



## Item 1: Cover Page

### Part 2A of Form ADV: Managed Account Program Brochure

**Stratos Wealth Partners, Ltd.**

3750 Park East Drive, Suite 200

Beachwood, Ohio 44122

440-505-5620 Fax 440-991-1115

[www.stratoswealthpartners.com](http://www.stratoswealthpartners.com)

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**This brochure provides information about the qualifications and business practices of Stratos Wealth Partners, Ltd. If you have any questions about the contents of this brochure, please contact us at 440-505-5620. 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 Stratos Wealth Partners, Ltd. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Stratos Wealth Partners, Ltd. is registered with the U.S. Securities and Exchange Commission. Note, however, that such registration does not imply a certain level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

## **Item 2: Material Changes**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Program Brochure.

Clients wishing to receive a complete copy of this brochure may download it from the SEC Website as indicated on page 1 of this brochure or contact our Chief Compliance Officer at 440-505-5620.

This section describes the material changes to SWP's brochure since its last annual amendment.

**There have been no material changes since the last annual amendment in March of 2019.**

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## Item 4: Advisory Business

### Introduction

Stratos Wealth Network is a DBA of Stratos Wealth Holdings, LLC. Stratos Wealth Holdings, LLC is 100% owner of the following three SEC registered investment advisors (Note, however such registration does not imply a certain level of skill or training.):

1. Fundamentum, LLC (hereinafter “Fundamentum”), an asset management firm acting primarily as a subadviser;
2. Stratos Wealth Partners, LTD, (hereinafter “SWP”) a retail investment firm offering advice primarily through Investment Advisor Representatives who are securities licensed through LPL Financial Corporation (“LPL Financial”) Member FINRA/SIPC; and,
3. Stratos Wealth Advisors, LLC, (hereinafter “SWA”) a retail investment firm offering advice primarily through IARs who are not securities licensed.

Stratos Wealth Holdings LLC also directly owns Stratos Wealth Securities, LLC, (“SWS”) a FINRA member broker dealer. SWS does not process securities transactions or maintain Client accounts.

Stratos Wealth Partners, Ltd. (SWP) is an investment advisor registered with the Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940.

SWP has provided advisory services as a registered investment advisor since 2010. Note that registration as an investment advisor with the SEC does not imply a certain level of skill or training.

SWP’s advisory services are made available to clients primarily through individuals associated with SWP as investment advisor representatives (“IARs”). For more information about the IAR providing advisory services, client should refer to the Brochure Supplement (also called the ADV Part 2B) for the IAR. The Brochure Supplement is a separate document that is provided by the IAR along with this Brochure before or at the time client engages the IAR. If client did not receive a Brochure Supplement for the IAR, the client should contact the IAR or SWP at (440) 505-5620.

SWP offers services through our network of IAR’s. IAR’s may have their own legal business entities whose trade names and logos are used for marketing purposed and may appear on marketing materials and/or client statements. The Client should understand that the businesses are legal entities of the IAR and not of our Firm, Stratos Wealth Partners, Ltd. (“SWP”). The IAR’s are under the supervision of SWP, and the advisory services of the IAR are provided through SWP. SWP has these arrangements with the business entities listed in Schedule D of Form ADV.

Since IARs are generally independent contractors of SWP, the experience, level of education, level and/or sophistication of services and fees will vary. Fees may not be commensurate with education and / or experience. However, the fees clients will pay for advisory services described below will not exceed the fee schedules set forth below. Further, clients are advised that they may pay more or less for similar services received by another client serviced by another IAR.

SWP may also offer its advisory services through financial institutions such as banks. SWP is not an affiliate of the banks in which its IARs maintain offices nor is SWP or its IARs employees of the bank. SWP pays a fee to the bank for the opportunity to conduct business on its premises and with banking clients. This is a conflict of interest in that SWP has an incentive to charge a higher fee to the client.

## **Types of Advisory Services**

SWP offers various types of advisory services and programs, including but not limited to: wrap programs, asset allocation programs, advisory programs offered by third party investment advisor firms, and financial planning services.

This Brochure provides information about SWP Managed Account Services for unbundled (non-wrap accounts).

In addition to the aforementioned service, SWP offers the following separate services described under different ADV Part 2As:

1. Financial Planning and Consulting
2. Third Party Investment Advisor Services
3. Wrap Fee Managed Account Services

Not all services are available to all clients, through all advisers, or in all states. In addition, services may not be available at all custodians.

If clients would like more information on such programs, clients should contact the IAR for a copy of the program brochure that describes such programs or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SWP currently has agreements with the following broker-dealer custodians:

1. LPL Financial Corporation (“LPL”) Member FINRA/SIPC;
2. Fidelity Brokerage Services LLC and National Financial Services LLC (collectively “Fidelity”) Member FINRA/SIPC;
3. Charles Schwab (“Schwab”), Member FINRA/SIPC; and,
4. TD Ameritrade (“TDA”), Member FINRA/SIPC/NFA.

SWP provides information in a separate disclosure brochure for the services it offers through the Retirement Plan Consulting Services offered through SWP. If clients would like more information on this program, clients should contact the IAR for a copy of the program brochure that describes this program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for SWP Wealth Partners, Ltd.

Not all custodians or products are available to all clients or advisers, or in all states. Specific products available at each custodian are described below.

1. Advisory Accounts custodied at LPL Financial
  - a. Strategic Wealth Management (“SWM”)
2. Advisory Accounts custodied at Charles Schwab
  - a. Adviser Wealth Management (“AWM”)

3. Advisory Accounts custodied at Fidelity
  - a. Adviser Wealth Management (“AWM”)
4. Advisory Accounts custodied at TD Ameritrade
  - a. Adviser Wealth Management (“AWM”)

Each product listed above is also available under a wrap fee program. Please see the separate SWP Wrap Fee ADV Part 2 for further information.

