

# FORM ADV PART 2A

Current as of December 4, 2020

**Royal Alliance Associates, Inc.**

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This brochure provides information about the qualifications and business practices of Royal Alliance Associates, Inc. If you have any questions about the contents of this brochure, please contact us at (800) 821-5100. Royal Alliance is registered with the Securities and Exchange Commission (SEC) as a registered investment adviser. Registration does not imply any level of skill or training. 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 Royal Alliance Associates, Inc. is also available on the SEC's website at **[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**.

## ITEM 2 - MATERIAL CHANGES

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes. The last amendment of the Royal Alliance Associates Inc. Form ADV, Part 2A, was October 16, 2020. Since the last amendment, Royal Alliance Associates, Inc. has made material changes to the Form ADV Part 2A as follows:

- Item 9 – Disciplinary Information: The disclosure of disciplinary action related to the sales of complex exchange-traded products was added.
- Item 9 – Disciplinary Information: The disclosure of disciplinary action related to failure to reasonably supervise a registered representative was removed because the event occurred over 10 years ago and is no longer material to a client's or prospective client's evaluation of the firm.
- Item 10 – Other Financial Industry Activities and Affiliations: KMS Financial Services, Inc. was removed from the chart of related persons because they are no longer a related person of the Firm.
- Item 14 – Client Referrals and Other Compensation: A more detailed description of compensation paid to Royal Alliance from its custodians was added to the Other Compensation section.

**Will I receive a brochure every year?**

We may, at any time, update this brochure. Any material changes will either be sent to you as a summary of those changes or, depending on the extent of these changes, you will receive the entire updated brochure.

**May I request additional copies of the brochure?**

Absolutely. You may request and receive additional copies of this brochure in one of three ways:

Contact your Advisor with whom you are working with.

Download the brochure from the SEC website at [www.adviserinfo.gov](http://www.adviserinfo.gov). Select “investment adviser firm” and type in our Firm name.

Contact the Investment Advisory Compliance Department at 800-821-5100, Fast Track 514.

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## **ITEM 4 - ADVISORY BUSINESS**

Royal Alliance Associates, Inc. is registered with the Financial Industry Regulatory Authority ("FINRA") as a broker-dealer engaged in the offer and sale of securities products. Royal Alliance Associates, Inc. is also registered as an investment adviser with the Securities and Exchange Commission ("SEC"), SEC File No. 801-54859, in order to offer investment advisory products and services to its advisory clients. Such services are offered through certain Financial Advisers ("FAs") who have registered as Investment Adviser Representatives ("Advisory Representative"). Registration does not imply a certain level of skill or training. Royal Alliance is a subsidiary of Advisor Group, Inc., a wholly-owned subsidiary of Advisor Group Holdings, Inc., which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes, RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P., and The Berliniski Family 2006 Trust.

Royal Alliance Associates, Inc. the broker-dealer, will henceforth be referred to as "Royal Alliance". Royal Alliance Associates, Inc. the Registered Investment Adviser, will henceforth be referred to as "we", "us", "our" or the "Firm".

Royal Alliance, an independent broker-dealer, has built a strong reputation within the Financial Services Industry through its open-architecture model and commitment to technology and service.

We have been an SEC Registered Investment Adviser since 1997 and manage, as of December 31, 2019, \$12,596,178,883 of assets on a discretionary basis and \$4,104,458,881 on a non-discretionary basis.

Each of our Advisory Representatives is permitted to offer all or any combination of the advisory programs described below to our clients ("you" or "your").

### **VISION2020 WEALTH MANAGEMENT PLATFORM – ADVISOR MANAGED PORTFOLIOS**

The Wealth Management Platform – Advisor Managed Portfolios Program ("Advisor Managed Portfolios") provides comprehensive investment management of your assets through the application of asset allocation planning software as well as the provision of execution, clearing and custodial services through Pershing, LLC ("Pershing") or National Financial Services, Inc. ("NFS").

