of interest you should consider in making an investment decision. You should refer to the “Fees and Compensation” section for additional information on the compensation AAS and Advisors receive. If you have any questions about compensation or conflicts of interest, please contact your Advisor.

In all circumstances, AAS manages our conflicts of interest through written disclosure to you and enforcement of supervisory policies and procedures reasonably designed to ensure that we and your Advisor make recommendations in your best interest regardless of the possible incentives (monetary or non-monetary) to AAS or your Advisor.

### **Compensation on Approved Securities**

The *VestAdvisor* Program uses Approved Securities including mutual funds, closed-end funds, exchange-traded funds and exchange-traded notes (together ETPs), stocks, bonds, options, and sweep investments among others. You should refer to the “Sweep Compensation” section for more information on bank deposit sweep investments. Allowable securities are purchased with no sales commissions, but Clients will pay their proportionate share of ongoing mutual fund, closed end fund, ETP or money market management and administrative fees. AAS will disclose an investment’s

expenses upon request and these fees are also disclosed in the applicable product prospectus or statement of additional information. Clients who transfer securities into the Program bear the expense of any contingent or deferred sales loads incurred upon selling the product.

With the *VestAdvisor Program*, no-load, load-waived class A and advisory or institutional share class mutual funds are used. Although there are no sales commissions, some funds pay AIS a marketing, distribution or client service fee (collectively “shareholder service fees”). 12b-1 fees are considered an operational expense and are paid out of fund assets; thus, they increase the expenses you pay as a fund shareholder. You do not pay these fees directly; they are deducted from the total assets in the fund and reduce your investment returns creating a conflict of interest for AAS and your Advisor. The amount of the 12b-1 fee is determined by the mutual fund company and is disclosed in the mutual fund’s prospectus. Funds that pay a 12b-1 fee may be billed upon in *VestAdvisor* portfolios only if there is no share class offered by the fund that does not pay a 12b-1 fee. Any 12b-1 fees received by the Custodian are refunded back to the Account. Often, allowable securities (including advisory share class mutual funds) pay a separate shareholder service fee, which is paid out of fund assets. Some 12b-1 fees include shareholder service fees. AIS accepts and retains some shareholder service fees paid by Allowable Securities for some accounts. The shareholder service fees are paid based on the assets held in the fund (including your investment) and are capped at an annual fee of 0.25%.

It is important to understand that there are different share classes available to you as an investor and that different share classes of the same mutual fund represent the same underlying investments. The various share classes, however, have differences in sales charges, transaction fees and ongoing fees (or internal expenses). These impact a client’s investment return over time. The fact that an adviser has financial interests in the choice of share classes conflicts with the interest of its clients.

The Firm receives distribution fees on Fidelity Money Market Sweep Funds, including those in qualified retirement plans. We receive 5- 7 basis points on assets in the Capital Reserve and Daily Money Class. At times, 12b-1 fees are not easily identifiable and may be overlooked but AAS makes all possible attempts to rebate these back to client accounts.

AAS and the Advisor take into consideration shareholder service fees and payments from Educational Partners when establishing the Program Fees associated with the *VestAdvisor* Program. Information about shareholder service fees is contained in the prospectus of the individual mutual funds. You should contact your Advisor with questions about the fees or how they affect the investments, or the compensation earned by AIS, AAS and your Advisor.

Some fund companies offer advisory share classes designed for fee-based investment advisory programs. The availability of advisory share classes is determined by the fund company. In general, what differentiates Advisory Shares from traditional mutual fund shares is that Advisory Shares have reduced or eliminated the 12b-1 fees paid to firms that sell the fund, and in some cases also have lower ongoing expenses. Accordingly, advisory share classes generally have lower costs associated with them, and AAS and its affiliates earn less compensation from Advisory Shares as compared with other share classes of the same fund. Advisory share classes pay shareholder service fees, which AAS and/or AIS have the option to accept and retain. This is a conflict of interest and can negatively affect your return.

As advisory share classes become available, your Advisor has the option of using them in your portfolio or recommending a conversion of your existing mutual fund positions to advisory share classes if your Account is eligible. Utilizing advisory shares can result in you paying more or less total overall expenses (it is usually less), but it results in a clearer delineation between fees charged for mutual fund management, servicing and distribution, and fees charged for the services you receive from AAS and your Advisor. Depending on the negotiated fee arrangement and the amount of existing non-advisory shares in your Account, conversion to advisory share classes is not always advantageous for you in terms of the overall expenses you will pay. You should discuss with your Advisor the fees and expenses associated with your mutual fund investments to determine the right approach for your Account.

AAS and its affiliates earn revenue sharing (additional compensation) for certain IRA accounts in the *VestAdvisor* program which is a conflict of interest. The amount of compensation paid by the mutual fund companies ranges from 4 to 13 basis points (or 0.04% to 0.13%). It is not shared with Advisors. Avantax does not receive revenue sharing on discretionary or non-discretionary ERISA accounts or on discretionary Individual Retirement Accounts (“IRAs”) in its Advisory programs except for the Fidelity Money Market Sweep Funds disclosed elsewhere in this Brochure. This additional compensation is considered a conflict of interest and increase the fees you pay, which can negatively affect your return.

In addition to reading this Brochure carefully, clients are urged to inquire whether lower-cost share classes are available and/or appropriate for their account in consideration of the client's expected investment holding periods, amounts invested, and anticipated trading frequency. Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus.

