



**ITEM 1: COVER PAGE**

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

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**This brochure provides information about the qualifications and business practices of Stratos Wealth Advisors, LLC. (SWA). If you have any questions about the contents of this brochure, please contact your Stratos representative or Stratos Wealth Advisors, LLC at (440) 505-5620. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about Stratos Wealth Advisors, LLC. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Stratos Wealth Advisors, LLC. 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 SWA'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 subadvisor;
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 Advisors, LLC. (SWA) is an investment advisor registered with the Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940.

SWA 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.

SWA’s advisory services are made available to clients primarily through individuals associated with SWA as investment advisor representatives (“IARs”). IARs may be insurance licensed and offer insurance products and services. Clients are advised IARs may receive fee compensation for advisory services offered through SWA. Separately, IARs may also receive commission-based compensation for insurance business.

Since IARs are generally independent contractors of SWA, 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.

SWA 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 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 Advisors, LLC. (“SWA”). The IAR’s are under the supervision of SWA, and the advisory services of the IAR are provided through SWA. SWA has these arrangements with the business entities listed in Schedule D of Form ADV.

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 SWA at (440) 505-5620.

SWA may also offer its advisory services through financial institutions such as banks. SWA is not an affiliate of the banks in which its IARs maintain offices nor is SWA or its IARs employees of the bank. SWA 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 SWA has an incentive to charge a higher fee to the client.

### **Types of Advisory Services**

SWA offers various types of advisory services and programs, including wrap programs, mutual fund asset allocation programs, advisory programs offered by third party investment advisor firms, and financial planning services.

This Brochure provides information about SWA and the following types of advisory services that SWA provides:

1. Financial Planning Services; and,
2. Third Party Investment Adviser Account Management.

In addition to the services listed above, SWA offers the following separate services described under different ADV Part 2As:

1. Managed Account Services
2. 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).

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

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

### **Financial Planning Services**

As part of SWA’s financial planning services, SWA, through its IARs, provides personal financial planning tailored to the individual needs of the client. The services described below may not be available through all Stratos Advisory Representatives. SWA offers Financial Planning Services under the following structures:

#### Financial Plan for a Flat Fee

With this structure, engagement terminates upon delivery of the financial plan. SWA offers various types and levels of financial planning. The level and type of services will vary among the Advisory Representative and will depend on the needs of the client.

#### Recurring Fee Financial Planning Services

Clients seeking to receive ongoing financial planning advice may choose to pay a recurring subscription fee for such services. Recurring fees are negotiated between the Advisory Representative and Client and reflect the service(s) provided.

#### Hourly Consulting Services

SWA, through its IARs, provides consulting services on an hourly basis. The services take into account information collected from the client such as financial status, investment objectives and tax status, among other data. The IAR may or may not deliver to the client a written analysis or report as part of the services. The IAR tailors the hourly consulting services to the individual needs of the client based on the investment objective chosen by the client. The engagement terminates upon final consultation with the client.

#### Participant Consulting Advice Program

SWA IAR's may also provide financial planning advice to plan participants regarding their retirement plans through the SPCAP (Stratos Participant Consulting Advice Program). Advisors provide advice at the individual participant level and investment support for qualified plan participants. SPCAP services may be included in Hourly Consulting or Financial Wellness Services. Stratos Advisory Representatives will provide specific recommendations to Clients, if they are not being provided under a separate Stratos program.

#### Financial Wellness Program

SWA, through its IARs, also provides financial planning services to employees on behalf of their employer. The services consider information collected from the client such as financial status, investment objectives and tax status, among other data. The IAR tailors the financial planning services to the individual needs of the client based on the investment objective chosen by the client. The engagement terminates at the direction of the employer. Clients are advised that fees paid by the employer are for financial planning services are strictly for the planning and/or consulting services. Therefore, clients may pay fees and/or commissions for additional services obtained, such as asset management or products purchased such as securities or insurance.

The following information applies to all Financial Planning services offered by SWA:

SWA and IAR do not have any discretionary investment authority when offering financial planning services. The IAR makes recommendations as to general types of investment products or securities that may be appropriate for client to consider and may also provide recommendations regarding specific investments or securities.

