



## Avantax Advisory Services, Inc.

*Legacy IMS Programs, Fee based Annuities, Retirement Management Solutions, Seasonal Planning and Solicitor Referral Program*

This brochure provides information about qualifications and business practices of Avantax Advisory Services, Inc. (AAS) which also uses the trade name Avantax Advisory Services<sup>SM</sup>. Avantax Advisory Services, Inc. is a Registered Investment Adviser. Registration does not imply a certain level of skill or training.

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 licensed agents of Avantax Insurance Agency<sup>SM</sup> and Avantax Insurance Services<sup>SM</sup>. 6333 N. State Highway 161, Fourth Floor, Irving, TX 75038.

If you have questions about the contents of this brochure, please call the Avantax Compliance Department at 972-870-6000 or e-mail us at [Compliance@avantax.com](mailto:Compliance@avantax.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about our company is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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### Part 2A of Form ADV: Firm Brochure

April 28, 2020

## Item 2 - Material Changes

This section of the disclosure brochure ("Brochure") will summarize the specific material changes that have been made since the previous version of the Brochure was published. The types of changes discussed in this summary will relate to the nature of the material changes Avantax made to our policies, practices, or conflicts of interest. This will help you decide whether to review all or only certain portions of the Brochure or to contact us with questions about the changes that were made.

The previous version of this Brochure, dated March 30, 2020, has been amended as follows:

Types of Advisory Services: Fee based annuities have been added as a product offering and are offered through the Envestnet Insurance Exchange and various fee-based annuity carriers.

References to Harry Markowitz's association with the firm's Portfolio Management Group have been removed as he is no longer engaged as an outside consultant in our on-going portfolio construction and design research.

The maximum advisory fee that can now be charged in any IMS Select Portfolio strategy (whether offered through our Legacy or Wrap versions) has been reduced from 3% to 2.3%.

The maximum structured products concentration is limited to 30% of the client's liquid net worth.

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 with allocations to individual advisors based on percentage of year-over-year total increase in GDC.

Fixed Income and Bonds are now traded through our partnership with Advisors Asset Management, Inc. (AAM) and will be subject to the following mark-up/mark-down policies. Legacy IMS fixed income trades will be assessed a ticket charge by Avantax and AAM will charge a mark-up/mark-down on each trade. Wrap IMS fixed income trades will not be assessed a ticket charge by Avantax but AAM will charge a mark-up/mark-down on each trade. IMS Unified Choice accounts which utilize AAM as a separate account manager (SMA) for fixed income sleeves will not be assessed a ticket charge and AAM will not charge a mark-up/mark-down; AAM's only compensation will be their SMA fixed income manager fee and all bonds will be purchased and sold on the open market rather than from AAM's inventory.

The IMS Select Dimensional Strategy has been updated to remove the Commodity asset class from the Dimensional model portfolios.

AAS no longer makes Hedge Funds available for new purchases. Adviser may waive this restriction on new purchases if circumstances deem it appropriate.

The IMS Select Core/Satellite Strategy is closed to new investors.

AAS has updated the list of revenue sharing partners and it is attached as Schedule 1.

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.

You may request a copy of our current Brochure at any time, without charge, by calling us at 972-870-6000 or e-mailing us at [Compliance@Avantax.com](mailto:Compliance@Avantax.com).

Additional information about Avantax Advisory Services, Inc. is also available via the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with us who are registered, or are required to be registered, as our investment adviser representatives.

This brochure was last updated on April 28, 2020.

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## Item 4 - Advisory Business

### Introduction

We are Avantax Advisory Services, Inc. (AAS). Through our network of affiliated investment adviser representatives (Advisor(s)), AAS offers comprehensive financial services to individuals, families, businesses and institutions. AAS specializes in partnering with CPA, tax, accounting, legal, and dedicated financial professionals.

Avantax Advisory Services, Inc. (“AAS” or “Avantax Advisory Services<sup>SM</sup>”) 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<sup>SM</sup>”), 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 Avantax Investment Securities, Inc. and 1st Global Advisors merged into Avantax Advisory Services, Inc. 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. The programs described in this brochure are relevant to legacy 1st Global clients and Advisors.

AAS is an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940.<sup>1</sup> AAS is engaged in the business of providing ongoing investment advice and monitoring of client portfolios for fees. As an investment adviser, AAS is a fiduciary to our advisory clients. As fiduciaries, AAS is expected to manage portfolios in the best interests of clients; provide clients with undivided loyalty; make full and fair disclosure of all material conflicts of interest; seek best execution for client transactions; ensure that investment advice is suitable for clients’ objectives, needs and circumstances; and refrain from effecting personal securities transactions that are inconsistent with client interests. If your account is a retirement account and subject to the Employee Retirement Income Security Act of 1974, AAS may be a fiduciary within Section 3(21) or Section 3(38) under the Employee Retirement Income Security Act of 1974 (ERISA), as amended. We acknowledge ERISA fiduciary status, in writing, in your Investment Advisory Agreement. Absent this written acknowledgment, your Advisor may not be providing fiduciary services as defined by ERISA. Please consult with your Advisor if you have not had a conversation about ERISA fiduciary status as your Advisor may only be providing education and not investment advice regarding plan assets. As ERISA fiduciaries, AAS is expected to provide advice that is in your best interest; only charge fees that are reasonable; and not make any materially misleading statements about recommended transactions, fees and compensation, conflicts of interest, or any other matters relevant to your investment decisions.

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<sup>1</sup> Registration does not imply a certain level of skill or training.

Our platform of investment advisory services is collectively known as Investment Management Solutions, or IMS. Through IMS, you have access to a wide range of investment products, including, but not limited to, mutual funds, exchange-traded funds (ETFs), common and preferred stocks, municipal, corporate and government fixed income securities, unit investment trusts, certificates of deposit and alternative investments such as fund of funds hedge funds, structured investments and private equity.

### AAS Tailors our Advisory Services to the Individual Needs of Clients

Our IMS platform is designed to provide you with an orderly, disciplined approach to the investment process. IMS offers a personalized program for investing, with customized portfolios, access to world-class asset managers and consolidated account performance reporting.

AAS provides you with portfolio construction, asset management, and monitoring. Monitoring constitutes an ongoing process by which:

- Your investment objectives, constraints and preferences are identified and specified;
- Strategies are developed and implemented through combinations of financial assets;
- Capital market conditions and client circumstances are monitored; and
- Portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above relevant variables.

You, assisted by your Advisor, complete a risk profile questionnaire (Questionnaire) in the form AAS provides. The Questionnaire describes your financial situation, investment objectives, time horizon, risk tolerance and investment preferences.

AAS asks that you promptly notify your Advisor of any material changes in the information furnished by you in the Questionnaire, including material changes to your financial situation, investment objectives, time horizon, risk tolerance or investment strategy.

AAS uses the Questionnaire to provide services to you. Based on information in the Questionnaire, the Advisor and you will determine the appropriate risk profile type. AAS typically provides you with a Statement of Investment Selection ("SIS") based on the Questionnaire.

Our currently available Investment Management Solutions (IMS) risk profiles are designated as Ultra-Conservative, Conservative, Moderate, Growth and Aggressive Growth. Not all IMS programs are offered in every risk profile.

AAS may change the existing risk profiles or introduce new risk profiles from time to time. You may change IMS risk profiles whenever you like, including when your objectives or risk tolerance change.

You are permitted to place reasonable restrictions on individual securities or types of securities in the IMS Unified Choice program that you wish to exclude from the account, within reasonable parameters set by asset managers and us. AAS will not substitute another security for the restricted one or request that the asset manager designate a substitute security. AAS will use cash to represent the percentage of restricted securities. Restrictions may adversely affect the management of your account or the ability to meet your investment objectives.

### Types of Advisory Services

Our platform of investment advisory services is collectively known as Investment Management Solutions, or IMS. Through IMS, you have access to a wide range of investment products, including, but not limited to, mutual funds, exchange-traded funds ("ETFs"), common and preferred stocks, municipal, corporate and government fixed income securities, unit investment trusts, certificates of deposit and alternative investments such as structured investments and private equity.

Retirement Management Solutions (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.

AAS also offers access to third-party money managers through our Solicitor Referral Platform and financial planning services through Seasonal Planning.

AAS also offers access to fee based annuities through the Envestnet Insurance Exchange and various annuity carriers. The currently available fee based annuity options include variable annuities which are offered with an advisory share class.

AAS is the sponsor of all of the following IMS programs:

#### [Wrap Fee Programs](#)

The IMS Unified Choice, IMS Access, IMS Flex Choice, IMS Select Portfolios, IMS Portfolio Choice and IMS Prime Programs are “wrap fee” programs in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the Client Fee.

The person recommending these programs will receive compensation as result of your participation in each program. The amount of this compensation may be more than what the person recommending the program would receive if you were to pay separately for investment advice, brokerage and other services. Therefore, the person recommending this program may have a financial incentive to recommend this program over other programs or services AAS has to offer.

These wrap fee programs are described in separate brochures. Please make sure to obtain the wrap fee program brochure that corresponds to your chosen program. These brochures can be obtained from your Advisor.

##### [IMS Select Portfolios Program](#)

The IMS Select Portfolios Program is a “wrap fee” program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the advisory fees.

IMS Select Portfolios are diversified asset allocation models invested in pre-selected portfolios of mutual funds and/or exchange traded funds. You are assigned an IMS Select Portfolio based on your risk assessment, investable assets and chosen management strategy.

If your account is a retirement account and subject to the Employee Retirement Income Security Act of 1974, the model portfolios will be managed by Avantax Advisory Services, Inc. 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.

##### [IMS Portfolio Choice Program](#)

The IMS Portfolio Choice Program is a “wrap fee” program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the advisory fees.

IMS Portfolio Choice Portfolios are diversified asset allocation models and may be implemented into securities, which generally consist of, but are not limited to, money market funds, mutual funds, stocks, bonds, unit investment trusts, exchange traded funds and certificates of deposit. You and the Advisor may choose to exclude certain asset classes from the IMS Portfolio Choice portfolio or choose to disregard the profile for the portfolio type indicated. Your portfolio may be invested similarly to, or different from, other clients with the same or similar objectives. AAS



will automatically rebalance your portfolio back to its original target percentages in accordance with the rebalancing schedule and tolerances determined by you and your Advisor.

#### *IMS Flex Choice Program*

The IMS Flex Choice Program is a “wrap fee” program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the advisory fees.

IMS Flex Choice Portfolios may be implemented into individual securities, which generally consist of, but are not limited to, money market funds, mutual funds, stocks, bonds, unit investment trusts, exchange traded funds and certificates of deposit. You and the Advisor may choose to exclude certain asset classes from the IMS Portfolio Choice portfolio or choose to disregard the profile for the portfolio type indicated. Your portfolio may be invested similarly to, or different from, other clients with the same or similar objectives.

#### *IMS Unified Choice Program*

The IMS Unified Choice Program is a “wrap fee” program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the advisory fees.

AAS has retained Envestnet Asset Management, Inc., a Registered Investment Advisor (“Envestnet”), to provide overlay management services for the IMS Unified Choice Program. Envestnet will provide AAS access to third-party investment management firms (“Sub-Managers”) with whom Envestnet has entered into a sub-management agreement to manage the assets of Clients in a separately managed securities portfolio on a discretionary basis. For certain third-party investment managers, Envestnet has entered into an investment model licensing and services agreement with the manager (each a “Model Provider”), whereby Envestnet performs overlay management services of Client accounts invested pursuant to the Model Provider’s strategy, implementing portfolio holding changes pursuant to an investment model maintained by the Model Provider. These Model Providers offer a wide array of investment strategies. In the IMS Unified Choice Program, Advisor will assist you in constructing an asset allocation portfolio comprised of Sub-Managers, Model Provider investment strategies, stocks, bonds, mutual funds and/or ETFs (the “UMA Portfolio”). This program also offers access to private equity and structured investments. Envestnet will manage and maintain the UMA Portfolio in accordance with its stated investment objectives as updated by the applicable Model Providers on an ongoing basis.

#### *IMS Prime Program*

The IMS Prime Program is a “wrap fee” program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the advisory fees.