### **Asset-Based Fees**

AAS does not pay the ticket charges outlined in the Schedule of Fees since we pay "asset-based fees" in lieu of the charges stated. The fees are charged per account and billed to us monthly, regardless of whether there were trades in the account. Accounts within a household are not aggregated when calculating this charge. Fidelity Advisor Funds and Non-Fidelity Load and No-Load Funds are included in the asset-based fee calculations. The asset-based fees do not apply to all chargeable assets in the applicable program. AAS does not pay any ticket charges (asset-based or other) on the following assets: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash & Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets (together "Excluded Assets"). NFS also imposes annual trade thresholds of 60 trades per account for transactions billed at the asset-based fee. (If the number of trades exceeds 60 in the account, a flat fee is charged to Avantax instead.) The asset-based rate depends on aggregate assets at NFS and varies from 0.60 basis points to 0.72 basis points with no minimum annual account fee.

Clients should be aware that mutual funds available through the NTF Program often contain higher internal expenses than mutual funds that do not participate in the NTF Program. This will have a negative effect on your investment return. Not all share classes are available to all clients.

AAS does not pass along the revenue earned from the ticket charges we charge clients or Advisors on the sale of Excluded Assets to either its clients or its Advisors. The revenue is retained by the Firm. This creates a conflict of interest because of the economic incentive to put client assets into Excluded Assets. These economic incentives were a factor in the selection of NFS as its custodian over other possible custodians since not all custodians furnish similar benefits. AAS imposes a ticket charge on all mutual funds purchased in advisory accounts regardless of whether one is charged to us by NFS. In some cases, clients pay the ticket charges and in others, the Advisors pay the ticket charges. This is mutually agreed upon between clients and their Advisors when opening the advisory account. This creates a conflict of interest and can cost you additional fees.

### **Revenue Sharing Arrangements (Educational Partners)**

Within the universe of mutual funds, exchange-traded funds and other investments used in *VestAdvisor* a select group of companies (referred to as "Educational Partners") have agreements with AIS to provide payments to help defray the educational, training, recordkeeping and other costs associated with offering these products to Clients. These payments, which are in addition to the fees and expenses disclosed in the fund prospectus fee table, are calculated as a percentage of assets under management, a percentage of initial sales, or a combination of assets and sales. The amount paid by Educational Partners can be up to 13 basis points (0.13%) annually for assets held with the partner and up to 25 basis points (0.25%) on sales. For example, for every \$10,000 investment, Avantax receives a one-time \$25 payment and/or a \$13 annual payment during each period the assets remain invested. AIS also receives additional lump sum payments from Educational Partners, which in total are significant in amount.

AAS and your Advisor are likely to recommend and add Approved Securities offered by Educational Partners to our Approved Securities list. Although the revenue sharing payments received from Educational Partners are not shared with the Advisor and are not directly tied to the expenses applied to your Account, a conflict of interest exists for AAS in the selection and recommendation of Approved Securities sponsored by Educational Partners. In addition, Advisors separately receive reimbursement for marketing expenses, client functions and attendance at due diligence, training and education meetings sponsored by the Firm or the product sponsors. Enhanced access to AAS's Advisors is also provided via training events, conference calls and meetings as well as heightened visibility of the Educational Partners' products through the distribution of sales literature, newsletters and training materials on the Firm's intranet. For more information, you should ask your Advisor which product sponsors, if any, provided expense reimbursement or additional compensation to the Advisor. Direct and indirect expenses born by investors will have a negative impact on the return generated in the account.

The following Educational Partners made additional payments to Avantax during the past year, although not every

partner listed sells products that can be held in advisory accounts:

<b>Mutual Fund / ETF Sponsors</b>	<b>Annuity / Insurance Carriers</b>	<b>Alternatives / Direct Participation Sponsors</b>	<b>Other Business Partners</b>
AM Funds	AXA	AEI	AAM
Columbia	AIG	APX Energy	AEI
Davis	Athene	Blackstone	Allegiance
Delaware	Allianz	CNL Securities	BOK Financial
Deutsche	Brighthouse	FS Investments	First Trust
Dreyfus	Lincoln	Hines Securities	
Franklin Templeton	Nationwide	Inland Securities	
Invesco	Protective	Jones Lang LaSalle	
John Hancock	Saybrus	Mewbourne	
Hartford	Transamerica	Penn Square	
Legg Mason	Sammons	SmartStop	
MFS	Global Atlantic	Waveland	
Pioneer	New York Life		
Prudential (PGIM)	Integrity		
Sammons	Jackson National		
Virtus	Symetra		
Wisdom Tree			

\*Note that not all sponsors listed consider assets in advisory programs as a criteria for payments.

AAS and/or its affiliates collects revenue in the manner outlined above from many of the securities in which you invest. The additional compensation received varies by product sponsor, and sometimes by security within the same product sponsor. As a result, AAS has a financial incentive to recommend one security over a similarly situated security due to the compensation we receive from one over another. This also results in an increase in your costs as a result of the recommendation of a more expensive security. AAS intends to make all recommendations independent of such financial considerations and based solely on our obligations to consider your objectives and needs. These direct and indirect payments from our Educational Partners are in addition to the quarterly Program Fee you pay and are imbedded in the security's pricing. In the case of ERISA Accounts, the payments described above that are paid to AAS or an affiliate will be waived or credited against your Account. These payments create a conflict of interest and have a negative impact on the return for your investment.