Advisor Managed Portfolios provides risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, and portfolio optimization and re-balancing tools. Utilizing these tools and based on your responses to a risk tolerance questionnaire ("Questionnaire") and discussions that you and your Advisory Representative have together regarding, among other things, your personal investment objectives and goals, time horizon, risk tolerance, account restrictions, needs, personal circumstances and overall financial situation, we construct a portfolio of investments for you. Your Advisory Representative has the option to allocate your portfolio amongst a mix of stocks, bonds, options, exchange-traded funds, mutual funds and other securities ("Program Investments") which are based on your investment goals, objectives, and risk tolerance.

Each portfolio is designed to meet your individual needs, stated goals and objectives. Additionally, you have the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

For further Advisor Managed Portfolios details, please see the Advisor Managed Portfolios Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in Advisor Managed Portfolios. Please read it thoroughly before investing.

### **VISION2020 WEALTH MANAGEMENT PLATFORM – UNIFIED MANAGED ACCOUNT PROGRAM**

The Wealth Management Platform – Unified Managed Account Program ("UMA") provides you with the opportunity to invest your assets across multiple investment strategies and asset classes by implementing an asset allocation strategy. UMA is a Wrap Account program that offers these advisory services along with brokerage and custodial services for a single, annual, asset-based advisory fee.

After you discuss your financial goals and objectives with your Advisory Representative, we will recommend an asset allocation model ("UMA Model") to you which will consist of:

- a) Investment Strategies serviced and created by investment managers or your Advisory Representative that generally consist of a selection of mutual funds, exchange traded products, equities, and or bonds;
- b) Mutual funds and ETFs (“Funds”);
- c) or a combination of the preceding bundled together in an investment asset allocation model.

We will recommend a UMA Model to you based on your responses to a Questionnaire and discussion that we have together regarding among other things, your personal investment objectives and goals, time horizon, risk tolerance, account restrictions, needs, personal circumstances and overall financial situation. In addition, you can place reasonable restrictions on investments held within your UMA account. All recommendations in the UMA are made on a discretionary basis, which means your Advisory Representative can act without your prior approval.

For further UMA details, please refer to The Wealth Management Platform – Unified Managed Account Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in UMA. Please read it thoroughly before investing.

## **SIGNATOR MANAGED ACCOUNT PLATFORM**

In November 2018 Signator Investors, Inc., was acquired by the Advisor Group and merged into Royal Alliance Associates, Inc. Signator Investors, Inc. was dually registered as a registered investment adviser with the SEC and as a broker-dealer with the FINRA. As a result of the acquisition, the Firm and Royal Alliance have replaced Signator Investors, Inc. as the registered investment adviser and broker-dealer, respectively, on all Signator Managed Account Platform accounts transferred due to the acquisition. The Signator Managed Account Platform accounts (“Transferred Accounts”) are only available to clients who are already invested in them and they are not being offered to new clients or accounts.

If you have assets in one of the Transferred Accounts, the Signator Managed Account Platform programs provide you with investment advisory and brokerage execution services for an all-inclusive fee through an arrangement with Envestnet Asset Management, Inc. (“Envestnet”), an unaffiliated SEC-registered investment advisor that provides investment management and investment advisory services. Envestnet’s technology has assessed and assisted your Advisory Representative in determining your risk tolerance. Based upon your risk tolerance, the Signator Managed Account Platform utilizes a system that assists your Advisory Representative in selecting investment products, investment managers, program account types and/or asset allocation that align(s) with your risk tolerance.

Each of our Advisory Representatives negotiates his or her own account fee schedule. The account fees paid by client include portions paid to your Advisory Representative, as well as to the Firm, the custodian, and the third party money managers selected. Advisory Fees are set independently regardless of manager selected. Mutual funds and ETFs invested in the account also have their own internal fees (“internal fund expenses”) which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus).