IMS Prime portfolios are diversified asset allocation models for Accounts with between \$5,000 and \$25,000 in assets, and will be implemented solely into exchange-traded funds (“ETFs”). Client, with assistance of Client’s Advisor, will fully and accurately complete a Risk Profile Questionnaire (“Profile”) in the form provided by AAS, describing the Client’s financial situation, investment objectives, time horizon, risk tolerance and investment preferences. AAS and Advisor will utilize such Profile in rendering services to Client. Upon receipt of Client’s Profile, Advisor and Client will determine the appropriate portfolio type based on results of the Profile. Client will be provided with a Statement of Investment Selection (“SIS”) based on the results of the Profile. Your portfolio may be invested similarly to, or different from, other clients with the same or similar objectives.

#### *IMS Access Program*

The IMS Access Program is a “wrap fee” program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the advisory fees.

IMS Access is a program through which you choose an independent, third-party money manager to manage the entire account. Investment accounts that are managed entirely by an independent, third-party money manager are



often referred to as separately managed account programs (SMA Program) utilizing separately managed account managers (SMA Manager). AAS has currently retained Envestnet Asset Management, Inc., a Registered Investment Advisor ("Envestnet"), to provide access to the SMA Managers available through the SMA Program. AAS and Envestnet delegate their discretionary investment authority to the chosen SMA Manager to directly manage the investment strategy including the buying and selling of all securities. The portfolio may be implemented by the SMA Manager into listed securities, which consist of, but are not limited to, money market funds, mutual funds, ETFs, stocks and bonds, and may not be a margin account. The asset allocation for each account will be customized based on each individual's risk profile and unique goals and is developed in conjunction with your IAR in a co-advisory relationship with the SMA Manager. The SMA Manager, but not your IAR, will have full discretionary authority to reposition assets as needed subject to the risk profile tied to the account.

### IMS Fee Based Annuity

The IMS Fee Based Annuity Program (Program) is designed to provide Client with ongoing investment management and advice for the sub-account investment options of a fee based variable annuity in the Program. Annuities may or may not have additional riders available to be purchased. Client's IAR will monitor market conditions and the performance of Client's IMS Fee Based Annuity investment product's sub-accounts and reposition assets as needed. Client may change the IMS Fee Based Annuity Risk Profile type if Client's Investment Profile changes. Insurance carriers may, depending upon market conditions, modify the risk exposure of the investment product's sub-accounts which can result in a change of Client's Risk Profile. Please carefully review the prospectus for the selected IMS Fee Based Annuity to understand the conditions under which this may occur and discuss them with your IAR. The minimum initial investment in the IMS Fee Based Annuity Program is \$25,000. Adviser, in its sole discretion, may waive the minimum initial investment amount.

### 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 similar to 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 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/Non-ERISA 403(b) Accounts offered through Aspire - AAS or IAR 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 and/or 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, Inc., is the broker-dealer of record for plans placed through VOYA Financial.

#### [Avantax Advisory Service Inc.'s Solicitor Referral Platform \("SRP"\)](#)

AAS also offers limited access to certain turn-key asset manager programs (TAMPs), which provide access to professional third-party asset managers that are outside the scope of the IMS platform. TAMP programs offer you access to a variety of model portfolios with varying levels of risk from which you may choose. TAMP program accounts are not managed by us; rather, they are managed by one or more third-party portfolio managers on a discretionary basis, and they may consist of a variety of different securities types, including stocks, bonds, mutual funds, and derivatives. Account minimums for unaffiliated TAMP program accounts generally range between \$25,000 and \$50,000. AAS are not the sponsor of these TAMP programs. AAS may act in either a "solicitor" or "sub-adviser" capacity when AAS offers TAMP programs to you, as described below:

- **Solicitor:** When acting as a solicitor for the TAMP program, neither AAS nor your Advisor provide advisory services in relation to the TAMP program. Instead, your Advisor will assist you in selecting one or more TAMP programs believed to be suitable for you based on your stated financial situation, investment objectives, and financial goals. AAS and your Advisor are compensated for referring you to the TAMP program. This compensation generally takes the form of the TAMP sharing a percentage of the advisory fee you pay to the TAMP with your IAR and us. When AAS act as a solicitor for a TAMP program, you will receive a written solicitor disclosure statement describing the nature of our relationship with the TAMP program, if any; the terms of our compensation arrangement with the TAMP program, including a description of the compensation that AAS will receive for referring you to the TAMP program; and the amount, if any, that you will be charged in addition to the advisory fee that you will pay to the TAMP as a result of our referral of you to the TAMP program.
- **Adviser or Sub-Adviser:** Under an adviser or sub-adviser relationship between us and the sponsor of the TAMP program, AAS and your Advisor will fulfill the role of an adviser or sub-adviser to you. AAS will provide you with portfolio management supervisory services with respect to the adviser or sub-adviser TAMP programs you select. That means that AAS will monitor the TAMP program's performance, investment selection, and continued suitability for your portfolio and will advise you accordingly. Your advisor will help you determine your risk tolerance, investment goals, and other relevant guidelines in order to help you choose a TAMP program that appears to satisfy your investment needs.

AAS has entered into agreements with several programs to offer one or both of the services described above. AAS may enter into similar agreements with like organizations to provide similar portfolio manager search, custodial and performance reporting services.

Client assets placed with AAS's Solicitor Referral Platform are placed with a custodian chosen by the client.

These programs are closed to most advisors and most clients, except in cases where pre-established relationships exist. The ability to provide access to these TAMPs or deny access to these TAMPs is at the sole discretion of Avantax Advisory Services, Inc.

## Avantax Advisory Services, Inc. Financial Planning Advisory Service

AAS Financial Planning Advisory Service (FPAS) is guided by our proprietary Seasonal Planning Program. AAS's FPAS 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 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 of Seasonal Planning is intended to provide clients with a financial plan targeting specific financial planning goals without the ongoing relationship with the advisor.

References in this section of the Brochure to "you" and "your" apply to each FPAS client who signs the FPAS Agreement ("Agreement"). References to "us," "AAS," and "our" refer to Avantax Advisory Services, Inc. References to "your Advisor" are to your AAS affiliated investment adviser representatives.

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. Your Advisor may review any or all of the following:

- Current financial position. This will include a high-level analysis of your net worth, income (inflows) and expenses (outflows).
- Family, Asset and Cash Flow Protection needs. This may include an inventory of your insurance policies, including life, disability (if you are not retired) and long-term care (if you have reached a certain age). You may also receive an analysis of your needs and your family's needs in the event of death, disability and long-term care, as applicable. This may include an overview of other protection needs (e.g., property and casualty).
- Estate planning consult. This may include an inventory of basic estate documents that are essential for the proper disposition of your assets upon your death and to provide for appropriate care in the event of your incapacity. It may also include a review of asset and policy ownership and beneficiary designations, as well as action steps or comments on how to work with legal advisors to improve your basic estate situation.
- Goals to track over time. Your analysis and written plan may address one or more of your long-term goals, including funding retirement, education and/or future purchases.

### *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 IAR. 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 have been met after the financial plan is delivered to you.

You should expect your initial FPAS plan within approximately 150 days from the date you and your Advisor execute the AAS Financial Planning Advisory Service Agreement. Thereafter, the Seasonal Planning Program is structured for the implementation of quarterly meetings between you and your IAR (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 IAR.

#### 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, annually;
- Track progress over time toward identified goals;
- Identify key changes to your situation and revisit your financial goals; and
- 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. 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 IAR; 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 pro-rated refund of fees at AAS's sole discretion taking into consideration the amount of work that has already been spent preparing the plan. 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 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 IAR. 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 Planning Recommendations

The recommendations provided 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.

#### Married Person as FPAS individual Client

If you are married and participating in a financial planning relationship as an individual, you understand, acknowledge and agree that: (1) as of the signing of the FPAS Agreement, your spouse is not a party to the Agreement; (2) pursuant to the Agreement's Privacy Policy, neither AAS nor its representatives will collect personally identifiable data about your spouse in connection with the financial plan due to existing privacy and contract laws, unless and to the extent your information is unable to be collected without that of your spouse; and (3) your analysis and plan will be based on information that you provide regarding your financial goals, needs, and priorities since your spouse's data and information are not intended to be collected.

#### Estate or Trust beneficiaries as FPAS Clients

If you are an FPAS client and also a beneficiary of an estate or trust that is also an FPAS client serviced by your Advisor, you understand, acknowledge and agree that (1) there may be a conflict when your Advisor is servicing the beneficiary of an estate or trust, as the beneficiary of an estate's or trust's interest may not be the same as your

interest; and (2) when servicing the beneficiary of an estate or trust, your Advisor cannot put your interest ahead of his or her obligation to act in the best interests of the beneficiary of an estate or trust.

#### *About Power of Attorney Appointments*

If you are an Attorney-in-Fact pursuant to a Power of Attorney for the client, you understand, acknowledge and agree that: (1) the financial planning services will be based on the information provided to us by the client and/or attorney-in-fact regarding the client's financial situation; (2) you will provide us with complete and accurate information, to the best of your knowledge; and (3) with the service the client or the attorney-in-fact purchases the Advisor is not obligated to make any recommendations or give any financial advice that, in the sole judgment of the Advisor, would be impracticable, unsuitable, unattainable or undesirable for the client. AAS strongly recommends you seek advice from legal counsel before implementing suggested planning strategies that involve disposition of assets. AAS reserves the right to decline business. When servicing the client's account, the Advisor cannot put the interest of the attorney-in-fact ahead of his or her obligations to act in the best interest of the client.

#### *Legacy Programs*

Legacy programs are closed to new investors. These programs are non-wrap programs, meaning that you will pay for portfolio management services and trade execution separately.

##### *IMS Select Portfolios Program – Legacy*

IMS Select Portfolios are diversified asset allocation models invested in pre-selected portfolios of mutual funds and/or exchange traded funds. You are assigned an IMS Select Portfolio based on your risk assessment, investable assets and chosen management strategy.

AAS will monitor the IMS Select Portfolios and will make changes to the portfolios if a fund or funds no longer fits the fund selection criteria or meets the criteria for its interaction effects with the other investments in the model. When AAS make changes to the IMS Select Portfolios, positions in your account that are affected by the change will be liquidated and new positions will be purchased.

Income tax liabilities may result from the sale of securities within your account, unless the account is otherwise tax sheltered or tax deferred. Income tax liabilities directly reduce investment returns. You are responsible for all tax liabilities arising from the sale of securities within your account.

You may incur short-term redemption fees upon the liquidation of a mutual fund position for purposes of rebalancing or the replacement of one fund for another fund in the portfolio. AAS will attempt to have these fees waived at the time of redemption, but the waiver is at the sole discretion of the mutual fund sponsor.

IMS Select Portfolios are managed on a discretionary basis. AAS will have full authority as your agent and attorney-in-fact to manage the assets in your account on a fully discretionary basis as indicated in the Investment Advisory Agreement. For all services, this discretionary authority includes the authority, without first consulting you, to:

- Determine the portion of assets in your account that will be allocated to each investment or asset class and to change such allocation of assets as necessary;
- Take any and all other actions on your behalf that AAS determines are 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
- Select the broker/dealers or others with which transactions for the account will be effected.

Neither AAS nor the Advisor will 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.

AAS will monitor market conditions and the performance of the IMS Select Portfolios. AAS will reposition assets by rebalancing your account when an asset class is out of tolerance by more than 5%.

##### *IMS Portfolio Choice Program – Legacy*

IMS Portfolio Choice portfolios are diversified asset allocation models and may be implemented into securities, which generally consist of, but are not limited to, money market funds, mutual funds, stocks, bonds, unit investment



trusts, exchange traded funds and certificates of deposit. You and the Advisor may choose to exclude certain asset classes from the IMS Portfolio Choice portfolio or choose to disregard the profile for the portfolio type indicated. Your portfolio may be invested similarly to, or different from, other clients with the same or similar objectives.

AAS and the Advisor will monitor market conditions and the performance of your portfolio. The Advisor will communicate any changes to you and reposition assets as needed. AAS will automatically rebalance your portfolio back to its original target percentages in accordance with the rebalancing schedule and tolerances determined by you and your Advisor. It is important to note that the rebalancing schedules and tolerances are limited in scope and your choice of rebalancing will be amongst the choices provided.