### **Revenue Sharing or Expense Reimbursement from NFS**

As described elsewhere in this Brochure, AIS's clearing relationship with NFS also provides certain material financial benefits, the most significant of which are:

- Fees on cash swept into the Bank Deposit Sweep Program (ERISA accounts are excluded)
- Annual payments to Avantax to offset certain technology costs
- Fees associated with the transfer onto NFS's clearing platform of certain mutual funds held directly with the fund sponsors
- Compensation to defray the costs of the Firm's transition to NFS, and
- Annual correspondent credits payable through 2028

Other benefits we receive from NFS include:

- Credit interest for non-sweep cash balances
- Short sale interest is shared with Avantax
- Revenue share on Fidelity Core Money Market Sweep Funds
- The ability to markup direct NFS fees charged to clients
- A portion of the interest you pay on cash debits is paid to us, if we choose to markup the interest amount charged by NFS

Avantax received monetary benefits to offset the costs of transferring to the NFS clearing platform. These benefits were significant in value and were designed to offset costs incurred during the conversion to NFS as well as to offset customer account charges that you would not have incurred but for the conversion. Although such conversion reimbursement is common in the industry, there is no guarantee that Avantax could have received identical reimbursement had it selected a different clearing firm other than NFS. Therefore, the selection and retention of NFS as clearing firm creates a conflict of interest. Avantax uses NFS as its clearing and custody firm for substantially all our managed accounts.

These programs create a conflict of interest for Avantax and will have a negative impact on the returns you earn on certain products in clients' accounts because the revenue sharing fees are paid indirectly by you and increase the internal fees you pay for mutual funds and some other investments. Not all mutual funds participate in these programs and you may request that your Advisor select mutual funds that do not pay us revenue sharing. Fidelity Advisor Funds do not participate in these programs, but they are affiliated funds to NFS. These fees are not shared with your Advisor. It is always expected, and it is the goal of AAS, that all investment selections are based on your best interest, and not whether they are a source of additional revenue to Avantax.

### **Bank Deposit Sweep Program**

The cash balance in your Program Account(s) will be automatically deposited or "swept" into a core account investment vehicle. AAS currently offers one core account investment vehicle: the FDIC Insured Bank Deposit Sweep Program (BDSP or Sweep Program). The balance in your Program Deposit Account(s) will be included in the calculation of your Program Fee.

AAS has a conflict of interest with respect to the sweep program because AIS, our affiliate, receives fees under the Sweep Program based on the amount of cash swept into your core account investment vehicle. These fees are in addition to the Program Fee, which increases your cost of investing, and the money earned by Avantax. Because Avantax receives substantial fees from our clients' participation in the sweep program, AIS has a conflict of interest in offering sweep programs to you.

### **FDIC Insured Bank Deposit Sweep Program**

The Standard Bank Deposit Sweep Program ("Standard Bank Sweep Program") is a core account investment vehicle option, which if either selected by default or affirmatively elected, will be used to hold your cash balance before it is invested. The cash balance in your advisory account(s) will be automatically deposited or "swept" into interest-bearing FDIC insurance eligible Program Deposit Accounts at one or more FDIC-insured financial institutions ("Program Bank").

If you do not wish to participate in the BDSP, we generally will not be able to maintain your account.

The maximum amount of FDIC insurance coverage for your deposits is \$250,000 (for an individual account) and \$500,000 (for a joint account) at each Program Bank. If your deposits exceed these amounts in the Sweep Program, your assets will be held in multiple Program Banks. If you have other assets in the Program Bank, but outside of the Sweep Program, you must monitor the totals to ensure they do not exceed these maximum amounts. You will receive additional disclosures when you establish your account at a Program Bank, and we encourage you to read them carefully.

Your cash balances will be eligible for FDIC insurance once deposited into a Program Deposit Account held by a Program Bank. Your cash balance while held by NFS and/or AAS is not FDIC insured, but is covered by the Securities Investor Protection Corporation (the "SIPC"). Please visit [fdic.gov/deposit/deposits/index.html](https://www.fdic.gov/deposit/deposits/index.html) for additional information on FDIC insurance. For additional information on SIPC coverage, please visit [sipc.org](https://www.sipc.org). Funds deposited in FDIC programs are not eligible for SIPC coverage and conversely, funds covered by SIPC are not also covered by FDIC insurance.

The Sweep Program creates financial benefits for Avantax and NFS. Avantax will receive a fee based on the amount of cash in the Program Deposit Account from each Program Bank in connection with the Standard Bank Sweep Program. We do not share this fee with your Advisor, but we do pay a fee to NFS to participate in the program. The portion shared with NFS includes recordkeeping and other administrative fees. The fee we receive is in addition to the



Program Fee and therefore increases your cost of investing.

The revenue generated by the Standard Bank Sweep Program may be greater than revenues generated by cash sweep options at other brokerage firms and may be greater than other core account investment vehicles currently available to you or possible core account investment vehicles options that you have used in the past or may consider using in the future. Please see the Cash Sweep Disclosure Statement located at [avantaxwealthmanagement.com/legal/cash-sweep-program](http://avantaxwealthmanagement.com/legal/cash-sweep-program) for more information or you may ask your Advisor for a copy. This disclosure document contains current interest rates, the distinctions between the BDSP Program versions for natural persons and entities, a list of Program Banks, the way funds are allocated to Program Banks, and account eligibility information. Please read it carefully.

The rates of return under this option vary over time. Current rates can be obtained from your Advisor or by visiting [avantaxwealthmanagement.com/legal/cash-sweep-program](http://avantaxwealthmanagement.com/legal/cash-sweep-program). There is no guarantee that the yield under this program will remain higher than others over any given period. The rate of return on any sweep option is usually significantly lower than that of similar investments offered outside the Sweep Program.

Avantax will receive a monthly revenue share that varies and is based on the Targeted Federal Funds Rate (TFF). As interest rates increase, our portion increases. Our percent ranges from 13 to 50 basis points (0.13% to 0.50%) but will increase again when the TFF Rate is 1% or higher. This amount is inclusive of any interest to be passed through to Customer Accounts. The share shall be calculated against average daily Program assets on deposit at all Depository Institutions for the given calendar month and is tied to the TFF Rate. We do not share this revenue with your Advisor.