Planning and consulting services are based on the client's financial situation at the time and are based on financial information disclosed by the client to SWA. Clients are advised plans may contain certain assumptions that 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. SWA cannot offer any guarantees or promises that clients' financial goals and objectives will be met. Further, clients must continue to review any plan or analysis and update the plan based upon changes in the client's financial situation, goals, or objectives or changes in the economy. Should a clients' financial situation or investment goals or objectives change, clients must notify SWA promptly of the changes.

Clients are advised fees for planning and/or consulting services are strictly for the planning and/or consulting services. Therefore, clients may pay fees and/or commissions for additional services obtained, such as asset management or products purchased such as securities or insurance.

Financial Planning Services may include, but not be limited to, the following examples of services.

- Retirement Planning
- General, Segmented and Comprehensive Financial Planning
- Educational Planning
- Cash Flow Analysis
- Estate Planning
- Budget Planning
- Tax Planning
- Insurance Needs Analysis
- Business Continuity, Succession and Exit Planning
- Asset Allocation Services
- Sports and Entertainment Management
- Executive Planning
- Corporate Benefit Consulting
- Other planning and consulting services as requested by the client and agreed to by the Advisory Representative

SWA will gather financial information and history from clients, which may include, among other things, retirement and financial goals, investment objectives, investment horizon, financial needs, cash flow analysis, cost of living needs, education needs, savings tendencies, and other applicable financial information required by SWA in order to provide the investment advisory services requested.

As stated above, the level and type of services will depend on the needs of the client. Depending on the services requested, clients may receive a written analysis, summary or plan. One or more meetings may be necessary with the client and may involve other professionals, as invited and agreed to by the client, such as attorneys and/or certified public accountants. The financial plan may be constructed or prepared by a Stratos party other than the Advisory Representative

SWA and IAR will not have any discretionary investment authority when offering financial planning.

### **Conflicts of Interest for Financial Planning and Consulting Services**

Under all Financial Planning programs offered by SWA, IAR's have a conflict of interest to recommend their own services for asset management, and / or insurance. Clients are under no obligation to use SWA or IAR, for the services or take action as recommended by IAR.

### **Third Party Investment Adviser Account Management Services**

**SWA offers the following third party investment adviser ("TPIA") account management programs, not all programs are available to all clients, all advisers, or are offered in all states.**

SWA makes available advisory services and programs of third party investment advisors. Under these TPIA programs, SWA, through its IARs, provides ongoing investment advice to clients that is tailored to the individual needs of the client. SWA IAR's may interact with each TPIA as a solicitor, a sub-advisor, or dual contract adviser. The IAR's responsibilities will be different under each respective arrangement.

The specifics of the IAR's role and payment of fees will be governed by the TPIA Investment Management Agreement with SWA, and the Clients agreement with the TPIA. As part of these TPIA services, the IAR obtains the necessary financial data from the client, assists the client in determining the suitability of the program, assists the client in setting an appropriate investment objective and assists the client in opening an account with the TPIA. In addition, depending on the type of program, the IAR may assist the client to select a model portfolio of securities designed by the TPIA or select a portfolio management firm to provide discretionary asset management services. It is the third party investment advisor (and not the IAR) that has client authority to purchase and sell securities on a discretionary or non-discretionary basis pursuant to investment objective chosen by the client. This authorization will be set out in the TPIA client agreement. The Brochure for the particular TPIA will explain whether clients may impose restrictions on investing in certain securities or types of securities.

SWA offers the following programs utilizing TPIA managers:

### **Fundamentum, LLC**

Fundamentum sponsors and acts as portfolio manager for both wrap fee and non-wrap fee programs, offering ongoing portfolio management based on the individual goals, objectives, time horizon, and risk tolerance of each client. Each program is described in detail in the Fundamentum ADV Part 2.