For complete fee details, including account fee schedule guidelines and a list of transaction charges, please see the Signator Managed Account Platform program brochure.

## **THIRD PARTY ADVISORY SERVICES**

We can also offer you the services of various third party money managers (“Third Party Money Managers” or “TPMMs”) for the provision of certain investment advisory programs including mutual fund wrap and separately managed account programs. In doing so, we normally act in a “co-advisory” capacity. Royal Alliance does not serve as broker-dealer for your Third Party Money Manager account except for certain Morningstar Investment Services accounts detailed below.

When acting in a co-advisory capacity, Royal Alliance and the Third Party Money Manager are jointly responsible for the ongoing management of your account. In connection with this arrangement, your Advisory Representative will provide assistance in the selection and ongoing monitoring of a particular Third Party Money Manager. Factors we consider in the selection of a particular Third Party Money Manager include, but are not limited to:

- i. our assessment of a particular Third Party Money Manager;
- ii. your risk tolerance, goals, objectives and restrictions, as well as investment experience; and
- iii. the assets you have available for investment.

In addition to the advisory relationship that you will have with these Third Party Money Managers, you will also enter into an advisory relationship with us by signing our client agreement.

If you are interested in learning more about these services, please note that a complete description of the programs, services, fees, payment structure and termination features are available via the applicable Third Party Money Manager's disclosure brochures, investment advisory contracts, and account opening documents.

You should know that the services provided by us through the use of Third Party Money Managers are under certain conditions directly offered by them to you. The fees charged by Third Party Money Managers who offer their programs directly to you may be more or less than the combined fees charged by the Third Party Money Manager and us for our participation in the investment programs.

In limited circumstances, an Advisory Representative acts purely in a solicitor capacity when referring you to a TPMM. When acting as a solicitor for the TPMM program, the Firm and your Advisory Representative do not provide advisory services in relation to the TPMM program. Instead, your Advisory Representative will assist you in selecting one or more TPMM programs believed to be suitable for you based on your stated financial situation, investment objectives, and financial goals. The TPMM will be responsible for assessing the suitability of their investment recommendations against your risk profile and are compensated for referring you to the TPMM program. This compensation generally takes the form of the TPMM sharing a percentage of the advisory fee you pay to the TPMM. When we act as a solicitor for a TPMM program, you will receive a written solicitor disclosure statement describing the nature of our relationship with the TPMM program, if any; the terms of our compensation arrangement with the TPMM program, including a description of the compensation that we will receive for referring you to the TPMM program. Please consult the applicable Third Party Money Manager's agreement for further information.

#### Morningstar Investment Services, LLC

The Firm has an agreement with Morningstar Investment Services, LLC ("Morningstar") that allows its Advisory Representatives to offer the Morningstar Managed Portfolios Program as a TPMM to clients. Royal Alliance serves as broker/dealer for certain Morningstar accounts that were transitioned from Signator Investors, Inc. In these instances, the Firm receives a fee of 10 basis points for providing administrative services. Royal Alliance does not serve as broker/dealer for any new Morningstar accounts offered.

#### Signature Investment Advisors, LLC

The Firm has an agreement with Signature Investment Advisors, LLC ("SIA") an unaffiliated Registered Investment Adviser. The agreement allows the Firm's Advisory Representatives to offer the Signature Allocation Series as a TPMM. Owners and executives of SIA are also registered representatives of Royal Alliance. The Firm receives a fee of up to 10 basis points for providing supervisory services.

### **FINANCIAL PLANNING**

We provide you with financial planning services that include a review of your financial circumstances, financial goals and a written report based on an evaluation and analysis of information you provide. This information normally would cover a review of your personal financial situation, including but not limited to present and anticipated assets, liabilities, cash flow, financial goals, objectives, risk tolerance and time horizon. There are also options to create additional analyses and work with and advise you as to the rearrangement of cash flow in order to fund certain long-term objectives such as buying a house, planning for college, retirement, etc.