### **Account Exceptions**

The Money Market Mutual Fund Sweep Program is available for 401(k) accounts only and utilizes the Fidelity Government Cash Reserves Fund (FDRXX). ERISA qualified plan accounts are excluded from the Bank Deposit Sweep Program, as are discretionary managed SEP-IRA and Simple IRA accounts.

While you must use the BDSP, you may work with your Advisor to purchase other investments with your BDSP balances. These investments can be other cash alternatives, such as money market funds, or other non-cash investments as allowed under the advisory program you have chosen. Any advisory program managed by a third-party money manager or those where Avantax serves as the Portfolio Manager generally has restrictions on investment selections that can be made by you. This information is outlined throughout the applicable Disclosure Brochure. You should ask your Advisor if you have questions about this.

### **Bank Deposit Sweep Program Conflicts**

The yields in the Bank Deposit Sweep Program (BDSP) are significantly less than you can earn through products designed to provide higher yields for your cash balances. In exchange for this lower interest rate, your BDSP balances are eligible for FDIC insurance designed to protect you against the loss of your insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the U.S. government. Investment products such as money market funds pay a much higher rate of interest in many cases but are subject to market fluctuations and possible losses and are not FDIC insured. You may be subject to additional costs and delays in accessing your money market funds or other cash equivalent investments should you decide to invest in other investments and opt-out of the BDSP. You will also need to work closely with your Advisor to ensure your cash is invested since it will not automatically “sweep” to your chosen investments if invested outside of the BDSP. All fees earned by Avantax in the Sweep Program create a conflict of interest.

The BDSP has been and will be more profitable to us than other available sweep options, and Avantax retains much more of the interest you earn on BDSP balances than we will pay out to you. The revenue received by Avantax from the BDSP is significant and helps pay for the programs and services we offer to you. Avantax and/or NFS will also earn interest from the temporary investment of cash balances before they are deposited with the Program Banks, and Avantax and NFS will not share this interest with you.

### **Credit Interest for Non-Sweep Cash Balances**

For Accounts not electing a sweep option, Avantax will be eligible for credit interest on cash balances. NFS will credit Avantax with 50% of the National Financial Credit Rate less any amounts credited to Customer Accounts. Avantax

and/or NFS will earn interest from this temporary investment of cash balances before they are deposited in the Sweep Program with the Program Banks, and Avantax and NFS will not share this.

### **IRA Annual Maintenance Fees**

Managed accounts will not pay an IRA annual maintenance fee. The fee charged by NFS is paid by Avantax.

### **Interest on Cash Debits**

Avantax can choose to markup the interest charged on all cash debits in our Programs which would increase the amount of revenue we receive. This is a conflict of interest and will have a negative impact on the returns on these assets because your costs will increase as a result of the markup.

### **Purchasing Securities on Margin**

The use of margin is permitted in some fee-based investment advisory programs. Within the *VestAdvisor* program, you should be aware that a margin balance will not reduce the market value of Eligible Assets. If you use margin in your account, AIS (but not your Advisor) receives compensation from NFS on the interest you pay on your margin loans. This is a conflict of interest when recommending that clients purchase additional securities in their advisory accounts using margin, because AIS receives compensation from both the increased market value of Eligible Assets in your account and the interest you pay on the margin loan. Therefore, if you use margin to purchase additional securities in your account, both the total value of Eligible Assets and your Program Fee will increase, and AIS will receive compensation from the interest you pay on the margin loan. This creates a conflict of interest because your Advisor and the Firm will receive more compensation than they otherwise would have received if you did not use margin to purchase securities. The use of margin is not suitable for all investors, since it increases leverage in your account and therefore its risk. Please see the Margin Disclosure Statement and Avantax Disclosure Packet for more details on the risks of margin use. These documents are provided at account opening.

### **Transfer Cost Credits**

NFS will reimburse Avantax a portion of the transfer of accounts' fees and other costs and expenses which customers or AIS could incur in connection with the transfer of eligible accounts to NFS. The Transfer Cost Credit is \$20/account. Eligible accounts are IRA accounts held directly with a mutual fund company. This creates a conflict of interest as the transfer credit may be more than the costs and expenses born by AIS. The Transfer Cost Credit is not shared with clients or Advisors.

### **Non-Purpose Loans – Non NFS Revenue**

As a service to eligible customers, AIS provides access to a securities-backed non-purpose lending program offered by Goldman Sachs Bank USA (the "Bank"). Customers are not required to participate in the program, but if you choose to do so, you should be aware of the possible risks. A non-purpose loan allows borrowers to use the securities in their brokerage or advisory accounts as collateral for an extension of credit, the proceeds of which cannot be used for purchasing or trading securities. The customer's accounts must meet certain requirements, such as a minimum market value of assets in the account, before the Bank will approve the non-purpose loan. The requirements and approval or denial of credit is controlled by the Bank and AAS is not a decision-maker.