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

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

Fundamentum is under common control with other investment advisory firms, SWA and SWA. SWA and SWA have overlap in personnel with Fundamentum and use Fundamentum as a subadvisor for many client accounts. Fundamentum will comply at all times with its fiduciary duty as an investment adviser. Please see Item 10 below for more information about these referral services and the related compensation.

For more information regarding Fundamentum, including more information on the advisory services and fees that apply, the types of investments available in the programs and the conflicts of interest presented by the programs please see the Fundamentum Form ADV Part 2.

### **Fidelity Advisory Programs**

SWA may also provide advisory services through Fidelity as the broker-dealer custodian. Below is a brief description of each advisory program available at Fidelity.

**Fidelity Separate Account Network® (SAN)** – Fidelity offers a Separate Account Network program (“SAN Program”), a unified platform for managed portfolios. The SAN Program enables IAR to have the ability to build separately managed account portfolios from a vast network of managers to meet client needs which will be managed by designated SAN Managers on a discretionary basis. The minimum investment required by each individual SAN Manager must be met. Please refer to the SAN Manager's Form ADV Part 2A or comparable disclosure document provided to you by your SWA IAR. This is a wrap program and SWA will deliver to client a copy of their Form ADV Part 2A, Appendix 1.



Some managers under the SAN program may require an additional client advisory agreement with you in addition to the agreement you sign with SWA. For a complete description of the services offered, the programs, the fees charged and minimum account requirements, please refer to the separate disclosure brochure (such as Part 2A of Form ADV) maintained by the Money Manager as provided by your Financial Advisor.

Clients should carefully review these additional disclosure brochures for important and specific details including, among other things, fees, experience, investment objectives and risk guidelines, and disclosure of the money manager's conflicts of interest.

Client and IAR together determine which program to engage. Clients will receive confirmations and statements reflecting all transactions in their account. However, in no circumstances shall SWA have the discretionary authority to close the account or withdraw funds or securities, with the exception of SWA's advisory fees on a quarterly basis.

Clients should refer to the Brochure, client agreement and other account paperwork for each TPIA for more detailed information about the services available under the program.

In addition, SWA may also refer advisory clients to other TPIA's not associated with any of the programs described above.

### **Referral Services for Investment Advisors**

SWA and its IARs may act as referral agents on behalf of third party investment advisors pursuant to a referral agreement. In such case, SWA provides services to the third party investment advisor related to the referred client. The IAR provides the referred client a disclosure statement regarding the role of SWA and the IAR as a referral agent, but the IAR does not enter into an agreement with the client to provide ongoing investment advice. Instead, the client engages the third party investment advisor for advisory services. Please see Item 14 below for more information about these referral services and the related compensation.

## **ITEM 5: Fees and Compensation**

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 SWA, you will not receive the benefit of the advice and other services we provide.

### **Financial Planning and Hourly Consulting Services**

Financial Planning/Consulting Fees are separate from advisory fees discussed elsewhere. Financial Planning/Consulting Fees are negotiable. Each IAR will negotiate a financial planning/consulting fee with the client and quote a fee prior to any services being rendered. IARs may charge based on a flat or hourly fee. The fee will be based on several factors including but not limited to: the services requested by the client, the complexity of the client's situation, the number of meetings required to complete the requested services, number of parties involved or other professionals, areas of review and analysis, staff resources, travel, time and research needed, and savings to the client as a result of the services. Fees may be different from one IAR to another.

Flat fees generally range up to \$15,000 for individual planning services, although higher amounts can be approved on a case by case basis. Fees are due upon execution of the Agreement with SWA, unless

otherwise negotiated. SWA retains the ability to negotiate a payment schedule with the client; though Stratos does not allow for more than 4 installment payments.

Hourly fees will range up to \$500 per hour. Typically, clients will be provided an estimate of the amount of time needed for the services. A deposit in the amount of one-half (1/2) of the estimated fee may be requested upon engagement. SWA does not require or solicit prepayment six months or more in advance. Full refunds will be issued for engagements not completed within six months.