SWP offers customized individually managed portfolios or management based on model accounts. SWP IARs will determine and present to clients an asset allocation specific to the client based upon a client’s individual investment goals, objectives, risk tolerance, and investment time horizon.

### **Strategic Wealth Management (SWM)**

SWM Accounts are unbundled or non-wrap. The client pays a fee to SWP and ticket or transaction charges on each transaction executed in the account. The exception is that there may be a select listing of securities (typically reserved to mutual funds) for which no transaction fees will be assessed. However, the security may be subject to a holding period to avoid early liquidation fees. For securities with holding periods, clients are not prevented from liquidating during the holding periods, however, there is a fee associated with liquidations during the holding period.

SWM Accounts are custodied at LPL Financial Corporation (“LPL”), a registered broker/dealer, Member FINRA and SIPC. Stratos does not take custody except under two conditions which are considered by the Securities and Exchange Commission to be custody because of our authority and ability to transfer funds.

1. Stratos is deemed to have custody because of our ability to deduct our fees from your account. You will receive a statement at least quarterly direct from the account custodian showing the deduction of our fees from your account. Authorization to deduct our fees from your account is given in the agreement executed between Stratos and you, the client.
2. Stratos is deemed to have custody if you establish a standing letter of authorization to direct us to transfer funds or securities from your account to a specified third party and you give us the authorization to change the timing and or the amount of the transfer. Stratos does not have the ability to change the third party without your written authorization.

Clients’ portfolios may consist of stocks, bonds, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable for the client by SWP IAR.

SWM Accounts are offered on a discretionary and non-discretionary basis as agreed to between the Client and the IAR. Non-discretionary accounts require the IAR to discuss any and all changes in the client’s portfolio with the Client, and receiving Client approval, prior to execution of the transactions. For discretionary accounts, IAR will make changes within the Client’s portfolio as deemed appropriate by IAR without delay and without contacting the Client prior to the transaction. Clients will receive confirmations and statements from LPL Financial reflecting all transactions in their account. However, in no circumstances shall SWP or IAR have the discretionary authority to close the account or withdraw funds or securities, with the exception of SWP’s advisory fees on a quarterly basis.

SWP provides asset management services on an ongoing basis based on the individual needs of the client. The management program through SWP offers clients flexibility among payment structures, custodians, and management styles. Management will be on an active basis. Thus, SWP IARs will actively monitor the assets in the account and make changes or recommendations deemed appropriate in light of the circumstances in the market, based upon the expertise of IAR.

### **Advisor Wealth Management (AWM)**

AWM is an unbundled or non-wrap program. The client pays a management fee to SWP and ticket or transaction charges on each transaction executed in the account. The exception is that there may be a select listing of securities (typically reserved to mutual funds) for which no transaction fees will be assessed. However, the security may be subject to a holding period to avoid early liquidation fees. For securities with holding periods, clients are not prevented from liquidating during the holding periods, however, there is a fee associated with liquidations during the holding period. SWP will determine and present to clients an asset allocation specific to the client based upon a client's individual investment goals, objectives, risk tolerance, and investment time horizon. Clients may have a customized individually managed portfolio managed by the IAR or participate in various model portfolios designed by IAR(s) consistent with the client's stated investment objective. A model portfolio will be managed similar to other clients utilizing the model. There are no guarantees a portfolio based on a model will ensure positive results. Past performance is no guarantee of future results. In either case, the IAR provides ongoing advice on the selection or replacement of a portfolio based on the client's individual needs. The IAR may choose more than one portfolio to be managed for the client's account. SWP also offers AWM as a bundled or wrap fee program. Please see the SWP Wrap Fee ADV Part 2A for further information on this program.

SWP IAR provides asset management services on an ongoing basis based on the individual needs of the client. The management program through SWP offers clients flexibility among payment structures, custodians, and management styles. Management will be on an active basis. Thus, SWP and its IARs will actively monitor the assets in the account and make changes deemed appropriate in light of the circumstances in the market, based upon the expertise of SWP IARs.

Stratos does not take custody except under two conditions which are considered by the Securities and Exchange Commission to be custody because of our authority and ability to transfer funds.

1. Stratos is deemed to have custody because of our ability to deduct our fees from your account. You will receive a statement at least quarterly direct from the account custodian showing the deduction of our fees from your account. Authorization to deduct our fees from your account is given in the agreement executed between Stratos and you, the client.
2. Stratos is deemed to have custody if you establish a standing letter of authorization to direct us to transfer funds or securities from your account to a specified third party and you give us the authorization to change the timing and or the amount of the transfer. Stratos does not have the ability to change the third party without your written authorization.

Clients' portfolios may consist of stocks, bonds, ETF/ETNs, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable to the client by SWP.

If the SWP account is opened containing existing securities previously purchased through or is

opened with cash proceeds from the sale of securities sold through, Fidelity, Charles Schwab & Co., Inc. Advisor Services, TD Ameritrade or the IARs, Fidelity, Charles Schwab & Co., Inc. Advisor Services, TD Ameritrade and/or the IAR may have already received commissions on the purchase. Additional commissions will not be charged, however, the fees discussed below will be charged.

Clients are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. SWP does not offer tax advice and clients are urged to consult with their tax advisers.

## **Fundamentum, LLC**

Fundamentum sponsors and acts as portfolio manager for both a non-wrap and wrap fee program, offering ongoing portfolio management based on the individual goals, objectives, time horizon, and risk tolerance of each client. The wrap fee program allows the investor to pay one stated fee that includes management fees and transaction costs.

Fundamentum primarily acts as a subadvisor. Its portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Regular portfolio monitoring

Fundamentum will typically require discretionary authority in order to select securities and execute transactions without permission from the client prior to each transaction. However, the firm may also provide non-discretionary portfolio management if needed. Fundamentum recommends Fidelity Brokerage Services LLC, to maintain custody of clients' assets and to effect trades for their accounts, but may permit clients to request trades be executed through another specified broker-dealer. Fundamentum seeks to provide investment decisions that are made in accordance with the fiduciary duties owed to its accounts and without consideration of Fundamentum's economic, investment or other financial interests. To meet its fiduciary obligations, Fundamentum attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, Fundamentum's policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is Fundamentum's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time. Clients should refer to Item 8 below for further details regarding Fundamentum's model portfolios.