The plan developed for you will usually include general recommendations for a course of activity or specific actions to be taken by you. For example, if appropriate, a recommendation will be made that you obtain insurance or revise existing coverage, establish an individual retirement account, increase or decrease funds held in savings accounts or invest funds in securities. We may refer you to an accountant or attorney for development of tax or estate plans.

We do not render legal, tax or accounting advice or prepare any legal documents for you. Your personal attorney will be solely responsible for providing legal advice, legal opinions, legal determinations and legal documents. Your personal tax adviser or accountant will be solely responsible for any tax or accounting services provided to you.

## **CONSULTING SERVICES**

In addition to financial planning, we can provide you with consultation on various financial topics to address your specific needs and objectives. Your Advisory Representative will analyze your current financial situation and investment goals and present strategies and recommendations to help you attain those goals. Consulting services, while similar to traditional financial planning, provide you with several distinct services which are listed below:

- Budget Planning
- Business Financial Planning
- Cash Flow Analysis
- Philanthropic/Charitable Planning
- Debt Management
- Life Transition Planning
- Education Planning
- Estate, Legacy or Multigenerational Planning
- Major Purchase Planning
- Special Needs Planning
- Major Purchase Planning
- Family Financial Planning

Consulting services, which are offered on a non-discretionary basis, can be narrow in scope and do not always take into consideration all areas of a client's financial situation. Consulting services provided should not be construed as investment advice.

## **NON-DISCRETIONARY INVESTMENT ADVISORY SERVICES**

Non-Discretionary Investment Advisory Services ("Non-Discretionary Services") are available on a one-time, ongoing, or periodic basis for one or more of the following Non-Discretionary Services.

### **1. Investment Portfolio Monitoring**

We will monitor your portfolio(s) and provide investment advice on a non-discretionary basis to you through mail, phone or email communication. Investment advice is provided on any or all of the following: asset allocation, investment portfolio construction, investment selection, investment adviser retention or other services as agreed upon by both parties.

### **2. Other Services**

We are also available for the following non-discretionary advisory services:

- Financial Counseling – We will include assistance to you in designing personal financial goals and objectives, as well as, recommendations regarding the allocation of present financial resources among different types of assets.
- Review of Accounts – We will perform an annual review and consultation of your account. Such review and consultation typically contains advice regarding recommended changes to your investments and recommendations for implementation of proposed changes.
- Securities Research – We will provide research and advice regarding specific securities, industries or markets.

We are not qualified to, and do not render legal, tax or accounting advice or prepare any legal documents for you unless our Advisory Representative is duly licensed as an attorney or accountant in your state of residence. Your



personal attorney will be solely responsible for providing legal advice, legal opinions, legal determinations and legal documents. Your personal tax adviser or accountant will be solely responsible for any tax or accounting services provided to you.

If you receive Non-Discretionary Advisory services, and pursuant to a plan or consultation, you purchase securities or insurance products offered through us, your Advisory Representatives typically receive commissions as Registered Representatives of Royal Alliance or insurance agents in connection with such transactions. Thus, in these circumstances Advisory Representatives will have a conflict of interest when providing these services because they would likely receive additional compensation if you choose to execute transactions through them in this capacity. The Advisory Representative and Royal Alliance will also be additionally compensated if you choose to implement recommendations by retaining the Advisory Representative to provide other investment advisory products or services. You are under no obligation to purchase products or services recommended by us or our Advisory Representatives.