IMS Portfolio Choice portfolios will be managed on a discretionary basis. On June 26, 2017, AAS transitioned to a new proposal and portfolio accounting system to administer the IMS Platform. A change that resulted from this transition is the IMS Portfolio Choice program becoming a fully discretionary program. AAS and your Advisor have full discretionary authority and need not seek your approval prior to purchasing or repositioning assets. The use of discretion requires specific written approval from us. In addition, you must provide written authorization to allow your Advisor to utilize discretion in the account. This is accomplished through the Investment Advisory Agreement.

For grandfathered accounts opened prior to June 26, 2017 through our prior proposal system, AAS has limited discretion. Limited discretion grants us full authority to automatically rebalance the account according to the agreed upon target allocation and rebalancing schedule. This discretionary authority will include the authority, without first consulting you, to determine the amount of assets in each asset class in your account to be bought or sold in order to rebalance the account back to its original target percentages, including the authority to buy, sell, select, remove and replace securities for the account. You may incur short-term redemption fees upon the liquidation of a mutual fund position for purposes of rebalancing or the replacement of one fund for another fund in the portfolio. AAS will attempt to have these fees waived at the time of redemption but the waiver of these fees is at the sole discretion of the mutual fund sponsor.

Neither AAS nor the Advisor will 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.

As a matter of course, no common stock position should be greater than 5% of the total portfolio value. AAS may waive this policy if circumstances deem it to be appropriate.

#### *IMS Flex Choice Program – Legacy*

IMS Flex Choice Portfolios are Advisor directed and may be implemented into individual securities, which generally consist of, but are not limited to, money market funds, mutual funds, stocks, bonds, unit investment trusts, exchange traded funds and certificates of deposit. You and the Advisor may choose to exclude certain asset classes from your IMS Flex Choice portfolio or choose to disregard the Profile for the portfolio type indicated. Your portfolio may be invested similarly to, or different from, portfolios belonging to clients with the same or similar objectives.

AAS and the Advisor will monitor market conditions and the performance of your portfolio. The Advisor may communicate necessary changes to you and reposition assets as needed.

Your IMS Flex Choice account may be either a cash or margin account. A margin account is one in which the firm carrying the account lends cash to you with which you purchase securities. Unlike a cash account, a margin account allows you to buy securities by borrowing the money. In the financial services industry, investors often open margin accounts to take advantage of an opportunity to leverage their investment, not because they lack the money to make the full purchase. However, investors using the IMS Flex Choice platform most often use margin in conjunction with check-writing capabilities offered on these accounts. Margin allows you to borrow money in cases where a check is written for an amount greater than the cash balance. While this borrowing has a cost, it also prevents you from prematurely selling securities and allows you to make a later deposit to return the money borrowed. While the use of margin may offer the potential to leverage an investment, and allows you greater flexibility in the operation of your account, buying securities on margin also subjects you to additional costs and risks that should be carefully considered. **You should be aware that a margin debit balance will not reduce the market value of the billable assets in your accounts and the margin debit balance will be added into the account value upon which the advisory fee is assessed.** If you use margin to purchase

additional securities, to avoid liquidating securities to cover distributions or for any other purpose, your total value of billable assets increases and therefore your advisory fee will increase. The increased advisory 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.

Your IMS Flex Choice account may be a discretionary account for which the Advisor need not seek your approval prior to purchasing or repositioning assets. The use of discretion requires specific written approval from us. In addition, you must provide written authorization to allow your Advisor to utilize discretion in the account. This is accomplished through the Investment Advisory Agreement.

As a matter of course, no common stock position should be greater than 5% of the total portfolio value. AAS may waive this policy if circumstances deem it to be appropriate.

### Closed or Discontinued Platforms

- Institutional Managed Account Program ("I-MAP") – This program was closed to new investors on December 31, 2004.
- Global Choice Platinum Managed Account Program ("Global Choice Platinum") – This program was consolidated with the Global Choice Managed Account Program ("Global Choice") and renamed IMS Flex Choice on October 31, 2004.
- Global Choice Managed Account Program ("Global Choice") – This program was consolidated with the Global Choice Platinum Managed Account Program ("Global Choice Platinum") and renamed IMS Flex Choice on October 31, 2004.
- Premium Managed Account Program ("P-MAP") – This program was closed to new investors on December 31, 2004.
- Select Managed Account Program ("S-MAP") – This program was renamed IMS Premium Choice on October 31, 2004 and renamed Solicitor Referral Platform on September 9, 2009.
- Variable Managed Account Program ("V-MAP") – This program was closed to new investors on May 31, 1999.
- Compass – This program was closed to new investors on January 1, 2002.
- CompassGOLD – This program was closed to new investors on October 19, 2009.

### Special Product Considerations

All IMS programs, except IMS Prime, offer access to private equity and structured investments. Private equity and structured investments are billable assets. In addition, while Hedge Funds are no longer offered, any Hedge Fund positions currently held in IMS programs will continue to be billable assets. AAS can choose to waive the restriction on new Hedge Fund purchases if circumstances deem it appropriate. AAS will charge you quarterly advisory fees based on the value of your hedge fund, private equity and structured investment assets. Beyond the infrastructure of the IMS programs, your investment advisory fee is for the specialized advice and guidance provided by your Advisor regarding these assets.

AAS will make private equity investments available only to qualified purchasers, qualified clients or accredited investors as those terms are defined under applicable securities laws.

AAS limits your investment in private equity to no more than 7.5% of your stated net worth. Furthermore, and generally, no more than 30% of your net worth may be allocated to hedge funds, private equity and structured investments, combined. The rest of the account will be allocated to the appropriate portfolio type as determined by your Profile. The percentage allocated to each asset class within the portfolio type will be proportionately reduced by the percentage of the portfolio allocated to hedge funds, private equity and/or structured products. AAS will make special rebalancing considerations for those accounts incorporating an allocation to hedge funds, private equity or structured products.

AAS cautions that you may have limited opportunities to redeem shares of hedge funds or private equity, because the underlying securities may not be available for sale for long periods of time, and the hedge funds and private equity impose



restrictions on repurchase offers further limiting exit strategies or redemptions. Structured investments are available in various maturities as outlined in the offering document for the product. Due to these restrictions, the portion of your account allocated to the asset allocation model will be rebalanced independent of any hedge funds, private equity and/or structured investments in the account. The asset allocation model alone will be rebalanced back to the original target allocations of that model. It is not feasible for us to incorporate hedge funds, private equity and/or structured investments into the rebalance process.

Once a structured investment matures or a hedge fund or private equity is redeemed, you and the Advisor can determine how to reinvest or withdraw the proceeds, and you may fully rebalance your account at that time. Private equity minimum investment amounts vary as described in the fund's offering document.

The minimum investment in a structured investment is \$1,000.

An account found to be in violation of the above concentration limits may be forced to remove illiquid alternatives from the account. Concentration issues may be addressed in a number of ways including the transfer of products to a separate brokerage account, adding funds to the account or the "de-networking" of a product to be held directly at the product sponsor, if possible.

Hedge funds, private equity and structured investments are not permitted in the IMS Prime program.

Non-publicly traded REITs and LPs may be sold for a commission by individuals acting in their capacity as a registered representative. The commission may be roughly seven percent of the purchase price and reduces the number of shares owned. These same products are often also made available by investment adviser representatives at net-asset-value ("NAV") and included as a billable asset in a fee-based advisory account. This increases the number of shares owned but you may pay more than one percent on the value of the asset for 10 or more years. These products have no liquidity (therefore cannot be managed) and are designed to be held for ten or more years. Additionally, valuation methodologies for certain LPs are subject to substantial limitations and lack of uniformity and while valuation methodologies for non-publicly traded REITs have become more uniform (with the recent introduction of more detailed regulatory rules), in our view, those valuations are still not commercially practicable for use in a fiduciary environment as an appropriate billable value. For these reasons, we have chosen to exclude them as billable assets on our advisory platforms. These products may only be offered via commission through our affiliated broker-dealer by individuals acting in their capacity as a registered representative. In the event one of these products undergoes a liquidating event sooner than anticipated, you may end up paying more for the product by paying a commission. Conversely, if the product is owned for the anticipated holding period, you will likely pay more if it is sold to you at NAV and held as a billable asset in a fee-based advisory account. In order to obtain these products via NAV you will have to purchase them elsewhere.

## Program Considerations

The specific advisory program selected by you may cost you more or less than purchasing program services separately. Factors that bear upon the cost of a particular advisory program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client-related services provided to the account. Just as many Advisors offer management fee discounts to their larger clients, AAS will retain less of the investment advisory fee as our Advisor's total IMS platform assets under management increases. As Advisors grow their fee-based business within our suite of IMS programs, our economies of scale are shared with Advisors by reducing the percentage amount of investment advisory fees that AAS will retain. Our retention decreases as Advisors reach specified asset levels.

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.

Investment recommendations and advice offered by our Advisors and us does not constitute legal, tax, or accounting advice. You should coordinate and discuss the impact of the financial advice you receive from our Advisors with your attorney and

accountant. AAS acknowledge that our Advisors are commonly CPAs or other tax, accounting or legal professionals, therefore, acting as your CPA, tax or accounting professional or attorney, your Advisor may, in this capacity, provide legal, tax or accounting advice.

In general, your Advisor is responsible for delivering investment advisory services to you, and you generally deal with matters relating to your account(s) by contacting your Advisor directly.

Compensation to your Advisor and us may be more than the amounts AAS would otherwise receive if you paid for investment advice, brokerage, and/or other relevant services separately.

Fee-based advisory accounts closely align our interest and reduce the likelihood of churning, high-pressure sales tactics and recommending unsuitable transactions. Fee-based programs offer investors consistent and explicit monthly or annual charges and are generally suitable for accounts that engage in at least a moderate level of trading activity. Fee-based programs have periodic, ongoing fees to support ongoing monitoring and advice regarding the assets in your account. This ongoing monitoring and advice is supported by features and benefits such as automatic rebalancing. The tools AAS makes available to your Advisor allow him or her to be proactive in the management of your assets. In a commission-based program there is no ongoing monitoring and advice. Once a transaction is complete the obligation to monitor that investment ends. The Advisor is available to assist you in the future but that assistance will be reactive in nature. Fee-based programs may not be a fit for certain investors. Accounts with low trading activity may be better off with a commission-based program. These accounts may be comprised mainly of bonds or mutual funds, but also could contain individual capital appreciation equities where the customer has a stated buy-and-hold strategy.

In determining the appropriateness of a fee-based program versus a commission-based program AAS will consider your financial status, investment objectives, trading history, size of portfolio, nature of securities held, and account diversification. AAS may also consider whether the fee-based program is appropriate in light of the services provided, the projected cost to the customer, alternative fee structures that are available, and the customer's fee structure preferences.

### 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.

## Item 5 - Fees and Compensation

### AAS Earns Asset Management Fees for the Services We Provide

You will pay AAS and your Advisor an annual asset management fee (Client Fee) based on a percentage of assets under management (AUM) or a flat fee based on the value of your account if you elect to receive asset management services through one or more of our IMS programs. The maximum Client Fee that can be charged in IMS Select Portfolios is 2.3%. For all other IMS programs the maximum client fee is 3% annually and is generally negotiable. Certain managed account platforms have lower maximum annual fee amounts, and fee schedules will vary among platforms. In most cases, the Client Fee is payable quarterly in advance and is based on the AUM on the last business day of the previous calendar quarter. Certain managed account platforms charge fees in arrears and will have differing methods of computation. Please refer to the respective platform description below or to the respective client agreement for specific information about the maximum fee allowed, the varying fee schedules of each platform, and the methods of fee billing for the platform(s) you select.

Your Advisor may recommend that products on which they previously received a commission be converted to a fee-based advisory account. This recommendation could be deemed to be a conflict of interest, and we manage the conflict through written disclosure to you and by imposing reasonable controls designed to monitor for this activity. Commissionable products can be transferred in-kind to an advisory account but will have a look-back period to determine if the commission should be refunded to the client. We do not allow the systematic conversion of recently purchased commission-based products to fee-based advisory accounts.