Through the Stratos Participant Consulting Advice Program (SPCAP) advisors provide advice at the individual participant level and investment support for qualified plan participants – advisors may charge hourly fees or flat fees under this program. The maximum total fee per client is \$5,000/annually. Hourly fees will range up to \$500/per hour.

Clients may terminate, with written notice to SWA, planning and/or consulting 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 the financial planning advisory agreement, clients may terminate upon SWA's receipt of a client's written notice to terminate. Prepaid fees will be refunded to clients based on time spent by SWA multiplied by the hourly rate. After completion and presentation of the services no refunds will be issued.

Fees under the Financial Wellness program are negotiated by the IAR and the employer, and are priced based on the number of employees. Under the financial wellness program, fees are not payable until completion of the engagement.

Method of Payment We accept payment by credit card or payment by check.

### **Third Party Investment Advisers**

For TPIAs, clients pay an advisory fee as set out in the client agreement with the TPIA sponsor. The fee is typically negotiated among the TPIA sponsor, the IAR and the client. Fees may be different from one IAR to another. Further, fees are not commensurate with education or experience. The TPIA sponsor may establish a fee schedule or set a minimum or maximum fee. The TPIA fee schedule will be set out in the Disclosure Brochure provided by the TPIA sponsor. The advisory fee typically is based on the value of assets under management as valued by the custodian of the assets for the account and will vary by program. The advisory fee typically will be deducted from the account by the custodian and paid quarterly in arrears or in advance. The advisory fee is often paid to the TPIA sponsor, who in turn pays a portion to SWA. SWA and the IAR share such portion of the advisory fee. A TPIA account may be terminated by a party pursuant to the terms outlined in the TPIA client agreement. The TPIA client agreement will explain how clients can obtain a refund of any pre-paid fee if the agreement is terminated before the end of a billing period.

**The maximum total fee is 3%, with 2% being the maximum for the Stratos advisory fee and 1% maximum being the TPIA fee.**

There are other fees and charges imposed by third parties that may apply to investments in TPIA accounts. Some of these fees and charges are described below. The client may be charged commissions, markups, markdowns, or transaction charges by the broker-dealer who executes transactions in the TPIA account. There may be custodial related fees imposed by the custodian of assets for the program account. These additional fees and charges will be set out in the TPIA Brochure and the agreements executed by the client at the time the account is opened.

If assets are invested in mutual funds, ETFs or other pooled funds, there are two layers of advisory fees and expenses for those assets. Client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. Client will also pay the TPIA advisory fee with respect to those assets. The mutual funds and ETFs available in the programs often may be purchased directly. Therefore, clients could avoid the second layer of fees by not using the advisory services of the TPIA and IAR and by making their own decisions regarding the investment.

A mutual fund in a TPIA program account may pay an asset based sales charge or service fee (e.g., 12b-1 fee) that is paid to the broker-dealer on the account. SWA and IARs are not paid these fees for TPIA program accounts.

If client transfers into a TPIA account a previously purchased mutual fund, and there is an applicable contingent deferred sales charge on the fund, client will pay that charge when the mutual fund is sold. If the account is invested in a mutual fund that charges a fee if a redemption is made within a specific time period after the investment, client will be charged a redemption fee. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting).

If client holds a variable annuity that is managed as part of a TPIA account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor. If client holds a UIT in a program account, UIT sponsors charge creation and development fees or similar fees. Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which clients may request from IAR.

If the TPIA program is a wrap fee program, clients should understand that the wrap fee may cost the client more than purchasing the program services separately, for example, paying fees for the advisory services of the TPIA and IAR, plus commissions for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:

- type and size of the account;
- types of securities in the account;
- historical and or expected size or number of trades for the account, and,
- number and range of supplementary advisory and client-related services provided to the client.

The investment products and services available to be purchased in TPIA program accounts can be purchased by clients outside of a TPIA program account, through broker dealers or other investment firms not affiliated with SWA or the TPIA.

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

This Item is not applicable. SWA and its IARs do not accept performance-based fees.

## ITEM 7: Types of Clients

SWA's advisory services are available for individuals, individual retirement accounts ("IRAs"), banks and thrift institutions, pension and profit-sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 ("ERISA"), trusts, estates, charitable organizations, corporations and other business entities.