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

The advisory fees payable upon initial implementation are collected directly from the account (provided the client has given SWP written authorization for SWP to deduct the fees directly from the account). Advisory fees for all subsequent periods will be collected directly from the account, provided authorization was obtained. Clients will be provided with an account statement reflecting the deduction of



the advisory fee. If the Account does not contain sufficient funds to pay advisory fees, SWP has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. The client may reimburse the account for advisory fees paid to SWP, except for ERISA and IRA accounts.

Fees are negotiable and are not based on a share of capital gains/losses upon or capital appreciation/depreciation of the funds or any portion of the funds.

Additionally, in limited cases, the Client's managed accounts may be aggregated together to determine a fee breakpoint. Therefore, clients with multiple managed accounts will be charged a fee considering the account values in total. In these cases, and when available, it is a benefit to the client to have an IAR that aggregates accounts. Alternatively, some IARs may charge a corresponding fee based on each account size. Therefore, clients with multiple accounts may pay a different fee depending on the account size.

The maximum annual advisory fee is **2.25%** for SWM and AWM accounts.

#### *Transaction Charges:*

In addition to the advisory fees above, AWM and SWM clients will pay a transaction charge for each transaction. Transaction charges are not assessed by SWP and SWP does not share in the transaction charges. The transaction charges are assessed by the broker/dealer executing the transaction and may be changed at any time by the broker/dealer. The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in an Account(s) under SWP management. Fees are charged by the broker dealer / custodian.

Clients who custody their account at LPL financial will typically pay higher transaction fees and higher fees for structured products than they would at other custodians such as Fidelity, Schwab or TD Ameritrade.

SWP does not receive, directly or indirectly any of these fees charged to the client. They are paid to the broker, custodian or the mutual fund or other investment that is held. The fees include, among others:

- Accounts holding Alternative Investments will be charged an annual custodial fee per position per account per year.
- Brokerage commissions;
- Transaction fees;
- Exchange fees;
- SEC fees;
- Advisory fees and administrative fees charged by Mutual Funds/Exchange Traded Funds (ETFs)
- Advisory fees charged by sub-advisers (if any are used for your account);
- Custodial Fees;
- Trade-away Fees
- Deferred sales charges (on Mutual funds or annuities);
- Odd-Lot differentials;
- Transfer taxes;
- Wire transfer and electronic fund processing fees;
- Commissions or mark-ups / mark-downs on security transactions;

SWP may, on occasion, aggregate trades for clients and provide clients an average execution price. The fixed transaction costs charged by the broker/dealer for these aggregated trades will be assessed on an individual pro-rated basis.

**Clients using SWM or AW M accounts pay a fee to SWP plus transaction charges. Typically, this option may be more economical for those managed accounts where there is less trading or where mutual funds with no transaction fees will be primarily utilized in the management of the portfolio.**

**Fees and Termination Provisions for Accounts custodied at LPL Financial, (For SWM Accounts)**

Certain investment adviser representatives of SWP are also associated with LPL Financial as broker-dealer registered representatives (“Dually Registered Persons”). In their capacity as registered representatives of LPL Financial, certain Dually Registered Persons may earn commissions for the sale of securities or investment products that they recommend for brokerage clients. They do not earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through SWP. Clients have the option of purchasing many of the securities and investment products we make available to you through another broker-dealer or investment adviser. However, when purchasing these securities and investment products away from SWP, you will not receive the benefit of the advice and other services we provide.

Advisory fees will be charged in advance on a calendar quarter basis. Fees will be calculated based upon the value of the portfolio on the last business day of the just completed quarterly period. Advisory fees for accounts opened on a day other than the first day of the calendar quarterly period or closed on a day other than the last business day of the calendar quarterly period will be prorated based on the number of days in the quarter. The initial fee for accounts established during a calendar quarter will be billed to the account in arrears at the beginning the calendar quarter following execution of this agreement along with the first full calendar quarter’s fee paid in advance. Therefore, for accounts established during a calendar quarter, the first fee paid by the client may be a large fee since it will be a combination of the first full calendar quarter fee paid in advance and a prorated fee for the remaining quarter in which the account was established. The initial fee will be calculated based on the value of the account on the last business day of the then current calendar quarter and prorated based on the number of days remaining in the quarter starting with the date the client executed the advisory agreement. (E.g. an account established on July 25, the initial fee will be invoiced to the account sometime within the month of October. The initial fee will be calculated using the value of the account on the last business day of September and will be prorated from the date the advisory agreement was signed to the end of September. Additionally, the fee deducted from the account, based on the example, will include the fee paid in advance for October through December and calculated based on the value of the account on the last business day of September.)

Clients may make additions to the Account or withdrawals from the Account. Additional assets deposited into the Account after it is opened will be charged a pro-rata fee based upon the number of days remaining in the then-current quarterly period. Additionally, partial withdrawals from the account will result in a pro-rated refund or credit of fees to the account. Fee adjustments for additional deposits to the account and partial withdrawals from the account will be calculated in arrears or in the next quarterly period billing cycle. Fee adjustments will be calculated based on the value at the time of the additional deposit or partial withdrawal. No fee adjustments will be made for Account appreciation or depreciation.

*Fees and Termination Provisions for Accounts custodied at Schwab, Fidelity, or TD Ameritrade (for AWM accounts)*

Advisory fees will be charged in advance on a calendar quarter basis. Fees will be calculated based upon the average daily value of the portfolio as of the close of business on the last business day of the calendar quarter. Advisory fees for Accounts opened on a day other than the first day of the calendar quarterly period or closed on a day other than the last business day of the calendar quarterly period will be prorated based on the number of days in the quarter.