[IMS Select Portfolios-Legacy](#)

[IMS Portfolio Choice-Legacy](#)

[IMS Flex Choice-Legacy](#)

AAS will charge a Client Fee of up to 2.3% of assets under management in IMS Select Portfolios and up to 3% in all other IMS programs.

The Client Fee is paid quarterly. The fee for Client's Account 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 calendar quarter. To calculate the Client Fee, multiply the Advise Fee by the quotient of the number of days in the calendar quarter divided by the number of days in the calendar year.

Additional assets received into the account during any billing period will be charged a pro-rata Client Fee based on the number of days remaining in the billing period if the amount of the deposit is in excess of \$10,000. Withdrawals from the account will receive a pro-rata refund if the amount of the withdrawal is in excess of \$10,000.

The Client Fee does not include certain fees and charges related to account services provided by the custodian. The fees and charges for accounts held through National Financial Services LLC (NFS) are disclosed in the section titled Account Fees and Charges for Accounts held through NFS. The fees that AAS charges are in addition to fees charged by any mutual funds in which you may invest. The mutual funds in your portfolio assess charges and fees at the fund level, including fees for investment management services and 12b-1 distribution charges that are permitted under Section 12b-1 of the Securities Exchange Act. You should be aware that these 12b-1 fees come from fund assets and thus, indirectly from your assets. **As a general matter, AAS credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees.**

Together with you, AAS will establish the Client Fee within the range stated above. AAS receives a portion of the Client Fee.

### Fee Based Annuity

Client will pay an annual fee on a quarterly basis ("Client Fee"). The Client Fee for Client's account 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 each calendar quarter. The Client Fee will be the sum of each of the Sponsor Fee and the Adviser Fee. The Client Fee for each quarter is payable in advance and will be calculated as follows:

*Sponsor Fee:* The Sponsor Fee is multiplied by the quotient of the number of days in the calendar quarter divided by the number of days in the calendar year.

*Advise Fee:* The Advise fee is multiplied by the billable account value and then multiplied by the quotient of the number of days in the calendar quarter divided by the number of days in the calendar year.

The initial Client Fee will be calculated proportionately based upon the number of days remaining in the quarter the account is established and based on the market value of the account as of the close of business on the start date applied to the Client's account and shall be automatically withdrawn from the assets in the separately linked Avantax Investment Services ("Avantax") brokerage or advisory account held through National Financial Services, LLC (NFS) ("Payment account"). Assets received into the account during any billing period will be charged a pro-rata fee based on the number of days remaining in the billing period if the amount invested exceeds the threshold amount of \$10,000. Conversely, withdrawals from the account after quarterly billing will result in a pro-rata refund based on the number of days remaining in the quarter if the amount withdrawn exceeds the threshold amount of \$10,000.

**In addition to the Client Fee, which you will pay on a quarterly basis, you will also pay the Annuity Carrier the internal expenses of the fee based annuity product ("Internal Expenses"). An Annuity Carrier will withdraw the internal expenses from the assets in the Annuity as disclosed in the Annuity's prospectus. An Annuity's internal expenses are NOT calculated as part of the Client Fee and cannot be paid from a Payment account.**

The Client Fee does not include “expense ratios” of packaged investment products such as investment sub-accounts. Specific information on the expense ratios of any investment sub-accounts or index linked products may be found in their respective annuity prospectuses.

Adviser is authorized to withdraw the amount of the Client Fee from the Payment account on or after the first business day of each quarter. The Client Fee must always be paid from a Payment account. You will be required to identify the Payment account. The Agreement will terminate if the designated Payment account is closed or has insufficient funds to pay Client Fee within 30 days of the end of the prior quarter.

If Client Fees are due and payable but there are insufficient funds available in an **advisory** Payment account to cover such fees, and the account is a cash account, Adviser is authorized to withdraw the amount of the Client Fees, liquidating assets if necessary. For advisory Payment accounts that have a margin debit balance, Adviser is authorized to withdraw fees described in this section even if the withdrawal causes the margin debit balance in the Payment account to increase. For advisory Payment accounts that do not have a margin debit balance (but are approved for margin), Adviser is authorized to withdraw fees described in this section even if the withdrawal causes the margin debit balance in the Payment account to increase.

If your Payment account is linked to a **brokerage** Payment account and has insufficient funds to cover such fees, your IAR and/or you will be asked either deposit funds or liquidate assets in the brokerage account in an amount sufficient to cover the fees. In no instance will Adviser have the authority to liquidate assets in your brokerage Payment account without obtaining your approval. The amount of such fees will be reflected on the portfolio performance report provided to you by your IAR and on the custodial statement for the Payment account provided by NFS.

### Retirement Management Solutions (RMS)

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

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 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.

Additional RMS assets with AAS may be held with retirement plan vendors who are not currently listed as available Platform Providers. These vendors are closed to new clients and existing plan assets are subject to the billing arrangements as described in the advisory agreements in place between the client, the vendor and AAS. The ability to provide access to these vendors or deny access to these vendors is at the sole discretion of AAS.

The asset management fee does not include the cost of custodial and record keeping services, which are disclosed in the Platform Provider recordkeeping service agreement.

Avantax Investment Services, Inc., our affiliated broker-dealer, does not retain any 12b-1 fees on assets in any of our RMS retirement plans. Some providers may use 12b-1 fees to offset recordkeeping and asset management fees and some providers may 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.

### AAS's Solicitor Referral Platform

The annual asset management fee is up to 3.00% of assets under management.

The asset management fee typically includes the cost of custodial services. The assets will be held with a custodian mutually agreeable to you and the portfolio manager.

The asset management fee varies primarily based on the size of the account and the portfolio managers selected by you, though other factors may also influence the amount of the annual asset management fee charged.

The asset management fee will be determined according to the fee schedule of the portfolio manager sponsoring the program up to a maximum of 3.00%. You should read the Form ADV of the sponsoring third-party asset manager for information regarding asset management fees and other expenses.

### Seasonal Planning Program

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 (1) your Advisor's fee schedule, which may be based on factors such as local market considerations; and (2) the overall complexity of your case.

For the seasonal model, your Advisor will assign an overall complexity factor of "Level 1," "Level 2" or "Level 3" to your case based on your household income and net worth; financial position and cash flow needs, protection and estate needs; investment and tax planning needs; number of goals you wish to consider for inclusion and tracing within your plan; and assorted other factors (e.g., life events, such as marriage, early retirement, employment changes; as well as any business planning needs you may have).

If you engage in the financial plan only model, your advisor will assign an overall complexity factor of "Level 1," "Level 2" or "Level 3" to your plan based on which financial planning topics will be addressed in the plan, and the extent to which each included topic will be addressed.

The minimum annual fee for the seasonal 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 can expect for this fee.

If you engage in the season 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 may earn commissions or advisory fees should you choose to implement all or a portion of the plan through Avantax Investment Services, Inc. (our affiliated broker/dealer), Avantax Advisory Services, Inc., Avantax Insurance Services or other outside money managers. At all times it is solely your choice whether implementation of all or a portion of the recommendations in the plan are done through us,



our affiliated broker/dealer or other broker/dealer or money managers chosen by you. 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 herein.

AAS is dedicated to providing quality client service. AAS works hard to ensure your satisfaction with the FPAS services that you receive, and seek to meet or exceed your expectations. AAS will work with you to address any of your questions or concerns.

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 may be made with respect to interest and inflation rates and use of 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.

### Billing Practices

AAS, through the account custodian, will typically debit the annual Client Fee from your IMS account automatically. The annual Client Fee will be payable first from free credit balances, core sweep vehicle, money market funds, or cash equivalents, if any, and second from the liquidation of a portion of your securities holdings, pursuant to the discretionary authority granted by you to the Advisor and AAS. Rather than automatic fee debiting from your account, you also have the ability to be direct billed by writing a check to us for the fee amount, or instructing us to charge the fee to one of your other AAS accounts. You will pay fees quarterly, typically in advance, based on the specific program selected by you.

You will be provided with an invoice that states the value of the assets, fee calculation and amount due or amount withdrawn (to pay fees earned by the IAR and us) only if you pay by check. Those clients choosing to pay by direct debit from the account or another account will not receive an invoice. For all accounts other than AAS's Solicitor Referral Platform and RMS, you will receive a statement from the custodian, NFS, reflecting the withdrawal of fees. It is your responsibility to verify the accuracy of the fee as neither AAS nor the custodian do so. The amount of the advisory fee will also be reflected in the IMS quarterly performance report.

The Client fee is disclosed in the SIS. AAS reserves the right to revise the Client Fee upon 30-day advance written notice, prior to the quarter in which the change would become effective. Changes to a Client Fee are reflected on the next billing cycle unless there is a qualifying deposit or withdrawal between the time of the Client Fee change and the next billing cycle. A qualifying deposit or withdrawal is one that is in excess of \$10,000.

RMS plan 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. Plan Client 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 plan clients will not receive an invoice. July clients 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 will have been 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.
- RSG 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 can 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 can 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.

AAS does not provide invoicing for clients of AAS's Solicitor Referral Platform. Billing on these accounts is handled through the third-party asset manager. AAS receives a portion of the advisory fee for referring the business to the respective third-party asset manager.

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

## Other Fees and Expenses

In addition to the charges noted above, you may also incur certain charges imposed by third parties other than us or the Advisor in connection with certain investments. AAS and your Advisor may receive a portion of these fees. These include, but are not limited to:

- Mutual fund or money market 12b-1 fees and sub-transfer agent fees;
- Mutual fund, ETF and money market management fees and administrative expenses;
- Mutual fund transaction fees;
- Certain deferred sales charges on previously purchased mutual funds transferred into the account;



- Custodial fees;
- Record keeping and third-party administration (TPA) fees for qualified retirement plans;
- Other transaction charges and service fees;
- IRA and qualified retirement plan fees; and
- Other charges that may be required by law.

If you own mutual funds, the funds may charge early redemption fees if you liquidate fund holdings in your account within a certain period of time after investing them, typically within 30 to 180 days, depending on each fund company's policies.

The fees that AAS charges are in addition to fees charged by any mutual funds in which you may invest. The mutual funds in your portfolio assess charges and fees at the fund level, including fees for investment management services and 12b-1 distribution charges that are permitted under Section 12b-1 of the Securities Exchange Act. You should be aware that these 12b-1 fees come from fund assets and thus, indirectly from your assets. **As a general matter, AAS credits the mutual fund 12(b)1 fees it receives back to the client accounts paying such 12(b)1 fees.**

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.

Unless you are investing in Retirement Management Solutions, Fee Based Annuity or AAS's Solicitor Referral Platform, you must choose a default sweep vehicle upon establishing the account. Cash received into the account will be automatically swept into the default sweep vehicle on an intra-day basis and reported on an end-of-day basis.

For AAS's Solicitor Referral Platform accounts, fees are determined by the individual third-party asset manager on the platform. Clients should refer to the disclosure brochure of the third-party asset manager for information regarding fees and expenses.

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.

Hedge funds and private equity will also be subject to underlying fund expenses including management and other servicing fees. Typically, you will be responsible for a repurchase fee, a percentage of the amount requested, if you request a distribution and have invested in the hedge fund or private equity for less than the stated holding period outlined in the hedge fund or private equity prospectus/private placement memorandum. Hedge funds and private equity may also assess a performance fee. For more information regarding the fees of hedge funds and private equity, please refer to the prospectus/private placement memorandum offered at time of sale and available from the hedge fund or private equity directly.

The fees and expenses of structured investments may change from offering to offering. For a complete breakdown of the fees and expenses of structured investments, please refer to the offering document for that product.

### [Account Fees and Charges for Accounts held through NFS](#)

The following fees and charges apply for accounts held through NFS. Fees and charges are subject to change. Additional fees may apply for specific account features such as check writing, debit or charge cards, and bill pay services. Please refer to specific account documentation for further information.