SWA does not require a minimum asset amount for financial planning or hourly consulting.

For TPIAs, the TPIA sponsor typically establishes a minimum account value, which will be set out in the account opening documents with the TPIA sponsor.

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

The IAR has access to various research reports and model portfolios to which he or she may refer in determining investment advice IAR provides to clients. The IAR chooses his or her own research methods, investment style and management philosophy. It is important to note that no methodology or investment strategy is guaranteed to be successful or profitable and has a risk of loss.

### Types of Investments and Risks

SWA 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. SWA is obligated to disclose any disciplinary event that would be material to clients, or potential clients, when evaluating SWA to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

#### ITEM 10: Other Financial Industry Activities and Affiliations

SWA advisors may offer insurance products and services for which commissions will be paid. IARs and other related persons of SWA may be licensed with various insurance companies. SWA, 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 SWA or its IARs. The amount of spent by each IAR will vary. Some IARs may spend significantly more or less time offering insurance products and services. The principal business of SWA is not to offer insurance products and services. Less than 10% of SWA's resources are dedicated to insurance business.

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 Advisors, Ltd ("SWA"). The IAR's are under the supervision of SWA, and the advisory services of the IAR are provided through SWA. SWA has these arrangements with the business entities listed in Schedule D of Form ADV.

Certain IARs may be certified public accountants (CPAs) and offer accounting services through their accounting practice. SWA does not endorse or recommend the services of the IARs in their capacity as CPAs. Further, none of the services offered by SWA 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 stated above, 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 SWA will be paid to the IAR for compensation for advisory services. Further, clients are advised that the amount paid by SWA 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 SWA, there is a conflict of interest for the IAR to potentially charge a higher fee.

SWA may offer clients the option to utilize the management services of one or multiple third party managers. SWA will assist clients with evaluating their financial situation and present to the clients one or more third party managers and assist the client with selecting a third party manager's service. Additionally, on an ongoing basis SWA will be available to answer questions clients may have regarding their managed account and act as the communication conduit between the client and the manager. SWA will periodically meet with the client to evaluate the client's account and third party manager. In addition, if the investment program recommended to a client is a wrap fee program the client will also receive Part 2A Appendix 1 of the Form ADV or equivalent wrap fee brochure provided by the sponsor of the program. SWA will provide to each client all appropriate disclosure statements, including disclosure of solicitation fees to SWA and its advisory associates. Clients will be charged an advisory fee by the third party manager (selected by the client).

Clients are advised that fees for such programs may be higher or lower than if the client directly obtained the services of the third party manager, or if the client obtained advisory services separately. Clients should read the third party manager's disclosure brochure for additional disclosure of its managed program.

For accounts that utilize a third party manager, client will establish a third party manager custody account at a qualified custodian. SWA will not directly conduct any securities transactions on behalf of the client or participate directly in the selection of the securities to be purchased or sold for the client. Investment decisions are made by the third party manager in accordance with the agreement between client and manager.

Clients may pay transaction fees, account maintenance fees and other fees and expenses associated with maintaining the account. Fees will be charged by and collected by the third party manager and the third

party manager will allocate SWA's portion of the fee. Therefore, clients must refer to the third-party manager's disclosure brochure for payment terms and conditions.

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

### **Code of Ethics and Personal Trading**

SWA 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. SWA takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as SWA's policies and procedures. Further, SWA 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 SWA's Privacy Policy. As such, SWA 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, SWA's Code of Ethics establishes SWA's expectation for business conduct.

SWA'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, SWA requires an annual certification by all employees/Advisors regarding their understanding and compliance with the Code of Ethics. SWA 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**

Related persons of SWA (any advisory affiliate and any person that is under common control with SWA) 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. SWA 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. SWA and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

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

- 1) 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 SWA, 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.



- 2) All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- 3) SWA emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where a third party advisory service is granted discretionary authority in the client's account.
- 4) SWA requires that all individuals act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination.

This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of SWA'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.