## **RETIREMENT PLAN CONSULTING SERVICES**

We offer retirement consulting services to employee benefit plans (collectively, “Plans”) and their fiduciaries. The services are designed to assist the plan sponsor (the “Company”) in meeting its management and fiduciary obligations to the Plan under the Employee Retirement Income Security Act (“ERISA”). Retirement consulting services are provided pursuant to a retirement plan consulting services agreement, and will consist of general or specific advice, that includes services other than investment advisory services. Retirement plan consulting services include one or more of the following:

1. **Plan Set Up:** Your Advisory Representative will assist you with the initial set up of a new Plan on a record-keeping platform.
2. **Plan Conversion:** Your Advisory Representative will assist you with converting a Plan from an existing record-keeping platform to a new record-keeping platform.
3. **Recommend and monitor investment options:** Your Advisory Representative will assist you by periodically reviewing (at least annually) the investment options of the Plan’s investment menu and, when warranted, recommend possible change in investment option(s).
4. **Plan Performance Review:** Your Advisory Representative will assist you by conducting a periodic review (at least annually) to assist you with determining whether the terms of the Plan and the design are meeting your needs and those of the Plan’s participants.
5. **Benchmarking of the platform, fees and services:** Your Advisory Representative will assist you by periodically reviewing and benchmarking the Plan’s fees, services and investments.
6. **Plan Compliance Review:** Your Advisory Representative will conduct a periodic review (at least annually) of specific Plan items as determined by the Plan and advise the Plan whether it is operating in accordance with Plan documents and applicable provisions of ERISA as it relates to the specific items.
7. **Participant Education Services:** Your Advisory Representative will coordinate and/or conduct periodic investment, enrollment and/or retirement education meetings for Plan participants as determined by the Plan.
8. **Self-Directed Brokerage Account (“SDBA”) Education:** Your Advisory Representative will, to the extent directed by the Responsible Plan Fiduciary, conduct periodic employee investment education meetings with respect to implementing trades through the SDBA.

There is opportunity for the Company to engage us to provide a review of executive benefits, for separate compensation.

We will determine with the Company in advance the scope of services to be performed and the fees for all requested services. Prior to engaging us to provide consulting services, the Company will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the relevant fees and fee paying arrangements. The services outlined above that we provide are explained in more detail in the written agreement. We will also provide additional disclosures about our services and fees, where required by ERISA.

When we perform the agreed upon services, we will not be required to verify the accuracy or consistency of any information received from the Company.

We will serve in a non-discretionary ERISA fiduciary capacity with respect to some but not all of the services that we provide which will be further explained in the written agreement we sign with the Company. The Company is always free to seek independent advice about the appropriateness of any recommendations made by us.

## **Other Services**

In addition to the retirement plan consulting services referenced above, some clients may be allowed to maintain current retirement plan consulting services that were previously offered. Please refer to the Retirement Plan Consulting Services Agreement for the initial service chosen for your account.

## **LENDING SERVICES**

### **Securities Backed Line of Credit (SBLOC) / Non-Purpose Loans**

The Firm offers you SBLOCs offered through participating third party banks. SBLOCs are loans whereby an investor borrows against the assets in their investment portfolio without having to liquidate these securities. These loans require monthly interest-only payments, and the loan remains outstanding until it is re-paid. SBLOCs are non-purpose loans, which means the loan proceeds can be used for almost anything except the proceeds may not be used to purchase or trade securities.

An SBLOC allows you the opportunity to avoid potential capital gains taxes because you don't have to liquidate securities for access to funds. You might also be able to continue to receive the benefits of your holdings, like dividends, interest and appreciation. However, as with virtually every financial product, SBLOCs have risks and downsides. For instance, if the value of the securities you pledge as collateral decreases, you may need to come up with extra money fast, or your positions could be liquidated.

The Firm receives third party compensation from participants banks based on the amount of the outstanding loans. This compensation is a conflict of interest to the firm because there is a financial incentive for the client to maintain outstanding loans through the program. However, the firm does not share this compensation with its Advisory Representatives. The Firm and its Advisory Representatives interest in continuing to receive investment advisory fees gives it an incentive to recommend that clients borrow money rather than liquidating some of their assets managed by the Firm, when it could be in a client's best interest to sell such assets instead of using them as collateral for a loan.