Product Type	Maximum Charge
Equities	\$20 per trade
ETFs	\$20 per trade
Mutual Funds	\$20 per trade*
Fixed Income	\$14.50 per trade
UITs	\$35 per trade
Foreign Equity	\$90 per trade

\*Our custodian, NFS, assesses a transaction fee surcharge of \$10.00 on certain mutual funds. Meaning, you will pay a \$30 transaction fee for some mutual fund trades. These funds are subject to the transaction surcharge because they do not pay NFS' standard administrative and/or service fees. The list of affected fund families is subject to change at any time and without prior notice. The list includes fund families like Dodge & Cox, CGM, Sequoia, and Vanguard. It also includes most shares classes of funds that pay zero 12b1 fees and revenue sharing payments, typically an R6 share class although the current list also includes K, M, Z, Y, F, N and Q share classes of funds. The list also includes some institutional class shares for fund families like Oppenheimer and Pimco. This list is not all-inclusive. Please consult with your financial advisor to discuss if any of your existing holdings will be assessed the \$10 surcharge or if any future recommended fund will be assessed a \$10 surcharge.

For a complete listing of custodial fees and charges, please see the fee schedule on our public website at [https://www.avantaxwealth.com/sites/default/files/file\\_attach/awm\\_updatedclientfeeschedule-1-4-2020.pdf](https://www.avantaxwealth.com/sites/default/files/file_attach/awm_updatedclientfeeschedule-1-4-2020.pdf)

Fixed Income and Bonds are now traded through our partnership with Advisors Asset Management, Inc. (AAM) and will be subject to the following mark-up/mark-down policies. Legacy IMS fixed income trades will be assessed a ticket charge by Avantax and AAM will charge a mark-up/mark-down on each trade. Wrap IMS fixed income trades will not be assessed a ticket charge by Avantax but AAM will charge a mark-up/mark-down on each trade. IMS Unified Choice accounts which utilize AAM as a separate account manager (SMA) for fixed income sleeves will not be assessed a ticket charge and AAM will not charge a mark-up/mark-down; AAM's only compensation will be their SMA fixed income manager fee and all bonds will be purchased and sold on the open market rather than from AAM inventory.

Transaction costs are not commissions; they are clearing costs charged by the designated clearing firm on the account and are subject to change at any time. Either the IAR or we may decide to bear the costs of transactions under certain circumstances.

### Termination and Advisory Fees

For all accounts other than Retirement Management Solutions and AAS's Solicitor Referral Platform, AAS will charge the Client Fee in advance upon establishing the value of the portfolio based on the proportion of the number of days remaining in the quarter. Thereafter, AAS will charge quarterly fees based on the value of the portfolio on the last business day of the prior quarter or the date the custodian values the portfolio for the month-end statement at the end of the prior quarter. The value of the portfolio generally includes the value of all securities held in the account, including the value of money market mutual funds, but excluding non-billable assets.

The Client Fee is payable by you upon initial statement at the end of the prior quarter. The Client Fee payable upon initial implementation of the account is payable by you upon receipt of an invoice from us, or AAS collect them directly from the account or from another account of yours.

Pursuant to a fee authorization and initial power of attorney signed by you, AAS will calculate the Client Fee for all subsequent periods as of the last business day of the previous quarter. If your account does not contain sufficient funds to pay the Client Fee, AAS will have limited authority to sell or redeem securities in sufficient amounts to pay the Client Fee. You may reimburse the portfolio for fees that are paid from the portfolio. If you have chosen to pay upon receipt of an invoice, fees due and payable that have not been collected 45 days after receipt of the invoice will be debited from your account. Furthermore, if you fail to pay an invoice after a second notice, the account will be changed to be automatically debited each quarter.

RMS plan clients utilizing July Business Services 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.

For AAS's Solicitor Referral Platform accounts, fees are determined by the individual third-party asset manager on the platform. You should refer to the disclosure brochure of the third-party asset manager for information regarding fees and expenses.

You may terminate the agreement with us within five business days of signing the agreement without incurring any charges.

Furthermore, AAS or you may terminate the agreement at any time and for any reason, upon thirty (30) days written notice to the other party. You are responsible for fees during the period between notice and final termination, which is the end of the 30-day period. AAS may waive the 30-day written notice requirement at our sole discretion. Accounts with no financial intermediary (no assigned financial advisor), will continue to pay our portion of the total Client Fee. This fee is to cover administrative and reporting services which may be provided until the account is transferred away from the Firm.

Upon notice of termination, AAS will await further instructions from you as to what steps you request to liquidate and/or transfer the portfolio and remit the proceeds. Upon instructions received, AAS will instruct brokers, dealers, mutual fund sponsors, and others to liquidate and/or transfer the portfolio and remit proceeds to you.

Upon termination of your IMS account, AAS will refund our unearned Client Fee on a prorated basis as detailed in the Investment Advisory Agreement.

AAS cannot make any representation regarding investment features that may limit your ability to liquidate or transfer all or a portion of your portfolio. In these cases, AAS will consider your agreement terminated as per the language in the agreement and stated here. For information on features that may limit or impair the ability to sell or transfer an asset, you are advised to review the prospectus, offering document or participation agreement.

Your Seasonal Planning Agreement will automatically renew each year. 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 IAR; 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 pro-rated refund of fees at AAS's sole discretion taking into consideration the amount of work that has already been spent preparing the plan. 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.

### Additional Compensation

Advisors of AAS may also be Registered Representatives (RRs) of our affiliated broker-dealer, Avantax Investment Services, Inc. Our Advisors may offer financial planning services at no cost or for a fee through our Seasonal Planning Program. These recommendations may be implemented through the broker-dealer or us.

When implemented through the broker-dealer, RRs of Avantax Investment Services, Inc. receive commissions from the sale of investment products, including the sale of mutual funds. Mutual funds assess charges and fees at the fund level, including fees for investment management services and 12b-1 fees that are permitted under Section 12b-1 of the Securities Exchange Act. These charges principally cover advertising, promotion, and shareholder servicing expenses incurred by the fund. The amount of additional compensation paid by mutual funds in the form of 12b-1 fees can differ between funds and some funds pay no 12b-1 fees at all. RRs can receive all or a portion of these 12b-1 fees. Therefore, in the context of providing investment services in a commission based setting, the presence of these 12b-1 fees can present a potential conflict of interest because it can provide the RR with an incentive to recommend the investment products which include such fees.

When implemented through us, Advisors of AAS do not receive commissions for the sale of investment products through our advisory platforms. Instead, they receive advisory fees based on the assets under management in the account.

**Generally, all 12b-1 fees are refunded to the client accounts paying such 12b-1 fees.** Therefore, there is no financial incentive present to recommend certain mutual funds over others and it is devoid of any potential conflict of interest based on differential compensation. You have the option to purchase investment products recommended by your Advisor through other brokers or agents that are not affiliated with us.

Load-waived mutual funds will and may be chosen for any of our managed account platforms rather than the same mutual fund with a sales charge. This gives us and the Advisor the right to determine commission rates paid (zero %) without your specific consent. In addition, trails or service fees may be paid on some load-waived mutual funds and not on no-load funds, both of which may be used within our managed account platforms.

AAS financial advisors may select share classes of mutual funds that pay Avantax 12b-1 fees when lower-cost institutional shares or advisory class shares of the same mutual fund may be available. **As a general matter, AAS credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees.**

In most cases, multiple share classes of the same mutual fund are available for purchase. Some share classes of a fund charge higher internal expenses, whereas other share classes of a fund charge lower internal expenses. Institutional and advisory share classes typically have lower expense ratios and are less costly for a client to hold than Class A shares and other share classes that may be eligible for purchase in an advisory account. Mutual funds that offer institutional share classes, advisory share classes, and other share classes with lower expense ratios are available to investors who meet specific eligibility requirements that are described in the mutual fund's prospectus or its statement of additional information. These eligibility requirements include, but are not limited to, investments meeting certain minimum dollar amounts and accounts that the fund considers qualified fee-based programs. It is also possible that the lowest-cost mutual fund share class for a particular fund may not be offered through AAS or available for purchase within specific types of accounts. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio or cost.

AAS urges clients to discuss with their Advisor whether lower-cost share classes are available and appropriate given their expected holding period, amount invested, trading frequency, the amount of the advisory fee charged, whether the client will pay transaction charges for fund purchases and sales, whether clients will pay higher internal fund expenses in lieu of transaction charges that could adversely affect long-term performance, and relevant tax considerations. An advisor may recommend, select, or continue to hold a fund share class that charges clients higher internal expenses than other available share classes for the same fund.

These fees, transaction charges, and availability of various fund share classes with lower internal expenses present a conflict of interest between clients and AAS or its advisors because AAS or your advisor has a greater incentive to make available, recommend, or make investment decisions regarding investments that provide additional compensation to AAS or your advisor or cost clients more than other similarly available investments. For those AAS advisory programs that assess transaction charges to clients or to AAS or the advisor, a conflict of interest exists because AAS or your advisor has a financial incentive to recommend or select NTF funds that do not assess transaction charges but cost you more in internal expenses than funds that do assess transaction charges but cost you less in internal expenses.

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.

The purchase or sale of certain funds available for investment through AAS may result in the assessment of transaction charges to you, your advisor, or AAS. Although no transaction-fee ("NTF") funds do not assess transaction charges, most NTF funds have higher internal expenses than funds that do not participate in an NTF program. These higher internal fund expenses are assessed to investors who purchase or hold NTF funds. Depending upon the frequency of trading and hold periods, NTF funds may cost you more, or may cost AAS or your AAS advisor less, than mutual funds that assess transaction charges but have lower internal expenses. In addition, the higher internal expenses charged to clients who hold NTF funds will adversely affect the long-term performance of a client's account when compared to share classes of the same fund that assess lower internal expenses.

NFS is the custodian of your account. We pay an asset-based fee to NFS based on average daily balances in all IMS accounts. The asset-based fee we pay NFS does not apply to the following asset classes: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash and Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets, which include but are not limited to Foreign Securities, Alternative Investments, and

Non-Marketable Securities. We can and do utilize these products in our accounts. A potential conflict of interest exists as AAS has a financial incentive to use these products over other products that are assessed the asset-based fee.

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.

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 furthermore 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.

### Turn-Key Asset Manager Programs (TAMPs)

AAS and your Advisor may serve as solicitors for third-party investment advisers. AAS and our Advisors are compensated for referring your advisory business to these third-party investment advisers. This compensation generally takes the form of the third-party investment adviser sharing with your Advisor and us a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. AAS and your Advisor may, therefore, have a conflict of interest to refer clients to those third-party investment advisers that pay referral fees to us or to your Advisor rather than those that don't. Additionally, AAS and your Advisor may have a conflict of interest to refer clients to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

### Revenue Sharing Arrangements

Companies for some of the investment products Avantax sells participate in activities that are designed to help facilitate the distribution of their products. The marketing activities and educational programs provided by these product sponsors include, but are not limited to, attendance by product representatives at our conferences, cash and non-cash marketing assistance paid to Advisors, and training and education presentations provided to Advisors about their products and services. In return for assistance in facilitating the activities described above, Avantax receives additional compensation, commonly referred to as "revenue sharing," from these companies. These companies are part of what Avantax calls our Educational Partners Program. These revenue sharing payments are in addition to the commissions and distribution fees (known as 12b-1 fees), and other fees and expenses paid to your Advisor and us, as disclosed in the respective product's prospectus. It is important to note, however, that these revenue sharing payments are paid out of the company's own assets—not from the investment's assets themselves—and, therefore, would not appear as items in a fund's expense table. No portion of these revenue sharing payments to us is made by means of brokerage commissions generated by the fund.

Upon the recommendation of AAS's Portfolio Management Group (PMG), the AAS Investment Committee may choose to include an Educational Partners Program offering in our IMS or RMS Select Portfolios. As such, a potential conflict-of-interest exists because of the additional revenue AAS would receive as a result of such a decision. Please review the Section of the Brochure titled Due Diligence Process: IMS Select Portfolios and RMS Select Portfolios for a complete description on how products are chosen for inclusion in the IMS Select and RMS Select model portfolios.

None of the revenue sharing payments received by us is paid or directed to any Advisor who sells these products. Our Advisors do not receive a greater or lesser amount of cash compensation for sales of the products of those companies that participate in our revenue sharing program, as opposed to those that do not make such payments. Because our Advisors receive no increase or change in compensation from selling shares of one product over another, Avantax does not believe that they are subject to a conflict of interest based on the amount of revenue sharing Avantax receive from those companies.