The initial fee for accounts established during a calendar quarter will be billed to the account in advance from the date of the initial deposit to the calendar quarter end based on the value of the initial deposit.

### **Client Investment Management Agreement Termination**

Clients may terminate, with written notice to SWA, investment advisory services within five (5) business days after entering into the advisory agreement, without penalty or obligation and for a full refund of any prepaid fees. After five (5) business days of entering into an advisory agreement, client will be entitled to a prorated refund of any prepaid quarterly advisory fee based upon the number of days remaining in the quarter after the termination date.

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

SWP does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (performance-based fees). Our advisory fee compensation is charged only as disclosed above. SWP does not engage in Side-By-Side Management.

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

We provide our services to a number of Clients:

- Individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Governmental plans, municipalities
- Not for profit entities
- Bank or thrift institutions
- Retirement Plans

Minimum account sizes

- SWM Accounts           \$ 10,000
- AWM Accounts         \$ 10,000

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

Affiliated and unaffiliated service providers may develop asset allocation models. The SWP IAR may also develop asset allocation models or use others from outside independent sources. Each IAR develops his or her own methods of analysis, sources of information, and investment strategies. As such, recommendations by IARs and individual investment portfolios will differ.

A variety of methods and strategies may be utilized when formulating investment advice and managing client assets, methods of analysis may include, but are not limited to:

- Charting;
- Fundamental Analysis; and,
- Technical Analysis.

Charting Analysis: Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of charting analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Fundamental Analysis does not attempt to anticipate market movements. This represents a potential risk, as the price of a security can move up or down along with the overall market, regardless of the economic and financial factors considered in evaluating the security.

Technical Analysis – The risk of the analysis using mathematical and statistical modeling is that they may not accurately predict future investment patterns. Day to day changes in the market prices of investments may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of analysis using more subjective criteria is that the information obtained to make the analysis may be inaccurate and skew the analysis. In addition, measuring (or weighting) the criteria will likely be inconsistent from one analysis to another and could adversely affect the investment decisions.

Clients' portfolios may consist of stocks, bonds, ETF/ETNs, no-load and/or load mutual funds and cash or cash equivalents, or other securities deemed appropriate and suitable to the client by SWP.

Clients are advised that transactions in the account, account reallocations and rebalancing may trigger a taxable event for the client, with the exception of transactions in IRA accounts, 403(b) accounts and other qualified retirement accounts. SWP does not offer tax advice and clients are urged to consult with their tax advisers.

### *Risk of Loss:*

Securities markets fluctuate substantially over time. All investments in securities include a risk of loss of money invested (principal) and any unrealized profits (i.e., profits in the account that have not been liquidated, sometimes called "paper profits"). In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets SWP manages that may be out of our control. We cannot guarantee any level of performance or that you will not experience a loss of your account assets. SWP does not represent,

warrant or imply that the services or methods of analysis used by SWP can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to major market corrections or crashes. No guarantees can be offered that client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by SWP will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals.

No guarantees can be offered that client's goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by SWP will provide a better return than other investment strategies.

## **Types of Investments and Risks**

SWP and IARs can recommend many different types of securities, including mutual funds, unit investment trusts ("UITs"), closed end funds, ETF/ETNs, variable annuity subaccounts, equities, fixed income securities, options, hedge funds, managed futures, and structured products. Investing in securities involves the risk of loss that clients should be prepared to bear. Described below are some particular risks associated with some types of investments available in the program.

- ***Alternative Strategy Mutual Funds.*** Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry.
- ***Closed-End Funds.*** Client should be aware that closed-end funds are not readily marketable. In an effort to provide investor liquidity, the funds may offer to repurchase a certain percentage of shares at net asset value on a periodic basis. Thus, clients may be unable to liquidate all or a portion of their shares in these types of funds.
- ***Exchange-Traded Funds (ETFs).*** ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.
- ***Exchange-Traded Notes (ETNs).*** An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day.

However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows. The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer's ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer's credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks.

- ***Leveraged and Inverse ETFs, ETNs and Mutual Funds.*** Leveraged ETFs, ETNs and mutual funds, sometimes labeled “ultra” or “2x” for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual re-setting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions are magnified over time. Because of these distortions, these products should be actively monitored, as frequently as daily, and are generally not appropriate as an intermediate or long-term holding. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.
- ***Options.*** Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.
- ***Structured Products.*** Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a

ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

- **High-Yield Debt.** High-yield debt is issued by companies or municipalities that do not qualify for “investment grade” ratings by one or more rating agencies. The below investment grade designation is based on the rating agency’s opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer’s financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond’s market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.

- **Hedge Funds and Managed Futures.** Hedge and managed futures funds may be purchased by clients meeting certain qualification standards. Investing in these funds involves additional risks including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices and the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important tax information. Client should be aware that these funds are not liquid as there is no secondary trading market available. At the absolute discretion of the issuer of the fund, there may be certain repurchase offers made from time to time. However, there is no guarantee that client will be able to redeem the fund during the repurchase offer.

- **Variable Annuities.** If client purchases a variable annuity that is part of the program, client will receive a prospectus and should rely solely on the disclosure contained in the prospectus with respect to the terms and conditions of the variable annuity. Client should also be aware that certain riders purchased with a variable annuity may limit the investment options and the ability to manage the subaccounts.

## Item 9: Disciplinary Information

We do not have any legal or other disciplinary item to report. SWP is obligated to disclose any disciplinary event that would be material to clients, or potential clients, when evaluating SWP to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

## Item 10: Other Financial Industry Activities and Affiliations

Most SWP IARs are Dually Registered persons of LPL Financial (“LPL”), a registered Broker/Dealer, member FINRA and SIPC. LPL Financial is a broker-dealer that is independently owned and operated and is not affiliated with SWP. Please refer to Item 12 for a discussion of the benefits SWP may receive from LPL Financial and the conflicts of interest associated with receipt of such benefits.