The Firm has certain conflicts of interest in offering this service to customers:

- **Referral Fees.** As part of this Program, the Bank compensates AIS in the form of a Referral Fee, which is equal to 50 basis points (0.5%) of the average principal amount of all outstanding Program loans that AIS customers have through the program. This Referral Fee is paid from the interest you pay on your Program loans and, were AIS to agree to receive a lower Referral Fee, customers' interest rate would decline by that same amount. Were customers to take a loan from a different institution outside of this program, AIS would not receive a Referral Fee. Accordingly, the Referral Fee creates a conflict of interest between us and you. AIS does not share any portion of the Referral Fee with the Advisor.
- **Program Loans Secured by Investment Advisory Accounts.** When a customer takes a loan secured by securities in their advisory account, the securities remain in the advisory account, which means that AAS continues to receive advisory fees based on the full value of the securities that are eligible for billing purposes, with no reduction or offset for the value of securities that secure the loan. In contrast, if the customer were to liquidate the securities rather than borrow against them, AAS would no longer receive advisory fees based on the value of

those securities and AIS would not receive a Referral Fee on the loan amount. Therefore, the payment of a Referral Fee and the lack of any reduction or offset against the total billable assets in the customer's investment advisory account incentivizes AIS and AAS to make this program available to customers. Furthermore, it is a conflict of interest for AAS and AIS to recommend that customers take a loan under this program rather than liquidate securities in their investment accounts.

### **Additional Compensation to Advisors**

Your Advisor can be incentivized to join and remain affiliated with Avantax. These incentives can include compensation arrangements such as bonuses and/or business transition loans in the form of a promissory note. Your Advisor may use this payment to help pay for expenses incurred during the transition of his or her book of business to Avantax. Receiving this compensation is a conflict of interest as it provides your Advisor an incentive to join and remain affiliated with Avantax based solely on this compensation and not on our ability to meet the needs of your Advisor and his or her clients.

### **Client Consent**

*By entering into the SIS, Client consents to AIS, AAS and the Advisor retaining their respective share of any other fees or payments that are made to AAS or AIS in connection with the use of specific Approved Securities.* These fees include but are not limited to sweep fees, networking fees and revenue sharing paid by Educational Partners, NFS and other product sponsors and are disclosed in detail throughout this Brochure.

### **Item 15: Custody**

For certain accounts, AAS is deemed to have custody of your funds, and in some instances, your securities, even though they are maintained at NFS, a qualified custodian. NFS sends account statements to you as outlined previously in this Brochure, which list your account holdings and account values. In the event of any discrepancy between your Quarterly Performance Reports and your NFS statements, you should rely on the statement from NFS. You should also rely on the NFS statements for the cost basis related to your account holdings. Avantax undergoes annual audits as required by applicable regulations.

### **Item 16: Investment Discretion**

The *VestAdvisor* Program can be either a discretionary or non-discretionary Program. For a non-discretionary Account, your Advisor is required to contact you before entering trades on your behalf. You will be contacted and required to accept or reject investment recommendations from your Advisor, including: (i) the security being recommended; (ii) the number of shares or units; and (iii) whether to buy or sell.

You may instead choose to sign an SIS providing discretionary trading authority to your Advisor to rebalance or substitute mutual funds, ETPs, stocks, bonds, and a broader selection of securities without receiving specific permission from you before the trades are entered. Not all Advisors are eligible to manage *VestAdvisor* Accounts with discretion. All discretionary authority retained by your Advisor is limited by his or her securities registrations.

You may rescind this authorization at any time by providing written notice to Advisory Compliance at the address on the front of this Disclosure Brochure. Your Account will then be traded only on a non-discretionary basis. Your DTA does not grant discretionary authority to withdraw funds or securities (other than for payment of Program Fees) nor does it allow for any trading outside the Advisory Program you have chosen.

The RMS Model Portfolios will be managed by AAS as an ERISA 3(38) Investment Manager if you choose to make them available to your plan participants. AAS will have full authority as your agent and attorney-in-fact to manage the assets in your account on a fully discretionary basis. For all services, this discretionary authority includes the authority, without first consulting you: to determine the portion of assets in your account that shall be allocated to each investment or asset class and to change such allocation of assets as necessary; to take any and all other actions on your behalf that AAS determines is customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities, including mutual fund shares, stocks, bonds and other investments for the account; and to select the broker-dealers or others with which transactions for the account will be effected. AAS will not have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you. A fiduciary relationship as defined under Section 3(21) and/or Section 3(38) of ERISA will be agreed to by both parties in writing.

RMS Total 401(k) will be managed on a discretionary basis by AAS as an ERISA 3(38) Investment Manager. AAS will have full authority as your agent and attorney-in-fact to manage the assets in your account on a fully discretionary basis. For all services, this discretionary authority includes the authority, without first consulting you: to determine the portion of assets in your account that shall be allocated to each investment or asset class and to change such allocation of assets as necessary; to take any and all other actions on your behalf that AAS determines is customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities, including mutual fund shares, stocks, bonds and other investments for the account; and to select the broker-dealers or others with which transactions for the account will be effected. AAS will not have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you.

### **Item 17: Voting Client Securities**

In *VestAdvisor* you retain the right to vote proxies and handle notices of legal proceedings such as class actions and bankruptcies. Neither your Advisor nor AAS provide advice regarding proxies or legal proceedings for any securities held in the Account. Notices and materials will be mailed directly to you and not to AAS.

### **Item 18: Financial Information**

AAS has no financial condition that will impair our ability to meet our contractual commitments to you nor do we require prepayment of fees more than 6 months in advance.

## Appendix 1 Schedule of Additional Fees

Effective October 28, 2019

### Ticket Charges

Mutual Funds Buy or Sell Ticket Charge .....	\$6.95
Equities and ETFs .....	\$9.95
Bonds (all), UITs, CDs, Corporate Paper, Bankers' Acceptance, Mortgage Back Securities .....	\$11.95
Options .....	\$11.95 + 0.75 per contract
Mutual Fund Exchanges .....	\$2.95

### Transaction Charges

Other administrative fees may apply to Brokerage Access/Brokerage Portfolio Accounts (check copies, checkbook orders, ATM fees, additional debit card, bounced check fee, stop payment fee, etc.)