Our Advisors, however, may receive reimbursements from product sponsor companies for certain marketing costs and may participate in training and education meetings sponsored by the companies. The cash and non-cash marketing reimbursements and training and education meetings paid for by product sponsor companies, whether or not the same companies participate in our revenue sharing program, could lead our Advisors to focus more on those products that provide



the Advisor with marketing or training and education assistance, as opposed to those companies that do not make such payments. The product sponsors that participate in our revenue sharing program are listed in Schedule 1.

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 would receive a one-time \$25 payment and/or a \$13 annual payment during each period the asset remains invested); or a flat annual dollar amount.

Participating product sponsors may also be subject to certain minimum payments each year in conjunction with the program if minimum amounts of sales or assets are not met, and they may also make additional payments to us for attendance at various educational meetings hosted by us throughout the year.

Avantax will earn a monthly distribution fee from NFS on all Fidelity Money Market Fund balances (including qualified retirement plans) at an annualized rate of the average net assets (calculated daily) of its customers beneficially owning shares in Fidelity Money Market Funds.

The Firm will earn the following Schedule 1 tiered distribution fee until such time that the Schedule 2 distribution fees meet or exceed that of Schedule 1. The Firm can only earn distribution fees from one Schedule at a time.

#### **Schedule 1:**

<u>Tiered Avg. Fund Balances</u>	<u>Basis Points</u>
\$0 - \$1 billion	5
\$1 billion plus	7

(The maximum annual payout for Schedule 1 is \$750,000)

#### **Schedule 2:**

<u>Average Fund Balances</u>	<u>Capital Reserve Class</u>	<u>Average Fund Balances</u>	<u>Daily Money Class</u>
\$0 - \$500 million	60 basis points	\$0 - \$500 million	35 basis points
\$500 million - \$1 billion	65 basis points	\$500 million - \$1 billion	40 basis points
\$1 billion to \$2 billion	68 basis points	\$1 billion to \$2 billion	43 basis points
\$2 billion +	70 basis points	\$2 billion +	45 basis points

NFS pays us an annual Correspondent Business Development Credit after renegotiating our current clearing agreement. The annual payments will be made through 2028. A potential conflict of interest exist because other custodians with whom we could choose to do business may not offer such a payment.

#### **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.

#### **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.

## 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://fdic.gov/deposit/deposits/index.html) for additional information on FDIC insurance. For additional information on SIPC coverage, please visit [sipc.org](https://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 [avantaxwealth.com/sites/default/files/file\\_attach/standard\\_bank\\_deposit\\_sweep\\_program\\_disclosure.pdf](https://avantaxwealth.com/sites/default/files/file_attach/standard_bank_deposit_sweep_program_disclosure.pdf) 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](https://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.

### **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 interest with you.

### State Specific Disclosures

For California Residents: Subsection (j) of Rule 260.238 of the California Code of Regulations requires that all investment advisers disclose to you that lower fees for comparable services may be available from other sources.

For District of Columbia Residents: Section 1811.1 Subsection (j) of the DC Rules requires us to disclose that lower fees for comparable services may be available from other sources. Subsection (k) requires us to indicate that all material conflicts of interest that relate to us or to any of our employees, and that would cause us not to render unbiased and objective advice, have been disclosed to you in writing via the disclosure provided in this Form ADV.

For Massachusetts Residents: Massachusetts General Law Section 203A requires disclosure that information about the disciplinary history and the registration of us and our associated persons may be obtained by contacting the Public Reference Branch of the SEC at 202.942.8090, or by contacting the Massachusetts Securities Division at One Ashburton Place, 17th Floor, Boston, MA 02108 or at 617.727.3548.

### ERISA Section 408(b) (2) Disclosures

When AAS is engaged to provide investment advisory services through the IMS or RMS platforms on behalf of a client that is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), AAS is a “covered service provider” to the plan for purposes of ERISA Section 408(b)(2) and the regulations thereunder. This Brochure, the ERISA Section 408(b)(2) Disclosure, and the disclosures included in the investment advisory agreement between the ERISA client and AAS are intended to provide certain fee disclosures in accordance with the requirements under ERISA Section 408(b)(2).

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

AAS does not charge performance-based fees. However, hedge funds and private equity do charge performance-based fees, and AAS passes those fees on to you. Please refer to the hedge fund and private equity prospectus/private placement memorandum for a complete description of the performance-based fees.

## Item 7 - Types of Clients

### Our Clients

AAS generally provides advisory services to individuals (other than high-net-worth individuals), high-net-worth individuals, corporations and other businesses, pension and profit sharing plans and charitable organizations. The majority of our clients are retail clients that fall under the category of “individuals (other than high-net-worth individuals).”

### Account Size Minimums

The firm has a \$25,000 minimum balance requirement in order to manage a portfolio for the IMS Flex Choice and IMS Portfolio Choice Program and a \$25,000 minimum for the IMS Select Portfolio programs.

AAS may choose to waive these minimums at our sole discretion as circumstances dictate. The most common reason AAS waives these minimums is when additional deposits to meet the minimum are forthcoming. There is no account minimum balance for clients of the RMS platform.

The minimum balance requirement for AAS's Solicitor Referral Platform is determined by the individual money manager.

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

### Development of Investment Profiles and Strategies

AAS has long believed in the power of strategic asset allocation. Thus a large part of our firm's investment philosophy is based on the principle of diversification. Diversification simply means “not putting all of your eggs in one basket” or, in investment terms, keeping the fortunes of any single investment from having a significant impact on your own portfolio. While past performance is not a guarantee of future performance and diversification of assets does not always protect portfolios from losses, it is a central component of our investment thesis.

Therefore AAS believes that a proper understanding and application of a long-term strategic asset class allocation (e.g. different types of stocks and bonds) coupled with efficient diversification (the right amount of each security or asset class based on an investor's preferences) is the best way to pursue your investing goals. Most investors are better served by focusing on long-term saving objectives and must be disciplined and steadfast in the pursuit of growing and protecting their wealth to overcome the ravages of future inflation and uncertainty about one's own ability to spend their human capital during their working years.

### Due Diligence Process for AAS Asset Allocation Models

AAS's Portfolio Management Group (PMG) reviews the model inputs (expected returns, standard deviations and correlations) to verify the diversification contributions of each of the asset classes within the models. The PMG is comprised of experienced and credentialed investment professionals. At AAS, the PMG's recommendations for the IMS Select, IMS Access and IMS Unified Choice program are overseen by the AAS Investment Oversight Committee. The RMS Select Portfolios and the RMS Total 401(k) program is overseen by a different Investment Committee known as the RMS Investment Committee. The PMG is also responsible for recommendations to the RMS Investment Committee.

Note about the IMS Select – Dimensional Strategy: AAS should note that the methods used to construct the IMS Select Portfolios – Dimensional Strategy asset allocation models differ from the methods used to construct the other IMS Select Portfolio asset allocation models. Each model portfolio targets a generally consistent allocation to global equities (across each risk Profile) with targeted “factor” tilts among U.S. Large Cap equities, U.S. Small Cap equities, International Developed Market equities and International Emerging markets equities. In addition to traditional common stock equities, each Dimensional portfolio has allocations to U.S. public real estate securities (REITs).

Note about the RMS Select Strategies: The RMS Investment Committee may undertake, approve and disseminate different criteria to the PMG as the methodology for fund/ETF selection, monitoring and termination/replacement decisions for the RMS programs than as compared to the oversight that the IMS Investment Committee might give to the PMG in the oversight of the IMS Select Portfolios. This may result in the set of models to differ over time between the two programs (contain different mutual funds and/or ETFs or models that display differing return/risk characteristics as compared to the same risk profile within the IMS Select program.) There are a number of reasons that this could transpire: differing fund considerations

for an ERISA-based offering, differing custodial relationships may make some funds unavailable or available as compared to IMS Select, differing attitudes towards the ability of plan participants to take risk when faced with the choice of several risky funds.

### Due Diligence Process: IMS Select Portfolios and RMS Select Portfolios

The PMG under the supervision of the Investment Oversight Committee is responsible for selection, monitoring and termination of the investment managers, mutual funds, and ETFs used in the IMS Select Portfolios and RMS Select Portfolios. The following is a brief description of our due diligence process.

#### Investment Manager Search and Selection

In the case of “active” investing (as compared to passive market-cap weighted investments) the goal of successful manager selection is to identify managers with consistent investment processes that can demonstrate value-added risk-adjusted performance over time. The evaluation process can be separated into two parts, and the relative importance in the decision-making process is weighted as follows:

1. Qualitative Evaluation: 60% Evaluation of investments based on people, philosophy, process and implementation (why the investment performs the way it does)
2. Quantitative Evaluation: 40% – Evaluation of the investment based on numerical, statistical or measurable attributes (how the investment performed).

Depending on the program used, the selection of ETFs or mutual funds within each asset class (and sub-asset class) is normally guided by an internal investment mandate, which is simply a set of rules. This mandate may include a desired range for tracking error versus an appropriate style benchmark, a desired range of correlation to a benchmark (as expressed through quantitative data such as R-squared, beta and active share) and other desired characteristics unique to the sub-asset class.

For the initial search of mutual fund or ETF strategies for inclusion within the IMS Select or RMS Select Portfolios, PMG begins by working from the universe of mutual funds and ETFs available through the respective custodian. PMG requires that the mutual fund or ETF allow an initial purchase that is congruent with the constraints of the IMS Select Portfolio or RMS Select program. Any restrictions on early redemptions by the fund will also be reviewed.

In the case of the IMS Select or RMS Select Portfolios, additional work is done at this point to evaluate the diversification benefits the new mutual fund or ETF brings to the entire model portfolio as a whole and how well it will work with the other investments in the IMS or RMS Select Portfolios. The PMG performs scenario analysis and hypothetical “back-testing” to appraise how well the final candidates under consideration might have performed in concert with the other existing managers in the model portfolios. The final output rests with the judgment and research findings derived by analyzing variously sourced data and from meetings with managers. Moreover, the PMG must measure a fund's risk-adjusted performance in not only isolation, but also its impact on the entire portfolio risk/return characteristics.

Further, PMG chooses managers or funds who, in the respective investment committee's judgment, best represent the asset classes contained in our asset allocation models and also provide adequate exposure, where applicable, to a range of investment styles (growth, value, momentum, core, focused, etc.) within each asset class. The final step is for the respective investment committee to review and deliberate the recommendation(s) as presented by PMG. At the conclusion of any discussion, the respective investment committee may request further information or move to vote on the addition or replacement of an ETF or mutual fund. If the recommendation is approved, the operational process to make the fund available commences.

#### Investment Manager Monitoring and Review

Investment monitoring continues after the evaluation and selection process stops. On a regular basis, PMG reviews the quantitative aspects of all of the mutual funds and ETFs within the IMS Select and RMS Select Portfolios.

Periodically, PMG performs robust quantitative analysis of each ETF and mutual fund. This evaluation is conducted on both the performance returns of the funds and the underlying holdings within each strategy. This analysis is based on various numerical, statistical and measurable attributes. An overarching goal is to properly examine unexplainable performance and

risk variances or deviations from the stated or historical investment process of the fund. In addition to the quantitative items reviewed on a quarterly basis, PMG evaluates each investment strategy by studying the fund's written commentary on its investment performance and the market environment. In the case of mutual funds and ETFs, PMG examines updated annual or semi-annual reports, prospectuses and other fund company literature.

PMG will also review fund manager reports from other outside vendors. As often as is necessary, one or more members of PMG conduct a conference call or engage in written communication with each investment fund manager. If it becomes evident that a manager's performance is deviating from expectations, further investigation is initiated and findings are reported to the investment committee. If necessary, an on-site due diligence visit is conducted by members of PMG.

## Risk of Loss

Investment portfolios, programs, models, asset allocations, or strategies entail the risk of loss; and values and returns will fluctuate over time. While AAS seeks to limit any losses, there have been periods of loss in the past, and there will likely be periods of loss in the future.

AAS and our Advisors emphasize that investment returns, particularly over shorter time periods, are highly dependent on trends in the various investment markets. Thus, our investment management services are generally suitable only for long-term investment objectives or strategies, rather than for short-term trading purposes.