Clients may maintain multiple accounts with a representative, some of which are subject to an investment advisory relationship through SWP, while other accounts of the same client may operate under a brokerage relationship through LPL. When acting in an investment advisory capacity the advisor is acting under a fiduciary duty to the client where the standard of care when recommending securities to clients is higher than in the case of a brokerage relationship, where the standard is suitability of the recommended security. Clients are under no obligation to purchase or sell securities through IARs. However, if a client chooses to implement the recommendations, commissions may be earned by IARs as RR of LPL for brokerage transactions in addition to any fees paid for advisory services. Commissions may be higher or lower at LPL than at other broker/dealers. IARs have a conflict of interest in having clients purchase securities and/or insurance related products through LPL in that the higher their production with LPL the greater potential for obtaining a higher pay-out on commissions earned. Further, IARs may be restricted to only offering those products and services that have been reviewed and approved for offering to the public through LPL. The amount of time spent by each IAR offering securities products on a commission basis as a RR of LPL will vary. Some IARs may spend significantly more or less time offering commissionable products and services through LPL.

As discussed previously, certain associated persons of SWP are Registered Representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about SWP's clients, even if client does not establish any account through LPL Financial. If you would like a copy of the LPL Financial privacy policy, please contact our Chief Compliance Officer at 440-505-5620.

Certain SWP IARs are also dually registered as IARs of LPL Financial's Registered Investment Advisor for transition and supervisory purposes or offering LPL's Retirement Plan Consulting Program services.

Certain SWP IARs may also be dually registered as IARs of other investment advisers not affiliated with SWP. The potential for receipt of fees and other compensation gives IAR an incentive to recommend an advisory relationship based on the compensation received rather than on the client's needs or best interests.

IAR's may have their own legal business entities whose trade names and logos are used for marketing purposes and may appear on marketing materials and/or client statements. The Client should understand that the businesses are legal entities of the IAR and not of our Firm, Stratos Wealth Partners, Ltd ("SWP"). The IAR's are under the supervision of SWP, and the advisory services of the IAR are provided through SWP. SWP has these arrangements with the business entities listed in Schedule D of Form ADV.

SWP advisors registered with LPL may offer insurance products and services for which commissions will be paid. IARs and other related persons of SWP may be licensed with various insurance companies. SWP, its IARs and related persons have a conflict of interest to recommend clients purchase insurance products since commissions may be earned in addition to fees for advisory services. Clients are not obligated to purchase insurance products through SWP or its IARs. The amount of time spent by each IAR will vary. Some IARs may spend significantly more or less time offering insurance products and services. The principal business of SWP is not to offer insurance products and services. Less than 10% of SWP's resources are dedicated to insurance business.



Certain IARs may be certified public accountants (CPAs) and offer accounting services through their accounting practice. SWP does not endorse or recommend the services of the IARs in their capacity as CPAs. Further, none of the services offered by SWP are to be considered legal or accounting services. Clients are under no obligation to participate in accounting services offered by IARs who may be CPAs.

As previously stated, IARs are generally independent contractors. As such, the IARs have a direct incentive in the advisory fees being charged since a portion of the advisory fee collected by SWP will be paid to the IAR for compensation for advisory services. Further, clients are advised that the amount paid by SWP to the IAR will be based on the production of the IAR. Therefore, the higher sales the IAR produces the more compensation the IAR will receive. Consequently, since production is a basis for determining the IAR's payout, and since a portion of the advisory fees will be retained by SWP, there is a conflict of interest for the IAR to potentially charge a higher fee.

As discussed below, SWP has in place a Code of Ethics that provides for SWP and its Advisor Representatives to exercise its fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. SWP takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as SWP's policies and procedures.

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

### **Code of Ethics**

SWP has a fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. SWP takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as SWP's policies and procedures. Further, SWP strives to handle clients' non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides clients with SWP's Privacy Policy. As such, SWP maintains a Code of Ethics for its IARs, supervised persons and staff.

The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about client transactions. Further, SWP's Code of Ethics establishes SWP's expectation for business conduct.

SWP's Code of Ethics is distributed to each employee and Advisor at the time of hire/contract, and, as the Code is modified. In addition, SWP requires an annual certification by all employees/Advisors regarding their understanding and compliance with the Code of Ethics. SWP also supplements the Code with annual training and on-going monitoring of employee activity.

A copy of our Code of Ethics will be provided to any client or prospective client upon request. You may contact our Chief Compliance Officer at 440-505-5620.

## Participation or Interest in Client Transactions

Most IARs are registered representatives with LPL and must execute securities transactions through LPL, unless IARs obtain authorization from LPL to execute securities transactions through another broker/dealer.

Related persons of SWP (any advisory affiliate and any person that is under common control with SWP) may buy or sell securities identical to those securities recommended to clients. Therefore, related persons may have an interest or position in certain securities that are also recommended and bought or sold to clients. Related persons will not put their interests before a client's interest. IARs may not trade ahead of their clients or trade in such a way to obtain a better price for themselves than for their clients. SWP is required to maintain a list of all securities holdings for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. Clients have the right to decline any investment recommendation. SWP and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

SWP has established the following restrictions in order to meet its fiduciary responsibilities:

- IARs shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with SWP, unless the information is also available to the investing public upon a reasonable inquiry. No person shall prefer his or her own interest to that of the advisory client.
- All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- SWP emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where third party advisory services are granted discretionary authority in the client's account.
- SWP requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any individual not in observance of the above may be subject to termination.

### **NOTE:**

- (1) This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of SWP's clients trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above.
- (2) Open-end mutual funds and/or the investment sub-accounts which may comprise a variable life insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and/or variable insurance products by IARs are not likely to have an impact on the prices of the fund shares in which clients invest and are therefore not prohibited by the SWP's investment policies and procedures.