Physical Certificate Issuance <sup>1</sup> /Transfer & Ship Fee .....	\$500.00
Physical Reorg Fee .....	\$150.00
Direct Registration Service (DRS) Transfer and Ship .....	\$15.00
Legal Transfer .....	\$150.00
Legal Return.....	\$75.00
Safekeeping Fee <sup>2</sup> (per certificate per month) .....	\$15.00
Outgoing Express Mail.....	\$15.00
Non-IRA Outgoing Wire Transfer – Domestic.....	\$25.00
IRA Outgoing Wire Transfer – Domestic.....	\$15.00
Bounced/Returned Check deposited to Standard Brokerage Account .....	\$25.00
Bounced/Returned Check issued from Select Access or Premier Access.....	\$15.00
Stop Payment Check issued from Standard Brokerage Account.....	\$25.00
Stop Payment Check issued from Select Access or Premier Access .....	\$10.00
Non-Retirement Outgoing Account Transfer Fee (ACAT).....	\$95.00
IRA Termination/Liquidation Fee .....	\$125.00
Self-Employed 401(k) (Premiere Select Retirement Plan) Termination/Liquidation .....	\$125.00
Trade/Margin Extension Fee .....	\$15.00
Mailgram Fee.....	\$ 5.00

### Alternative Investment Fees<sup>3</sup>

Sell .....	\$50.00
Annual Custody & Valuation – Registered.....	\$35.00
Annual Custody & Valuation – Non-Registered.....	\$125.00
Alternate Investment Transfer/Re-Registration Fee .....	\$50.00

*Some of the fees listed above include markups or amounts in addition to charges by AIS's clearing firm (National Financial Services LLC, Member NYSE, SIPC, a Fidelity Investments® Company) which the Firm uses to defray other costs associated with its business or that are retained by Avantax for its own account.*

*Interest on any non-retirement cash account debit balances will accrue beginning on the day that the debit is posted to the account and will be charged to the account at 3.00% above the National Financial Base Lending Rate, NFBLR.*

*Avantax Investment Services may change this fee schedule at any time without additional notification. In addition to these fees, please note that certain other operational or other fees or charges may apply. If you have any questions regarding the applicability of these fees, please contact your Advisor.*

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<sup>1</sup> Other charges may apply, such as rush delivery fees.

<sup>2</sup> Covers deposit, custody and withdrawal. Only charged on those securities eligible to be held in street name.

<sup>3</sup> Includes, but not limited to, Limited Partnership (non-exchange), Non-Traded REITS, and Private Equity/Debt. The Annual Custody & Valuation fee is charged per position but shall be capped at \$500 per account per year.

## Appendix 2 Important Definitions and Investor Resources

**Advisor** means the AAS Investment Adviser Representative assigned to your Account.

**Advisory Share or Advisory Share Class** means a special share class of a mutual fund designed for fee-based investment advisory products which does not have a sales load and has eliminated the 12b-1 Fee, and therefore generally has lower expenses than other share classes of the same fund.

**Approved Securities or Approved Investments** means investments AAS determines are eligible to be included within the quarterly performance calculation and are included in the Program Fee calculation.

**Billable Market Value** means the market value of the Account that is included in the Program Fee calculation or Approved Securities less Unsupervised Securities plus Unbillable Securities.

**Client Agreement or Agreement** means the written *VestAdvisor* Client Agreement required to participate in *VestAdvisor* which governs the terms and conditions of the Program and associated services, as it may be amended from time to time. The Agreement is part of the Account Application and supplements the SIS.

**Discretionary Trading Authorization** means written authority given by the Client authorizing the Advisor to execute trades on a discretionary basis without receiving specific permission from you before the trades occur.

**Educational Partners** means the product sponsors or their affiliates that have an agreement with AIS to provide additional payments to help defray the educational, training, record-keeping and other costs associated with offering products to Clients.

**Investnet Asset Management, Inc. or Investnet** means the platform manager for your advisory accounts.

**Fidelity** means Fidelity Clearing & Custody Solutions, which provides clearing, custody, or other brokerage services through its broker-dealer National Financial Services LLC, Member NYSE, SIPC.

**FINRA** means the Financial Industry Regulatory Authority, a self-regulatory organization that regulates broker-dealers.

**Flow Billing** means the Account will be charged or refunded a supplemental prorated Program Fee on a monthly basis if there are daily net additions or withdrawals of \$10,000 or more.

**Disclosure Brochure** means this document, the Form ADV Part 2A Disclosure Brochure which provides important information about the various programs offered by or through AAS and details regarding our Programs.

**AAS, we, or us** means Avantax Advisory Services, Inc. (Avantax Advisory Services), an investment adviser registered with the SEC, and a wholly-owned subsidiary of Avantax Wealth Management, Inc.

**AIS means** Avantax Investment Securities, Inc. (Avantax Investment Services), a broker-dealer registered with the SEC, and a wholly-owned subsidiary of Avantax Wealth Management, Inc.

**National Financial Services LLC, NFS or Custodian** provides clearing, custody, or other brokerage services to AAS clients. NFS is a Member of NYSE and SIPC and is part of Fidelity Clearing & Custody Solutions.

**Quarterly Performance Report or QPR** means the quarterly report which provides clients with important information about their investment portfolio and the investment performance of their Program accounts.

**Related Accounts** means Program accounts grouped together for purposes of qualification, reduced pricing and, where requested, consolidated reporting, of advisory Programs offered by or through AAS.

**SIPC** means the Securities Investor Protection Corporation which oversees the liquidation of member firms that close when the firm is bankrupt or in financial trouble. SIPC does not protect from market loss.

**Statement of Investment Selection or SIS** means the questionnaire that collects information about you and your investment objective, risk tolerance and financial situation (referred to as "Client Profile"), and which is required to open an Account. The SIS includes your Client Agreement.