Neither diversification nor asset allocation assure a profit or protect you against a loss, and there is no guarantee that your investment objectives will be achieved.

Our programs, portfolios, models, asset allocations and strategies are not FDIC insured and the investments in them may lose value.

All investment programs have certain risks that you bear. Our investment approach regularly keeps the risk of loss in mind. You face investment risks including:

- Interest rate risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market risk: The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation risk: The risk is that the rate of inflation will exceed the rate of return on an investment.
- Currency risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Reinvestment risk: This is the risk that future proceeds from investments may have to be reinvested at potentially lower rates of return (i.e. interest rate). This is primarily related to fixed income securities.
- Business risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They generally carry a higher risk of profitability than an electric company, which may generate much of its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- Liquidity risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders or investors are frequently buying or selling that type of asset. For example, Treasury bills are highly liquid, while real estate properties are not.
- Financial risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in cash crises, bankruptcy and/or declining market value.
- Credit Risk: Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.

- Risks of investing outside the U.S.: Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent. Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

There are risks inherent in all financial decisions and transactions. There is no guarantee that your investment objectives will be achieved.

Neither AAS nor our Advisors make any promises, representations, warranties or guarantees that any of our services to be rendered will result in a profit to you. AAS does not guarantee the future performance or any specific level of performance, the success of any investment decision or strategy that AAS or an Advisor may use or the success of our overall management.

Investment decisions that you make or that AAS will make for you are subject to various market, currency, economic, political and business risks. Our and your investment decisions will not always be profitable.

AAS and our Advisors will not be liable for any loss incurred with respect to your account, except where such loss directly results from such party's negligence or malfeasance. Nothing in this section is intended to be a waiver of any right of action you may have under applicable securities laws or your rights in the event AAS or any of our Advisors breach any fiduciary duty owed to you.

## Item 9 - Disciplinary Information

In the last ten years, neither Avantax nor any of our management personnel have been charged with or convicted of a felony or misdemeanor. In the last ten years, neither Avantax nor any of our management personnel have been the subject of disciplinary action by the Securities and Exchange Commission, the Commodity Futures Trading Commission or any other federal or state regulatory or foreign financial regulatory agency.

## Item 10 - Other Financial Industry Activities and Affiliations

### Affiliated Broker-Dealer

AAS has an affiliated broker-dealer called Avantax Investment Services, Inc. In our industry, affiliated means "under common ownership or control." The majority of our management persons and investment adviser representatives are also registered representatives ("RR") of this affiliated broker-dealer. Depending upon the securities registrations held by each individual RR, our RRs offer a variety of securities and investments to their clients, including, but not limited to, mutual funds, Section 529 college savings plans, variable annuities, individual stocks and bonds, options, LPs, unit investment trusts, REITs, alternative investments, and a variety of other securities and insurance products approved for sale by Avantax Investment Services, Inc. Our principal executive officers devote approximately 50% of their time to brokerage activities and 50% of their time to investment advisory activities. Our affiliated broker-dealer has a fully disclosed clearing arrangement with NFS.

### Material Relationships or Arrangements

AAS executes substantially all trades through Avantax Investment Services, Inc., our affiliated broker/dealer, except for trades in AAS's Solicitor Referral Platform and RMS platform.

Assets in AAS's Solicitor Referral Platform are placed with third-party asset managers. These asset managers choose where to custody assets and execute transactions. AAS does not participate in the execution of transactions through third-party asset managers.



As part of the IMS programs offered to you, Avantax Investment Services, Inc. provides brokerage execution services to our advisory clients participating in all of our IMS programs except AAS's Solicitor Referral, Fee Based Annuities, and RMS platforms. AAS and our Advisors make securities recommendations to you (or, in the case of discretionary services, make investment decisions for you) regarding our IMS programs. Where permitted by law, AAS may receive mutual fund 12b-1 fees, service fees, due diligence fees, marketing reimbursements, or other payments relating to your investment in or otherwise supporting our activities regarding the securities products recommended, purchased, or held in your IMS account.

**As a general matter, AAS credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees.** To the extent AAS is the registered investment adviser or sponsor to your IMS program, AAS receives compensation for our services. You should be aware that these fees, payments, and other compensation does present a potential conflict of interest because AAS may have a greater incentive to recommend those investment advisory products or programs or make investment decisions regarding investments that provide such additional compensation to us.

NFS is the custodian of your account. We pay an asset-based fee to NFS based on average daily balances in all IMS accounts. The asset based fee we pay NFS does not apply to the following asset classes: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash and Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets, which include but are not limited to Foreign Securities, Alternative Investments, and Non-Marketable Securities. We can and do utilize these products in our accounts. A potential conflict of interest exists as AAS has a financial incentive to use these products over other products that are assessed the asset-based fee.

Broker-dealer trading practices in the United States are regulated through the Financial Industry Regulatory Authority, Inc., or FINRA. FINRA is a private non-governmental organization that performs financial regulation of member broker-dealers and exchange markets. Under FINRA Rule 3280, registered representatives of Avantax Investment Services, Inc. are limited to executing transactions through their broker-dealer, Avantax Investment Services, Inc. You are advised that a conflict of interest exists because the broker-dealer receives compensation on these transactions.

### National Financial Services LLC is our Primary Custodian

All assets on the IMS Platform, except for AAS's Solicitor Referral Platform and RMS, are custodied through NFS. Assets on the RMS platform are placed with a Platform Provider. These Platform Providers make available various custodians and broker-dealers which custody assets and execute transactions. Client will enter into separate agreements with these entities and they are generally not affiliates of AAS. The lone exception is for plan clients of VOYA Financial. Our affiliated broker-dealer, Avantax Investment Services, Inc., is the broker-dealer of record for Client if the plan is placed with VOYA Financial. Client assets placed with AAS's Solicitor Referral Platform are placed with a custodian chosen by the Client.

### Turn-Key Asset Manager Programs (TAMPs)

AAS and your Advisor may serve as solicitors for third-party investment advisers. AAS and our Advisors are compensated for referring your advisory business to these third-party investment advisers. This compensation generally takes the form of the third-party investment adviser sharing with your Advisor and us a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. AAS and your Advisor may, therefore, have a conflict of interest to refer clients to those third-party investment advisers that pay referral fees to us or to your Advisor rather than those that don't. Additionally, AAS and your Advisor may have a conflict of interest to refer clients to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

### Independent Registered Investment Advisers

Some of our Advisors are also owners or Advisors of their own or other's registered investment advisory firms. The clients to whom they offer our advisory services are frequently the same to whom they offer financial planning services. These financial planning services, separate from our Seasonal Planning program, are offered for compensation. This compensation is paid to the independent Registered Investment Adviser and Avantax receives no portion of this compensation. You are not obligated to use any of these individuals to provide financial planning services.

### Accounting Firm

Our advisors may be separately licensed as accountants and may offer accounting services to advisory clients for compensation. This compensation is paid to the accounting firm. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals to provide accounting services.



## Law Firm

Our advisors may be separately licensed as attorneys and, as such, may offer to provide legal advice for compensation. This compensation is paid to the law firm. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals to provide legal services.

## Insurance Company or Agency

Some of our Advisors are agents and/or brokers of various insurance companies. Some individuals are able to effect insurance recommendations if you elect to have insurance recommendations implemented. These individuals receive compensation for insurance and/or annuity implementation. This compensation is paid to the agent. AAS receives no portion of this compensation. You are not obligated to use any of these individuals for insurance product purchases.

AAS is related through common ownership to Avantax Insurance Services and Michael Pagano, General Agent. Avantax Insurance Services is a licensed insurance agency and may receive commissions in connection with the sale of fixed insurance products by Advisors who are licensed to sell these products. Avantax Insurance Services, in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for marketing, training and education, and distribution support.

## Pension Consultants

Our advisors may offer pension consulting services to advisory clients for compensation. This compensation is paid to the individual providing the pension consulting services or an organization employing that individual. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals for pension consulting services.

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

## Code of Ethics

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, AAS has adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. Our Code of Ethics is designed to ensure that AAS meets our fiduciary obligations to you and to foster a culture of compliance throughout our firm.

Our Code of Ethics is comprehensive and is designed to help us detect and prevent violations of securities laws and to help ensure that AAS keeps your interests first at all times. AAS distributes our Code of Ethics to each supervised person at our firm at the time of his or her initial affiliation with our firm; AAS makes sure it remains available to each supervised person for as long as he or she remains associated with our firm; and AAS ensures that updates to our Code of Ethics are communicated to each supervised person as changes are made.

Our complete Code of Ethics is available by submitting a request in writing to Avantax Advisory Services, Inc., 6333 State Hwy 161, Fourth Floor, Irving, TX 75038 or by email to [compliance@avantax.com](mailto:compliance@avantax.com).

## Participation or Interest in Client Transactions and Personal Trading

Generally, Avantax does not buy or sell securities for our own account that Avantax recommends to (or purchase or sell for) you. Our Advisors, however, may purchase or sell for their own accounts securities or other investment products that are also recommended to you, which may create a conflict of interest. Avantax always give a higher priority to your transactions than our own transactions. When Avantax or an Advisor recommend trades to you, and Avantax, the Advisor or related persons also plan to buy or sell the same security, Avantax gives you the opportunity to decide on the recommendation and place a trade before Avantax or a related person executes a trade in the same security. Also, if Avantax or a related person has a trade to place for a personal account and trades to place for your accounts, the trades for you are always placed before the trades for us or related persons. Avantax has implemented surveillance and exception reports designed to identify and correct situations in which the personal securities transactions of Advisors are placed ahead of yours.

## Blucora's Insider Trading Policy

Blucora's Insider Trading Policy prohibits any Blucora employee who is aware of material non-public information concerning Blucora, or concerning third parties with whom Blucora does business, from buying or selling securities of Blucora or of those third parties until after the material information has been fully disclosed to the public. In addition, Blucora Personnel are also prohibited from disclosing material non-public information to others who then trade based on that information or making recommendations or expressing opinions as to transactions in securities while aware of material non-public information (which is sometimes referred to as "tipping"). All trading of Blucora securities should be done in accordance with Blucora's Insider Trading Policy, and Blucora Personnel are expected to adhere to any blackout restrictions and pre-approval requirements for trading in Blucora's Insider Trading Policy.

## Item 12 - Brokerage Practices

### General

AAS renders investment advice to the majority of our IMS platform advisory clients on a discretionary basis, pursuant to written authorization granted by you. The majority of our advisory clients must select Avantax Investment Services, Inc., an affiliated broker-dealer under common ownership, as the broker-dealer of record for their IMS managed accounts. Avantax maintains a clearing relationship for the execution of client transactions with NFS. Assets in AAS's Solicitor Referral Platform are placed with third-party asset managers. These asset managers choose where to custody assets and execute transactions. AAS does not participate in the execution of transactions through third-party asset managers.

Assets on the RMS platform are placed with a Platform Provider. These Platform Providers make available various custodians and broker-dealers which custody assets and execute transactions. Client will enter into separate agreements with these entities and they are generally not affiliates of AAS. The lone exception is for plan clients of VOYA Financial. Our affiliated broker-dealer, Avantax Investment Services, Inc., is the broker-dealer of record for Client if the plan is placed with VOYA Financial. Our affiliated broker-dealer has negotiated competitive pricing and services with NFS for your benefit. NFS offers their broker-dealer clients substantial financial strength and stability of scale, and reliable, state-of-the-art technology.

Our clients do not generally have the option to direct securities brokerage transactions to other broker-dealers or other account custodians. If, however, AAS were to approve the use of a broker-dealer other than NFS for the execution of securities transactions, you should be aware that AAS will generally be unable to negotiate commissions or other fees and charges for your account, and AAS would not be able to combine your transactions with those of other clients purchasing or selling the same securities (batched trades), as discussed further below. As a result, AAS would be unable to ensure you receive "best execution" with respect to such directed trades. AAS may also be unable to provide timely monitoring of transaction activity or provide you with quarterly performance reporting.