In accordance with Section 204A of the Investment Advisers Act of 1940, SWP also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public

information by SWP or any person associated with SWP.

## **Item 12: Brokerage Practices**

LPL Financial is the broker-dealer selected by SWP for the conduct of its commission-based brokerage business and to provide custodial services for advisory accounts held on LPL platforms. Factors considered in selecting LPL include the stability and size of LPL along with the variety of programs and flexibility in commission rates advisors may charge. SWP receives referral bonuses from LPL which are based on the trailing 12-month commission production history of newly hired representatives, as well as a percentage portion of the commissions and bonuses the representatives generate at LPL.

Newly hired representatives may receive from LPL forgivable loans, upfront cash and various forms of start-up expense coverage based on their trailing 12-month commission production history for electing to join LPL and Stratos. This provides an incentive for the representative to change firms in order to obtain these forms of compensation.

Stratos has also selected Fidelity Brokerage Services, Charles Schwab and TD Ameritrade as broker-dealers to provide custody services for advisory accounts in specific cases where the client would be best served. Factors considered in selecting these firms include stability, reputations, trading platforms, and continuing with a current custodian.

### **Recommendation of LPL**

SWP may request that clients establish a brokerage account with LPL Financial to maintain custody of clients' assets and to effect trades for their accounts. LPL Financial provides brokerage and custodial services to independent investment advisory firms, including SWP. For SWP's accounts custodied at LPL Financial, LPL Financial generally is compensated by clients through commissions, trails, or other transaction-based fees for trades that are executed through LPL Financial or that settle into LPL Financial accounts. For IRA accounts, LPL Financial generally charges account maintenance fees. In addition, LPL Financial also charges clients miscellaneous fees and charges, such as account transfer fees.

Clients should also understand that LPL Financial is responsible under FINRA rules for supervising certain business activities of SWP and its Dually Registered Persons that are conducted through broker-dealers and custodians other than LPL Financial. LPL Financial charges a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a conflict of interest because SWP has a financial incentive to recommend the use of LPL Financial rather than with another broker-dealer or custodian to avoid incurring the oversight fee.

Transition Assistance Benefits LPL Financial provides various benefits and payments to Dually Registered Persons that are new to the LPL Financial platform to assist the representative with the costs (including foregone revenues during account transition) associated with transitioning his or her business to the LPL Financial platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the Dually Registered Person's prior firm, offsetting account transfer fees (ACATs) payable to LPL Financial as a result of the Dually Registered Person's clients transitioning to LPL Financial's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing

support and termination fees associated with moving accounts.

The amount of the Transition Assistance payments are often significant in relation to the overall revenue earned or compensation received by the Dually Registered Person at [his/her] prior firm. Such payments are generally based on the size of the Dually Registered Person's business established at [his/her] prior firm and/or assets under custody. Please refer to the relevant Part 2B brochure supplement for more information about the specific Transition Payments your representative receives.

Transition Assistance payments and other benefits are provided to associated persons of SWP in their capacity as registered representatives of LPL Financial. However, the receipt of Transition Assistance by such Dually Registered Persons creates a conflict of interest relating to SWP's advisory business. In certain instances, the receipt of such benefits is dependent on a Dually Registered Person maintaining its clients' assets with LPL Financial and therefore SWP has an incentive to recommend that clients maintain their account with LPL Financial in order to generate such benefits.

SWP attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial's services based on the benefits that such services provide to our clients, rather than the Transition Assistance earned by any particular Dually Registered Person. SWP considers LPL Financial's stability and size along with the variety of programs and flexibility in commission rates advisors may charge when recommending or requiring that clients maintain accounts with LPL Financial. However, clients should be aware of this conflict and take it into consideration in making a decision whether to custody their assets in a brokerage account at LPL Financial.

LPL Financial charges SWP a fee for its oversight of activities conducted through other broker-dealers and custodians. This is a conflict of interest in that SWP may recommend LPL to alleviate the oversight fee.

## **Recommendation of Schwab**

SWP may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the Advisor's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. SWP is independently owned and operated and not affiliated with Schwab. Schwab provides SWP with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For SWP client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to SWP other products and services that benefit SWP but may not benefit its clients' accounts. These benefits may include national, regional or SWP specific

educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of SWP by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist SWP in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of SWP's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of SWP's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to SWP other services intended to help SWP manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to SWP by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to SWP. While, as a fiduciary, SWP endeavors to act in its clients' best interests, SWP's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to SWP of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a conflict of interest.

## **Best Execution**

Depending on specific client needs, one broker-dealer or custodian may offer better transaction costs/order processing than another and those differences are evaluated by the IAR prior to opening a client account. SWP, as an investment adviser, owes a legal and fiduciary duty to its clients, including a duty to seek best execution of client transactions and to make full and fair disclosure to clients about any soft dollar arrangements. While best execution policies of the custodians are monitored, they are not the only determining factor that would influence opening an account at one custodian or another. Important items like stability, reputation, research, trading platforms, administrative efficiencies, client friendly statements and other service-oriented tasks are also considered in the evaluation and selection of a custodian. The lowest cost trade execution is not always the determining factor for the selection of a custodian. However, the client has the right to inquire about opening accounts at these various institutions.

SWP is assessed an "oversight fee" by LPL Financial based on all assets held away from LPL. This fee is passed on to the IAR of record. This is a conflict of interest because IAR's have a financial incentive to recommend the use of LPL Financial as the broker-dealer custodian for client accounts.

## **Research and Other Soft Dollar Benefits.**

SWP has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides SWP with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like SWP in conducting business and in serving the best interests of their clients but

that may benefit SWP.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables SWP to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates.

However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to SWP, at no additional charge to SWP, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by SWP (within specified parameters). These research and brokerage services presently include services such as portfolio accounting and research and are used by SWP to manage accounts for which SWP has investment discretion.