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 SWA's investment policies and procedures. In accordance with Section 204A of the Investment Advisers Act of 1940, SWA also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by SWA or any person associated with SWA.

As part of financial planning services or hourly consulting services, an IAR may provide recommendations as to investment products or securities. To the extent that IAR recommends that client invest in products and services that will result in compensation being paid to SWA and the IAR, this presents a conflict of interest. The compensation to IAR may be more or less depending on the product or service that the IAR recommends. Therefore, the IAR has a financial incentive to recommend that a financial plan or consulting advice be implemented using a certain product or service over another product or service. The client is under no obligation to purchase securities or services through SWA and the IAR.

If the client decides to implement the financial plan or consulting advice through an advisory program or service, the IAR will provide client at the time of engagement with a Brochure, client agreement and other account paperwork that contain specific information about fees and compensation that the IAR and SWA will receive in connection with that program. The Brochures are also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

When considering whether to implement a financial plan through IAR and SWA, clients should discuss with the IAR how SWA and IAR will be compensated for any recommendations in the plan. It is important to note that clients are under no obligation to implement a financial plan through SWA. Clients should understand that the investment products, securities and services that an IAR may recommend as part of financial planning and hourly consulting are available to be purchased through broker-dealers, investment advisors or other investment firms not affiliated with SWA.

Client should understand that SWA and IAR, may perform advisory services for various other clients, and that SWA and IAR may give advice or take actions for those other clients that differ from the advice given to the client. The timing or nature of any action taken for the account may also be different.

## ITEM 12: Brokerage Practices

SWA has selected Fidelity Brokerage Services, Charles Schwab and TD Ameritrade as broker-dealers to provide custody services for advisory accounts. Factors considered in selecting these firms include stability, reputations, trading platforms, and continuing with a current custodian.

### **Recommendation of Schwab**

SWA 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. SWA is independently owned and operated and not affiliated with Schwab.

Schwab provides SWA 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 SWA 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 SWA other products and services that benefit SWA but may not benefit its clients' accounts. These benefits may include national, regional or SWA specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of SWA 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 SWA 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 SWA'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 SWA's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to SWA other services intended to help SWA 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 SWA 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 SWA. While, as

a fiduciary, SWA endeavors to act in its clients' best interests, SWA's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to SWA 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. SWA, 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.

## **Research and Other Benefits.**

SWA has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides SWA 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 SWA in conducting business and in serving the best interests of their clients but that may benefit SWA.

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 may be charged for individual equity and debt securities transactions). Fidelity enables SWA 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 SWA, at no additional charge to SWA, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by SWA (within specified parameters). These research and brokerage services presently include services such as portfolio accounting and research and are used by SWA to manage accounts for which SWA has investment discretion.

Fidelity Investments may also compensate a recruiter for recruiting an adviser representative to Stratos, where the adviser will utilize Fidelity as the custodian for their Clients. This results in a conflict in that an advisory representative may recommend Fidelity to their clients based on the information shared by the recruiter. Stratos mitigates this conflict by reviewing Fidelity for best execution as described below.

As a result of receiving such services for no additional cost, SWA may have an incentive to continue to use or expand the use of Fidelity's services. SWA determined that the relationship is in the best interests of SWA'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 SWA 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 SWA 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 SWA will generally be used to service all of SWA'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. SWA and Fidelity are not affiliates, and no broker-dealer affiliated with SWA is involved in the relationship between SWA and Fidelity.

1. Brokerage for Client Referrals. SWA 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."

In connection with TPIA programs, the TPIA sponsor may require that clients direct brokerage to a broker-dealer, including the TPIA sponsor or broker-dealer affiliated with the TPIA sponsor. Clients should understand that not all advisors require their clients to direct brokerage. By directing brokerage to a broker, clients may be unable to achieve the most favorable execution of client transactions and may pay more in transaction charges than other broker-dealer firms. Therefore, directed brokerage may cost clients more money. For more information about the brokerage practices of a TPIA sponsor, clients should refer to the Disclosure Brochure for the applicable TPIA.