Prior to establishing a SBLOC, you should carefully review the disclosure form provided by the Firm.

## **MARGIN LOANS**

As a broker-dealer, Royal Alliance can loan you money against the value of certain stocks, bonds and mutual funds in your portfolio. That borrowed money is called a margin loan and can be used to purchase additional securities or to meet short-term financial needs. Margin loans are not available in retirement or custodial accounts. There's no set repayment schedule with a margin loan—monthly interest charges accrue to the account, and the borrower has the option to repay the principal at their convenience.

Margin can be profitable when stocks increase in value. However, the magnifying effect works the other way as well. The marginable investments in the portfolio provide the collateral for the margin loan. While the value of that collateral fluctuates according to the market, the amount borrowed stays the same. If the value of the stock's decline to the point where they no longer meet the minimum equity requirements, there will be a margin call. When this happens, the firm will ask that more cash or marginable securities be deposited into the account to meet the minimum equity requirement or it may sell securities in the account as needed. Please remember:

- Margin loans increase the accounts level of market risk;
- The firm may initiate the sale of any security in the account without contact the account owner, to meet the margin call; and
- Account owners are not entitled to an extension of time on a margin call.

The Firm has a conflict of interest in recommending to you a margin loan because Royal Alliance (in its capacity as a broker-dealer) receives a markup on the interest charged on the loan. Such markups on margin interest range

up to a maximum markup of 300 basis points above the base lending rate. Your Advisory Representative is not compensated on margin loan balances and therefore does not have a conflict of interest in recommending the use of margin. Consequently, the Firm's conflict of interest to you is mitigated since your Advisory Representative does not receive additional compensation for recommending to you the use of margin. The Firm maintains policies and procedures to ensure recommendations made to you are in your best interest and in conjunction with the lack of compensation to your Advisory Representative, believe this mitigates any conflict to Royal Alliance.

**Please refer to your margin agreement for additional details regarding your margin loan.** Please also visit the Firm's website at [www.royalalliance.com](http://www.royalalliance.com) for the Pershing and NFS brokerage fee schedules to find additional details regarding your margin loan fees (Go to: [www.royalalliance.com](http://www.royalalliance.com) → Disclosures → Client Fee Disclosure).

## **SEMINARS**

Our Advisory Representatives are permitted to hold investment-related seminars and/or educational events to existing clients, prospective clients, and the general investing public. The seminars feature general investment-related advice for educational purposes and can include both securities and non-securities topics. No specific individualized investment advice regarding investment objectives or investment related needs of the attendees, listeners, or audience is rendered during seminars. However, participants are free to schedule meetings with the Advisory Representatives(s) in an effort to obtain personalized investment advice. Please see "Fees and Compensation" below for further details related to the investment advisory fee charged for these seminars.

## **ITEM 5 - FEES AND COMPENSATION**

### **VISION2020 WEALTH MANAGEMENT PLATFORM – ADVISOR MANAGED PORTFOLIOS PROGRAM**

We offer Advisor Managed Portfolios as an account where no separate transactions charges apply and a single fee is paid for all advisory services and transactions ("Wrap Account"). In a Wrap Account, the wrap fee can be set-up so that either the Firm or the Advisory Representative pays the underlying ticket charges for securities transactions. In cases where the Advisory Representative pays the ticket charges. A conflict that the Advisory Representative will trade less frequently which results in the Advisory Representative retaining a greater portion of the wrap fee. The Firm has policies and procedures to monitor and reduce the risk of this occurring.

We also offer Advisor Managed Portfolios with separate advisory fees and transaction charges ("Non-Wrap Account"). As such, in addition to the quarterly account fee described below for advisory services, you will also pay separate per-trade transaction charges.

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. If you terminate your participation in this program, you will be entitled to a pro-rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after the date upon which the notice of termination is received.

Each of our Advisory Representatives negotiates his or her own account fee schedule.

Mutual funds and ETFs invested in the account have their own internal fees which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus).