As a result of receiving such services for no additional cost, SWP may have an incentive to continue to use or expand the use of Fidelity's services. SWP determined that the relationship is in the best interests of SWP's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where SWP determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although SWP will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by SWP will generally be used to service all of SWP's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. SWP and Fidelity are not affiliates, and no broker-dealer affiliated with SWP is involved in the relationship between SWP and Fidelity.

1. Brokerage for Client Referrals. SWP does not recommend brokerage for client referrals.
2. Directed Brokerage. SWA generally does not engage in directed brokerage transactions for clients. In limited circumstances, SWA may engage in directed brokerage. In these cases, the following disclaimers are provided:

In directing the use of a particular broker or dealer for all or a portion of the trades executed in the client's account, it should be understood that, with respect to the percentage of trades effected by such direction:

- Firm will not have authority to negotiate commissions among various broker dealers on a trade-by-trade basis, or to necessarily obtain volume discounts, and best execution may not be achieved.
- In addition, a disparity in commission charges may exist between the commissions charged to the client for such trades and those charged to other clients.

## **Aggregation**

In placing orders to purchase or sell securities in accounts, IARs may elect to aggregate orders (that is, consolidate smaller orders for the same security into a large order, which, generally results in transaction cost savings). In so doing, IARs will not aggregate transactions unless aggregation is consistent with its duty to seek best execution. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all transactions executed by the IAR in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction. IARs will prepare, before entering an aggregated order a written statement ("Allocation Statement") specifying the participating client accounts and how the IAR intends to allocate the order among those clients.

If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will be allocated pro-rata based on the Allocation Statement. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement so that all client accounts receive fair and equitable treatment.

### **Item 13: Review of Accounts**

SWP maintains a compliance program designed to conduct periodic reviews of client accounts. IARs are required to meet and document reviews with clients on at least an annual basis. Such meetings may include review of accounts statements, quarterly performance reports, and other information or data related to the client's account and investment objectives. Clients may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, IARs will monitor for changes or shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections. Clients are advised that they should notify their IAR promptly of any changes to the client's financial goals, objectives or financial situation as such changes may require the IAR to review the client's portfolio and make recommendations for changes.

LPL, Fidelity, Schwab or TD Ameritrade, as the custodian, provide clients with regular written reports regarding their accounts. In addition, LPL, Fidelity, Schwab or TD Ameritrade send client trade confirmations and account statements showing transactions, positions, and deposits and withdrawals of principal and income. Fidelity, Schwab or TD Ameritrade does not send trade confirmations for systematic purchases, systematic redemptions and systematic exchanges. In some cases, SWP provides detailed quarterly performance reports describing account performance and positions. Some managed accounts either send confirmations for each securities transaction in the client's account direct from the account custodian as they occur and others bundle them to be sent with the periodic statement mailing.

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

## **Client Referrals**

SWP may enter into arrangements with individuals or firms (“Solicitor”) whereby the Solicitor will refer clients to SWP which clients may be a candidate for the investment advisory services offered by SWP. In return, SWP will agree to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with SWP for advisory services. Compensation to Solicitor will be an agreed upon percentage of SWP’s advisory fee. SWP’s referral program is in compliance with the federal regulations as set out in 17 CFR Section 275.206(4)-3. The solicitation/referral fee is paid pursuant to a written agreement retained by both the investment adviser and the Solicitor. The Solicitor will be required to provide the client with a copy of SWP’s Form ADV Part 2A and a Solicitor Disclosure Brochure prior to or at the time of entering into any investment advisory contract with SWP. Solicitor is not permitted to offer clients any investment advice on behalf of SWP. This is a conflict of interest in that SWP has an incentive to charge a higher fee to the client.

SWP and its IARs may offer advisory services on the premises of unaffiliated financial institutions, like banks. SWP has entered into agreements with the financial institutions pursuant to which SWP shares compensation, including a portion of the advisory fee, with the financial institution for the use of the financial institution’s facilities and for client referrals.

For further information about these programs, please see the SWP ADV Part 2A Firm Brochure.

Some SWP Advisors may hold equity in Stratos Wealth Holdings, this creates a conflict of interest in recommending Fundamentum as a sub adviser as the advisor may have an indirect benefit in sharing in the profitability of Fundamentum as a shareholder of Stratos Wealth Holdings.

## **Other Compensation**

SWP receives referral bonuses from LPL which are based on the trailing 12-month commission production history of newly hired representatives, as well as a percentage portion of the commissions and bonuses the representatives generate at LPL. Newly hired representatives may receive from LPL forgivable loans, upfront cash and various forms of start-up expense coverage based on their trailing 12-month commission production history for electing to join LPL and SWP. This is a conflict of interest in that it provides an incentive for the representative to change firms in order to obtain these forms of compensation.

SWP and/or its Dually Registered Persons are incented to join and remain affiliated with LPL Financial and to recommend that clients establish accounts with LPL Financial through the provision of Transition Assistance (discussed in Item 12 above). LPL also provides other compensation to SWP and its Dually Registered Persons, including but not limited to, bonus payments, repayable and forgivable loans, stock awards and other benefits. The receipt of any such compensation creates a financial incentive for your representative to recommend LPL Financial as custodian for the assets in your advisory account and is a conflict of interest. We encourage you to discuss any such conflicts of interest with your representative before making a decision to custody your assets at LPL Financial.