**Unapproved Securities** means investments that AAS has determined are not eligible to be included in the quarterly performance calculation and are not included in the Program Fee calculation.

**Unbillable Securities** means securities that are in the Account but are not included in Program Fee calculation (billing). Unbillable Securities means Unapproved Securities plus other securities or Account assets that Client and Advisor determine should not be included in the billing. We refer to these together as "Unbillable Securities".

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### **Investor Resources**

AAS and its affiliates want you to be an informed investor. Below are resources from the SEC and FINRA that can assist you in choosing an investment professional and making investment decisions. We encourage you to review the information and contact AAS or your Advisor if you have any questions or concerns.

- FDIC website for info on Sweep Program is [fdic.gov/deposit/deposits/index.html](https://www.fdic.gov/deposit/deposits/index.html)
- FINRA website for investors with information on investing as well as alerts about current issues and scams and investment tools and calculators available at [finra.org/investors](https://www.finra.org/investors)
- FINRA BrokerCheck – Check the status of your Advisor, AAS or AIS at [brokercheck.finra.org](https://brokercheck.finra.org)
- SEC website for investors with investor news and alerts; information on basic investment principles and investment products; an “Ask and Check” page with resources to research investments, firms and investment professionals available at [investor.gov](https://www.investor.gov)
- SEC Publication: “Investment Advisers: What You Need to Know Before Choosing One” available at [sec.gov/investor/pubs/invadvisers.htm](https://www.sec.gov/investor/pubs/invadvisers.htm)
- SEC Publication: “Invest Wisely: Advice From Your Securities Industry Regulators” available at [sec.gov/investor/pubs/inws.htm](https://www.sec.gov/investor/pubs/inws.htm)
- SEC Publication: “[How Fees and Expenses Affect Your Investment Portfolio](https://www.sec.gov/investor/alerts/ib_fees_expenses.pdf)” at [Sec.gov/investor/alerts/ib\\_fees\\_expenses.pdf](https://www.sec.gov/investor/alerts/ib_fees_expenses.pdf)
- SIPC website: [www.sipc.org](https://www.sipc.org)

## Appendix 3 Risks of Investing

Advisors will manage each Account to a selection of investments based on your investment objectives and risk tolerance. Accounts with higher concentrations of stocks have greater exposure to the risks associated with equity investments, such as stock market volatility and foreign exposure. Accounts that have higher exposure to fixed income will have greater exposure to the risks associated with bond investments, such as credit risk, bond investment risk and changes in interest rates. All Accounts are also ultimately affected by impacts to the individual underlying investments made by the mutual funds and ETFs such as changes in an issuer's profitability and credit quality, or changes in tax, regulatory, market or economic developments.

**Asset Allocation and Diversification.** The performance of Accounts is dependent on the allocation of securities among various asset classes and the selection of underlying Funds. There is a risk that Advisor's decisions regarding asset allocation and the selection of investments will cause an Account's performance to lag relevant benchmarks or result in losses. While allocations to multiple asset classes can reduce risk, risk cannot be completely eliminated with diversification. Asset allocation and diversification do not guarantee a profit or protect against loss.

**Cybersecurity Risk.** Corporate and personal technology are susceptible to information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and arise from external or internal sources. Cyberattacks include but are not limited to: gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment or systems; or causing operational disruption. Cyberattacks are also carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting AAS, its affiliates or Advisors, or any other service providers (including, but not limited to accountants, custodians, transfer agents, and financial intermediaries used by a fund or an account) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to calculate net asset value ("NAV"), impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which an Account invests, counterparties with which an entity engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers), and other parties.

**Investing in Mutual Funds and ETFs.** Clients bear all the risks of the investment strategies employed by the mutual funds and ETFs held in their Accounts, including the risk that a mutual fund or ETF will not meet their investment objectives. For the specific risks associated with a mutual fund or ETF, please see its prospectus.

**ETFs.** An ETF is a security that trades on an exchange and may seek to track an index, commodity, or a basket of assets like an index fund. Some ETFs are actively managed and do not seek to track a certain index or basket of assets. However, ETFs used in the Program generally will be passive investment vehicles that seek to replicate the performance of relevant market indices. ETFs can trade at a premium or discount to their NAV and are affected by the market fluctuations of their underlying investments. They also have unique risks depending on their structure and underlying investments.

**Money Market Funds.** Cash balances in an Account are held in a money market fund. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. It is possible for a money market fund to lose money.

**Risks Relating to Underlying Funds.** In addition, the underlying mutual funds held within Accounts are subject to the following specific risks, although not every risk is applicable to every Fund:

**Quantitative Investing.** Securities selected in mutual funds using quantitative analysis can perform differently from the market as a whole as a result of the factors used in the analysis, the weight placed on each factor, changes to the factors' behavior over time, market volatility, or the quantitative model's assumption about market behavior.

**Stocks.** Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. In addition, stock investments are subject to risk related to market capitalization as well as company-specific risk.



**Foreign Exposure.** Foreign securities are subject to interest rate, currency exchange rate, economic, regulatory, and political risks, all of which generally are greater in emerging markets. These risks are particularly significant for mutual funds that focus on a single country or region or emerging markets. Foreign markets are often more volatile than U.S. markets and can perform differently from the U.S. market. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties and can be extremely volatile. Foreign exchange rates can also be extremely volatile.

**Bonds.** In general, the bond market is volatile, and fixed-income securities carry interest rate risk. As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer term bonds. The ability of an issuer of a bond to repay principal prior to a security's maturity can cause greater price volatility if interest rates change, and if a bond is prepaid, a bond fund may have to invest the proceeds in securities with lower yields. Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. In addition, investments in certain bond structures can be less liquid than other investments, which would make them more difficult to trade effectively.