Some Fund fees include 12b-1 fees which are internal distribution fees assessed by the Fund, all or a portion of which are paid to the distributor(s) of the Funds. The Firm and your Advisory Representative do not retain 12b-1 fees paid by the Funds.

In certain instances, there is opportunity to be eligible to purchase certain mutual funds and ETFs without incurring transaction charges subject to certain conditions. For details, please refer to Item 4 (No Transaction Fee Programs) of the Advisor Managed Portfolios wrap fee brochure. If your assets are held in a certain type of Wrap Account, a conflict exists for your Advisory Representative to purchase mutual funds or exchange-traded funds that are part of the No Transaction Fee Programs to avoid paying a transaction fee.

For complete fee details, including account fee schedule guidelines and a list of transaction charges, please see the Advisor Managed Portfolios Wrap Fee Program Brochure.

## **VISION2020 WEALTH MANAGEMENT PLATFORM – UNIFIED MANAGED ACCOUNT PROGRAM**

We offer UMA as an account where no separate transactions charges apply and a single fee is paid for all advisory services and transactions ("Wrap Account").

You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by our custodian. If you terminate your participation in this program, you will be entitled to a pro-rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after the date upon which the notice of termination is received.

Each of our Advisory Representatives negotiates his or her own account fee schedule. The account fees paid by client include portions paid to your Advisory Representative ("Advisory Fees"), as well as to the Firm, the custodian, and the third party money managers selected ("Program Fees"). Advisory Fees are set independently regardless of manager selected. Mutual funds and ETFs invested in the account also have their own internal fees ("internal fund expenses") which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus). Since fees billed to your UMA account are comprised of both Program Fees and Advisory Fees, Advisory Representatives may have an incentive to select third party money managers with lower Program Fees in order to manage the overall fee charged to you. You and your Advisory Representative should consider the overall fees and expenses, including internal fund expenses, when selecting managers and other portfolio investments.

For complete fee details, including account fee schedule guidelines, please refer to The Wealth Management Platform – Unified Managed Account Wrap Fee Program Brochure.

## **SIGNATOR MANAGED ACCOUNT PLATFORM**

As noted in Item 4, the Signator Managed Account Platform programs are not being offered to new accounts and consists solely of the Transferred Accounts. The Signator Managed Account Platform programs have accounts where no separate transaction charges apply and a single fee is paid for all advisory services and transactions ("Wrap Account").

If you have assets in the Signator Managed Account Platform programs as one of the Transferred Accounts, you will pay a quarterly account fee based upon the market value of the assets held in your account. Your account fees will be debited from your account by our custodian. If you terminate your participation in this program, you will be entitled to a pro rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after the date upon which the notice of termination is received.

The account fees paid by you include portions paid to your Advisory Representative ("Advisory Fees"), as well as to the Firm, the custodian, and the investment managers selected ("Program fees"). Mutual funds and ETFs invested in the account also have their own internal fees ("internal fund expenses") which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus).

For complete fee details, including account fee schedule guidelines please refer to the Signator Managed Account Platform Wrap Fee Program Brochure.

## **THIRD PARTY ADVISORY SERVICES**

Compensation in connection with Third Party Advisory Services generally consists of six elements:

i) management fees paid to Third Party Money Managers; ii) management fees paid to us as outlined in the client agreement that you sign with us; iii) transaction costs – if applicable – which are charged when purchasing and selling such securities; iv) custody fees; v) revenue sharing paid to the Firm and vi) fees paid to us for administrative and supervisory services. Your account will be held with the Third Party Advisory Service custodian where your fees will be assessed and deducted.

Similar investment strategies offered through the Third Party Advisory Services program can be offered by more than one provider, including other TPMMs, as well as through other advisory programs offered through the Firm and its affiliates. You should be aware that lower fees for comparable services may be available from other sources.