SWP may utilize other broker-dealers for custody and execution services in another SWP sponsored wrap fee program (AWM II). SWP receives research or other products or services other than execution from broker-dealers or third party in connection with client securities transactions (“soft dollar benefits”). SWP may recommend (or use) the use of a broker-dealer who provides useful research and



services. SWP derives a benefit from these services to the extent these soft dollars pay for expenses it would otherwise be required to pay for or produce itself. Fees charged to clients will not be reduced by the value of the services and a conflict of interest exists as there is an incentive to SWP to select or recommend the use of a broker-dealer or custodian based on its interest in receiving the research or services, rather than on the clients' interest in receiving most favorable execution. SWP has entered into agreements with Fidelity Brokerage Services and Charles Schwab and TD Ameritrade for the provision of these services and transition related expenses. SWP may have an incentive to select or recommend Fidelity Brokerage Services or Charles Schwab or TD Ameritrade based on our interest in receiving these benefits, rather than on the client's interest in receiving most favorable execution. The Fidelity agreement provides for transition related expenses for each approved invoice. The Schwab benefit arrangement provides for the reimbursement of transfer of account exit fees and technology and marketing support for the first year of custody. SWP generally limits the use of these custodians and advisors must be approved by the External Custodian Committee at SWP.

The IAR, SWP and SWP employees may receive additional non-cash compensation from advisory product sponsors. Such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. Advisory product sponsors may also pay for education or training events that may be attended by SWP employees and IARs. Therefore, this is a conflict of interest in that the IAR may have a financial incentive to recommend a TPIA program account over other programs and services.

In some cases, the third-party investment advisers pay additional marketing payments to SWP, its employees and/or IARs to cover fees to attend conferences or reimbursement of expenses for workshops, seminars presented to IAR's clients or advertising, marketing or practice management.

Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from client assets. Any 12b-1 fees paid on mutual funds purchased in a SWP Wealth Partners managed account where LPL is the custodian are not passed to IARs and will be retained by LPL.

LPL makes available to SWP other products and services that benefit SWP but may not benefit its clients' accounts. Some of these other products and services assist SWP in managing and administering clients' accounts. These include software and other technology that provide access to client account data, such as trade confirmation and account statements; facilitate trade execution and allocation of aggregated trade orders for multiple client accounts; provide research, pricing information and other market data; facilitate payment of SWP's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of SWP's accounts, including those accounts not maintained at LPL. LPL may also make available to SWP other services intended to help SWP manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, LPL may make available, arrange and/or pay for these types of services rendered to SWP by independent third parties. LPL may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to SWP.

## **Item 15: Custody**

Accounts are often custodied at LPL, Fidelity, Schwab, TDA, or qualified custodians as chosen by Client and IAR or through other third-party investment advisors who have select custodial relationships.

For TPIA programs, client assets are maintained at a custodian other than LPL. In such case, the client will complete account paperwork with the outside custodian that will provide the name and address of the custodian. The client will receive statements and reports directly from the custodian, rather than from LPL. Clients should refer to the statements and reports that they receive from the custodian or TPIA sponsor. Clients should the review these statements and reports carefully.

With the exception of deduction of Stratos's advisory fees from your accounts or if Stratos facilitates or executes your requests for third party standing letters of authorization, Stratos does not take custody of your funds or securities. Clients will receive account statements direct from the broker/dealer or account custodian reflecting the deduction of Stratos's advisory fee. Clients should carefully review statements received from the broker/dealer or account custodian. Further, clients should compare any written report received from the respective custodian with statements received direct from the broker/dealer or account custodian. Should there be any discrepancy the account custodian's report will prevail.

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct your account custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to third party account. Additionally, if you have a third party standing letter of authorization and Stratos has the ability to change the timing or the amount of the transfer upon your request, we are deemed to have custody. Your account custodian maintains actual custody of your assets. You will receive account statements directly from your account custodian at least quarterly. They will be sent to the email or postal mailing address you provided. You should carefully review those statements promptly when you receive them.

## **Item 16: Investment Discretion**

Clients may grant SWP authorization to manage a client's account on a discretionary basis. Discretionary authorization provides SWP the ability to determine the securities to be purchased and sold and when such securities are purchased and sold. Client will grant such authority to SWP by execution of the client agreement.

Additionally, clients are advised that:

1. IARs must obtain written client consent to establish any mutual fund, variable annuity, or brokerage account;
2. SWP will not have the ability to withdraw client's funds or securities from the account, except as noted below:
  - a. Stratos is deemed to have custody because of our ability to deduct our fees from your account. You will receive a statement at least quarterly direct from the account custodian showing the deduction of our fees from your account. Authorization to deduct our fees from your account is given in the agreement executed between Stratos and you, the client.
  - b. Stratos is deemed to have custody if you establish a standing letter of authorization to direct us to transfer funds or securities from your account to a specified third party and you

give us the authorization to change the timing and or the amount of the transfer. Stratos does not have the ability to change the third party without your written authorization.

For clients with assets held in custody through a Fidelity BrokerageLink account, clients may grant their IAR limited trading authority to place orders on their behalf. This limited trading authority is authorized through a form which is filed with Fidelity.

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

In general, SWP does not vote proxies for clients. In certain limited cases, SWP may be required by agreement to vote proxies on behalf of a client. Proxy voting policies and procedures are available for clients for whom SWP is required to vote proxies.

## **Item 18: Financial Information**

SWP does not require or solicit prepayment six months or more in advance.

Since SWP does not take custody except under the two conditions noted below, should SWP encounter a financial condition that would impair SWP's ability to meet its commitments under contracts with clients, such financial condition will not have a negative impact on client accounts.

Stratos does not take custody except under two conditions which are considered by the Securities and Exchange Commission to be custody because of our authority and ability to transfer funds:

1. Stratos is deemed to have custody because of our ability to deduct our fees from your account. You will receive a statement at least quarterly direct from the account custodian showing the deduction of our fees from your account. Authorization to deduct our fees from your account is given in the agreement executed between Stratos and you, the client.
2. Stratos is deemed to have custody if you establish a standing letter of authorization to direct us to transfer funds or securities from your account to a specified third party and you give us the authorization to change the timing and or the amount of the transfer. Stratos does not have the ability to change the third party without your written authorization.

SWP has not been the subject of a bankruptcy petition in its history.