**Credit Risk.** Changes in the financial condition of an issuer or counterparty and changes in specific economic or political conditions that affect a particular type of security or issuer can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's credit quality or value. Lower quality debt securities and certain types of other securities involve greater risk of default or price changes due to changes in the credit quality of the issuer.

**Derivatives.** Some mutual funds selected may contain derivatives, such as swaps and exchange-traded futures. Generally speaking, a derivative is a financial contract whose value is based on the value of a reference asset. Investments in derivatives subject these mutual funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Some derivatives involve leverage and provide investment exposure in an amount exceeding the initial investment. As a result, the use of derivatives causes these mutual funds to be more volatile, because leverage tends to exaggerate the effect of any increase or decrease in the value of a fund's portfolio securities.

**Municipal Bonds.** The municipal market can be affected by adverse tax, legislative, or political changes and the financial condition of the issuers of municipal securities. Municipal funds normally seek to earn income and pay dividends that are expected to be exempt from federal income tax. If a fund investor is a resident in the state of issuance of the bonds held by the fund, interest dividends are sometimes exempt from state and local income taxes. Income exempt from regular federal income tax (including distributions from tax-exempt, municipal, and money market funds) may be subject to state, local, or federal alternative minimum tax. For federal tax purposes, a fund's distributions of gains attributable to a fund's sale of municipal or other bonds are generally taxable as either ordinary income or long-term capital gains. Redemptions, including exchanges, can result in a capital gain or loss for federal and/or state income tax purposes. Tax code changes could impact the municipal bond market. Tax laws are subject to change, and the preferential tax treatment of municipal bond interest income may be removed or phased out for investors at certain income levels.

**Legislative and Regulatory Risk.** Investments in your Account may be adversely affected by new (or revised) laws or regulations. Changes to laws or regulations can impact the securities markets as a whole, specific industries and individual issuers of securities. The impact of these changes is not always known for some time.

**Master Limited Partnerships (MLPs).** A publicly traded limited partnership that combines the tax benefits of a partnership with the liquidity of a public company. There are tax advantages and disadvantages to an MLP investment for both its limited and general partners. All profits and losses are passed through to the limited partners and quarterly distributions are treated as a return of capital.

**Risks of Relying on Information and Data Provided by Others.** Analysis methods often rely on the assumption that the companies whose funds and securities are recommended for purchase and sale, the rating agencies that review such securities, and other available sources of information about such funds and securities, are providing accurate, reliable and unbiased data and information. AAS cannot guarantee that analyses and recommendations will not be

compromised by or free from any inaccurate, incomplete, or misleading data and information provided by such other third parties.

**Long-Term Purchases Risk.** Advisor often recommends that clients purchase investments with the intention of holding them for one year or longer. This recommendation is often because the Advisor believes the investments to be undervalued at the time of purchase and/or because Advisor chooses to recommend exposure to a particular asset class over time, regardless of the current projection for such class. A risk of a long-term investment strategy is that by holding an investment for a longer period of time, the client is not be able to take advantage of potential short-term gains. Moreover, if the analysis is incorrect, an investment can decline sharply in value before it is sold.

**Volatility and Correlation Risks.** Clients should be aware that the asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes exhibit similar price changes in similar directions, which can adversely affect Client and become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns or probability projections do not reflect actual future performance.

Clients should understand that investing in any security involves a risk of loss of both income and principal. There can be no assurance that Advisor's or AAS's investment advice and recommendations will be successful or that Client's investment objective will be achieved.

## Appendix 4 Applicable only to KP Clients with Assets Custodied at Schwab

In September 2018, a small number of *VestAdvisor* clients were required to move their self-directed 401(k) accounts back to their original custodian, Charles Schwab & Co., Inc. ("Schwab") as per their Plan requirements. HDVAS granted approval to the Advisory Consultant to continue working with these clients in the *VestAdvisor* program but on the Schwab trading and custodial platform. As such these assets are not custodied at NFS, the platform for other Avantax assets.

Because of this change, some disclosures and procedures listed in this Form ADV Part 2A are not applicable to these clients. These items include:

- Billing will be calculated by Avantax and deducted from the client's Schwab account.
- Confirms, statements, and performance reports will be made available by Schwab. Additional reporting is not provided by Avantax.
- The billing procedures used by Envestnet (including flow billing) are not applicable.
- Trading, custody and transaction execution is done at Schwab. For specifics on Schwab's trading practices, including execution services, order routing and execution, custody, aggregating of transactions and trades through other broker/dealers, please refer to Schwab's current Form ADV.
- References to Envestnet as a trading platform are not applicable for accounts at Schwab.
- The ability to deduct fees from another account may be restricted by Schwab's policies.
- Not all advisory programs offered by Avantax will be available for accounts custodied at Schwab.
- These accounts will be discretionary or non-discretionary as decided by the client. If discretionary, a Limited Power of Attorney form, required by Schwab, must be signed by the client.
- Valuation of assets held at Schwab will be done by Schwab and not Avantax. Fees will be calculated based on the asset value in your account at Schwab as of the last business day of the quarter, and the quarterly fees will be deducted in advance. The fee schedule has not changed.
- The Sweep Program disclosure is not applicable for accounts custodied at Schwab.
- Avantax S is not owned by, affiliated with, or supervised by Charles Schwab & Co., Inc.
- Avantax does not earn any revenue share or 12b-1 fees on the assets custodied at Schwab. Nor does Avantax receive any of the monetary or non-monetary benefits of using National Financial on the assets custodied at Schwab.