Not all investment advisers who have affiliated broker-dealers require you to use their broker-dealer to execute securities transactions. While our affiliated broker-dealer is able to negotiate competitive pricing with NFS that it believes is beneficial to you, AAS does receive an economic benefit from using our affiliated broker-dealer for our IMS platform accounts rather than an unaffiliated broker-dealer. For example, Avantax adds our own costs to certain charges applied to your IMS accounts by NFS. Avantax also maintains a core account sweep program with NFS. This program creates financial benefits for Avantax and NFS as described in *Additional Compensation* in Section 5 – Fees and Compensation. This additional compensation received by our affiliated broker-dealer does create a conflict of interest with you. Additionally, even though AAS monitors the execution quality of our affiliated broker-dealer to ensure you receive the best combination of net price and execution, it is possible that better execution on a given transaction may be obtained from other sources. Execution quality can have an effect on the amount you pay for a given transaction. Favorable execution results in lower costs and unfavorable execution results in higher costs.

AAS will not participate/vote in class action lawsuits on your behalf.

### Best Execution

AAS seeks to obtain, through our affiliated broker-dealer and clearing firm, the best combination of net price and execution when offering brokerage transactions for your account(s). AAS will periodically and systematically review NFS' execution quality and our own processes to ensure we continue to meet our best execution obligations for you.

A number of judgmental factors are utilized by us in analyzing overall trade execution quality. Such factors include, but are not necessarily limited to:

- The nature of the securities being purchased or sold;
- Access to market participants, which may be limited due to little or no trading activity for a particular security;
- The size of the transaction;
- The speed of the transaction;
- The ability to obtain price improvement;
- The desired timing of the transaction;
- The activity existing and anticipated in the market for the particular security;
- The execution, clearance, and settlement capabilities of the executing broker-dealer;
- The overall trade execution quality of the executing broker-dealer as compared with other leading executing broker-dealers;
- The executing broker-dealer's financial stability and industry reputation; and
- The efficiency and reliability of the executing broker-dealer's systems and technologies.

### Batched or Aggregated Trades

Because our Advisors generally manage your account(s) independently of other client accounts based on each client's specific needs and objectives, transactions for your account and other client accounts are often executed independently. When Advisors believe it is appropriate or beneficial to do so, however, they will often aggregate the purchase or sale of multiple clients' securities together to facilitate best execution, reduce overall costs, or provide each client with the same execution price. Aggregating multiple client orders together is particularly useful when AAS or your Advisor are utilizing model portfolio management strategies.

AAS and our Advisors effect batched transactions in a manner designed to ensure that no participating client obtains a more favorable execution price over any other client. When AAS or your Advisor aggregate multiple client orders, transactions are typically allocated pro rata to the participating client accounts in proportion to the size of the order placed for each account. AAS or your Advisor may, however, increase or decrease the amount of securities allocated to each account, if necessary, to avoid holding odd lot or small numbers of shares for particular clients. Additionally, if AAS is unable to fully execute a batched transaction and AAS determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, AAS may allocate such securities in a manner determined in good faith to be fair and equitable to the clients involved.

### Soft Dollars

Investment advisers may direct portfolio brokerage commissions to a particular broker-dealer in return for services and research used in making investment decisions in your account(s). The commissions used to acquire these services and research is known as "soft dollars." Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

AAS does not receive research or other products or services other than execution from any broker-dealer or other third party.

### Brokerage for Client Referrals

AAS does not consider, in selecting or recommending broker-dealers, whether Avantax or any related person receives client referrals from the broker-dealer.

### Directed Brokerage

AAS does not recommend, request or require that you direct us to execute transactions through a specified broker-dealer. As noted earlier, AAS directs most of our trades to our affiliated broker-dealer, Avantax Investment Services, Inc.

## Trade Errors

In all circumstances involving trade errors caused by AAS, clients are “made whole.” If the correction of the trade error by the firm results in a loss, AAS is responsible for that loss. If the correction of the trade error by the firm results in a gain, AAS will retain the gain.

In instances where multiple trades are corrected at the same time for the same client, the firm will net the results of each correction against each other. Gains received during these corrections may be used to offset losses resulting from other corrections within the total trade error correction.

## Item 13 - Review of Accounts

Advisory activities are supervised in several ways at various stages of the client relationship by compliance and operations staff. Prior to implementation, the paperwork is reviewed by our staff to ensure the account is being established in accordance with your stated objectives and tolerance for risk. A subsequent client account review may be triggered by material market, economic or political events, a change in your investment profile, a client inquiry or a change in tax law. Additionally, our staff will periodically review your accounts to identify situations that may call for a more detailed review or a specific action be taken on your behalf. AAS utilizes a series of surveillance, exception, trade, and other transaction reports that are designed to help facilitate the ongoing review of our managed accounts. In addition, our Advisors provide continual and regular investment advice or investment supervisory services to you, routinely review your portfolios, and are responsible for communicating with you at least annually.

IMS Portfolio Choice and IMS Select Portfolios, program accounts utilize an automatic rebalance process designed to assure alignment with your stated asset allocation.

With the exception of RMS and AAS’s Solicitor Referral Platform accounts, you will receive monthly statements from the account custodian or clearing firm, if your account(s) have activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. Such statements will show any activity in the account, as well as period ending position balances.

With the exception of RMS and AAS’s Solicitor Referral Platform accounts, AAS provides portfolio performance reports to Advisors for distribution to clients quarterly. These reports are usually prepared not later than 20 business days after the end of each calendar quarter. RMS performance reports are distributed by the respective platform providers.

SRP performance reports are distributed by the respective third-party asset manager.

With the exception of RMS and AAS’s Solicitor Referral Platform accounts, all performance reports are electronically audited for accuracy prior to being provided to Advisors for distribution to you. The electronic audit process is designed to identify issues such as asset allocation discrepancies, account reconciliation irregularities, and unusual performance for the overall portfolio as well as specific asset classes. Reports that do not pass the audit process are reviewed and if necessary corrected before being provided to Advisors for distribution to you. The audit process cannot and will not correct all reconciling exceptions.

You should carefully review the account statements that you receive from NFS. You should also compare any statements you receive from us with the statements you receive from NFS. Please note that Envestnet reports trades as of the trade date and NFS reports trades as of the settlement date. For this reason, some trades may appear on your Envestnet reports that are not yet reflected on your NFS custodial statements. Comparing statements will allow you to determine whether account transactions, including deductions to pay advisory fees, are proper. Please let us know if you are not receiving custodial statements directly from NFS, LLC.

## Item 14 - Client Referrals and Other Compensation

AAS and/or our Advisors may receive client referrals from outside solicitors (usually attorneys, CPAs or other professionals). The AAS 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 AAS 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 advisory 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 or not 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 into an advisory relationship with AAS and the Advisor. For all solicitation activities involving government activities, Rule 206(4)-3(e) of the Advisers Act subjects such solicitation activities to the additional limitations of Rule 206(4)-5. Rule 206(4)-5(a)(2)(i), in turn, prohibits investment advisers from paying any person to solicit a government entity for investment advisory services unless that solicitor is either: a regulated person, or an executive officer, general partner, managing member, or employee of the investment adviser. **Solicitors participating in the Strategic Alliance Program are prohibited from soliciting government entities.**

AAS and your Advisor may serve as solicitors for third-party investment advisers. AAS and our Advisors are compensated for referring your advisory business to these third-party investment advisers. This compensation generally takes the form of the third-party investment adviser sharing with your Advisor and us a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. AAS and your Advisor may, therefore, have a conflict of interest to refer clients to those third-party investment advisers that pay referral fees to us or to your Advisor rather than those that don't. Additionally, AAS and your Advisor may have a conflict of interest to refer clients to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

## Item 15 - Custody

All of our IMS advisory accounts, except accounts opened on AAS's Solicitor Referral, Fee Based Annuity and RMS platforms use Avantax Investment Services, Inc., our affiliated broker-dealer, as the broker-dealer of record. The lone RMS exception is VOYA. Avantax Investment Services, Inc. is the broker-dealer for RMS accounts invested through VOYA. When you establish an AAS advisory account with Avantax Investment Services, Inc. as the broker-dealer of record you will receive custodial statements directly from NFS, except for VOYA Financial accounts which are custodied directly with VOYA Financial. NFS will provide you with a custodial statement on a monthly or quarterly basis depending on activity in the account, which will include a detail of account activity during the month or quarter (including account holdings, contributions and withdrawals, and the value of the account at the beginning and end of the period). NFS will also provide you with confirmations of the activity in the account. Fee based annuities are custodied directly with the insurance carrier the annuity is purchased through.

With the exception of AAS's Solicitor Referral Platform accounts and RMS, AAS provides portfolio performance reports to Advisors for distribution to you quarterly. These reports are usually prepared not later than 20 business days after the end of each calendar quarter.

With the exception of AAS's Solicitor Referral Platform accounts and RMS, all performance reports are electronically audited for accuracy prior to being provided to Advisors for distribution to you. The electronic audit process is designed to identify issues such as asset allocation discrepancies, account reconciliation irregularities, and unusual performance for the overall portfolio as well as specific asset classes. Reports that do not pass the audit process are reviewed and if necessary corrected before being provided to Advisors for distribution to you. The audit process cannot and will not correct all reconciling exceptions.

You should carefully review the account statements that you receive from NFS. You should also compare any statements you receive from us with the statements you receive from NFS. Comparing statements will allow you to determine whether account transactions, including deductions to pay advisory fees, are proper. Please let us know if you are not receiving custodial statements directly from NFS, LLC.



Avantax Investment Services, Inc., our affiliated broker/dealer, is a related person of us. A related person is a person or entity that is under common ownership or control with us. Employees of Avantax Investment Services, Inc. perform operational duties to service client accounts of ours. These duties include the processing of client check requests and the receipt of securities for prompt delivery to our custodian, NFS. Check requests must be made in writing by you via a letter-of-instruction and will only be processed for non-IRA accounts. Check requests for IRA accounts are processed by our custodian, NFS. Based on your written instructions, our staff will process the check request and mail the check to your address of record. You may also send securities, in the form of stock certificates, to Avantax Investment Services, Inc. for processing. Our staff will process and promptly forward the certificates to our custodian, NFS, for deposit into your account. AAS is deemed to have custody since our related person, Avantax Investment Services, Inc. performs these operational functions for you.

## Item 16 - Investment Discretion

AAS provides investment advice to the majority of our managed account clients on a discretionary basis, pursuant to written authorization granted by you, to us and your Advisor.

IMS Select Portfolios will be managed on a discretionary basis as indicated in the Investment Advisory Agreement. 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. Neither AAS nor your Advisor will 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. If your account is a retirement account and subject to the Employee Retirement Income Security Act of 1974, the model portfolios will be managed by AAS as an ERISA 3(38) Investment Manager.

IMS Portfolio Choice portfolios will be managed on either a limited or fully discretionary basis as indicated in the Investment Advisory Agreement. In either case, AAS will have the authority to automatically rebalance the account according to the agreed upon target allocation and rebalancing schedule. This discretionary authority will include the authority, without first consulting you to determine the amount of assets in each asset class in your account to be bought or sold in order to rebalance the account back to its original target percentages, including the authority to buy, sell, select, remove and replace securities for the account. Neither AAS nor your Advisor will 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.

Your IMS Flex Choice account may be a discretionary account as indicated in the Investment Advisory Agreement for which the Advisor need not seek your approval prior to purchasing or repositioning assets. The use of discretion requires specific written approval from us. In addition, you must provide written authorization to allow your Advisor to utilize discretion in the account. Neither AAS nor any Advisor will 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.

IMS Fee Based Annuity accounts will be managed on a discretionary basis as indicated in the Investment Advisory Agreement. 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 grant of 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 Adviser determines is customary or appropriate for a discretionary investment adviser to perform, including, but not limited to, the authority to buy, sell, select, remove and replace securities, including sub-accounts and other investments for the account. Neither Adviser nor IAR has the authority to withdraw funds or securities from your Annuity account. Neither Adviser nor IAR will have the authority to withdraw funds or securities from your designated NFS Payment Account other than for payment of quarterly management fees of the Fee Based Annuity as agreed to in writing by you.

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.

## Item 17 - Voting Client Securities

Neither AAS nor Advisors will vote or give advice about how to vote proxies for securities held in your account. All proxy voting material will be forwarded to you for direct action.

## Item 18 - Financial Information

Not applicable.

**Schedule 1**  
**Revenue Sharing Partners**

<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.