In some cases, the third-party investment advisers pay additional marketing payments to SWA, 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. This is a conflict of interest in that IAR's have an incentive to recommend a TPIA for which they may receive additional marketing payments.

## **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**

For all financial planning services, SWA reviews the deliverable(s) provided to the Client to ensure the recommendations were in line with the Clients needs and objectives.

For TPIA services, IARs review, on an ongoing basis, client accounts and meet with clients to review such items as accounts statements, quarterly performance reports, and other information or data related to the client’s account and investment objective. The TPIA sponsor or custodian of the TPIA account assets send clients regular written reports and statements regarding the account.

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

#### **Client Referrals**

SWA may enter into arrangements with individuals (“Solicitor”) whereby the Solicitor will refer clients to SWA which clients may be a candidate for the investment advisory services offered by SWA. In return, SWA will agree to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with SWA for advisory services. Compensation to Solicitor will be an agreed upon percentage of SWA’s advisory fee. SWA’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 SWA’s Form ADV Part 2A and a Solicitor Disclosure Brochure prior to or at the time of entering into any investment advisory contract with SWA. Solicitor is not permitted to offer clients any investment advice on behalf of SWA. Clients’ advisory fee will not exceed SWA maximum fees regardless of solicitor or referral arrangements.

Some SWA 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.

SWA and its IARs may offer advisory services on the premises of unaffiliated financial institutions such as banks. SWA has entered into agreements with the financial institutions pursuant to which SWA 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.

#### **Other Compensation**

SWA may utilize other broker-dealers for custody and execution services in SWA sponsored wrap fee programs. SWA receives research or other products or services other than execution from broker-dealers or third party in connection with client securities transactions (“Research and other benefits” – refer Item

6). SWA may recommend (or use) the use of a broker-dealer who provides useful research and services. SWA 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 SWA 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. SWA has entered into agreements with Fidelity Brokerage Services and Charles Schwab and TD Ameritrade for the provision of these services and transition related expenses. SWA 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 payment of transition related expenses. The Schwab benefit arrangement provides for the reimbursement of transfer of account exit fees. SWA generally limits the use of these custodians and advisors must be approved by the External Custodian Committee at SWA.

The IAR, SWA and SWA 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 SWA employees and IARs.

The IAR recommending a TPIA program to the client receives compensation as a result of the client's participation in the program. This compensation includes a portion of the advisory fee and also may include other compensation, such as awards or other things of value offered by the TPIA to the IAR. For example, a TPIA may pay additional marketing payments to SWA, its employees and/or IARs to cover fees to attend conferences or reimbursement of expenses for workshops, seminars presented to IARs clients or advertising, marketing or practice management. The amount of this compensation may be more or less than what the IAR would receive if the client participated in other advisory programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. 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.

SWA has entered into referral agreements with independent third party investment advisors, pursuant to which SWA and IARs receive referral fees from the third party investment advisors in return for referral of clients. Because SWA is engaged by and paid by the third party investment advisor for the referral, any recommendation regarding a third party investment advisor as part of a referral presents a conflict of interest. SWA addresses this conflict by providing the client with a disclosure statement explaining the role of SWA and IAR and the referral fee received by SWA and IAR. For more information regarding these arrangements, refer to Item 4.

In some cases, the third party investment advisers pay additional marketing payments to SWA, 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 SWA managed account are not passed to IARs and will be retained by the custodian.

### **ITEM 15: Custody**

Accounts are often custodied at 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, 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. 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**

With respect to financial planning and hourly consulting services, SWA and the IAR do not have any discretionary investment authority.

In a TPIA program, the client typically authorizes the third party investment advisor to purchase and sell securities on a discretionary or non-discretionary basis pursuant to the investment objective chosen by the client. This authorization will be set out in the TPIA client agreement. SWA and the IAR do not have discretion on TPIA program accounts.

### **ITEM 17: Voting Client Securities**

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

## ITEM 18: Financial Information

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

Since SWA does not take custody except under the two conditions noted below, should SWA encounter a financial condition that would impair SWA'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.

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