The account fees paid by client include portions paid to your Advisory Representative ("Advisory Fees"), as well as to the Firm, the custodian, and the third party money managers selected ("Program Fees"). Mutual funds and exchange traded funds invested in the account also have their own internal fees ("internal fund expenses") which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus). Since fees billed to your account for Third Party Advisory Services are typically comprised of both Program Fees and Advisory Fees, Advisory Representatives may have an incentive to select third party advisory services with lower platform Program Fees in order to manage the overall fee charged to you. You and your Advisory Representative should consider the overall fees and expenses, including internal fund expenses, when selecting managers and other portfolio investments.

For further details, please see the applicable Third Party Money Manager's disclosure brochures, investment advisory contracts and account opening documents.

Each of our Advisory Representatives negotiates his or her own management fee schedule; however, management fees charged by the Third Party Advisory Service in connection with their services are not negotiable.

Royal Alliance maintains certain revenue sharing arrangements with certain Third Party Advisory Services and product sponsors (please refer to Item 14, Other Compensation).

## **FINANCIAL PLANNING**

Financial planning services are charged either on an hourly fee, fixed fee or ongoing monthly fee arrangement based upon the fee schedules below and as agreed upon between you and your Advisory Representative. Fees are negotiable and will vary depending upon the complexity of your situation and services to be provided. The exact fees to be charged for the financial plan will be specifically listed, by the Advisory Representative, in the advisory agreement, which is presented to you for your signature before the planning process begins. Similar financial planning services may be available elsewhere at lower cost to you.

- Fixed or flat fees for a financial plan will range from \$500 - \$10,000, depending on the nature and complexity of your circumstances. The fixed fee can be paid up front, in full or through periodic installments as specified in your agreement.
- Hourly Fees will range from \$50 - \$300 per hour, depending on the nature and complexity of your circumstances. Hourly fees for the financial plan will be billed to you after the services are performed and are due upon receipt of the bill.

When you receive financial planning services, you may also purchase securities or insurance products offered through Royal Alliance pursuant to the plan. Our Advisory Representatives may receive commissions (and this may be their primary method of compensation) as Registered Representatives of Royal Alliance or insurance agents in connection with such transactions. Thus, a conflict of interest arises when your Advisory Representative provides financial planning services to you which includes recommendations to engage in additional brokerage or advisory services provided through the Firm, at additional cost to you that will lead to our Advisory Representatives receiving additional compensation.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with our providing you with financial planning services, or any advisory service that we offer.

## **CONSULTING SERVICES**

Consulting services are charged on an hourly or fixed fee arrangement based upon the fee schedules below and as agreed upon between you and our advisory representative. Fees are negotiable and will vary depending upon the complexity of your situation and services to be provided. The exact fees to be charged for Consulting Services will be specifically listed, by the Advisory Representative, in the advisory agreement, which is presented

to you for your signature before the consulting process begins. Similar consulting services may be available elsewhere at lower cost to you.

- Fixed or flat fees for a financial plan will range from \$500 - \$10,000, depending on the nature and complexity of your circumstances. The fixed fee can be paid up front, in full, or through periodic installments as specified in your agreement.
- Hourly Fees will range from \$50 - \$300 per hour, depending on the nature and complexity of your circumstances. Hourly fees for the consulting services will be billed to you after the services are performed and are due upon receipt of the bill.

Pursuant to your consulting services, other services are available through Royal Alliance, such as securities and insurance products. Our Advisory Representatives receive commissions (and this may be their primary method of compensation) as Registered Representatives of Royal Alliance or insurance agents in connection with such transactions. Thus, there is a conflict of interest when providing consulting services to you as there may be an incentive for us to recommend specific courses of action through our consulting services that will lead to our Advisory Representatives receiving additional compensation.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with our providing you with consulting services, or any service that we offer.

### **NON-DISCRETIONARY INVESTMENT ADVISORY SERVICES**

Fees will be based on several factors. These include time and labor, complexity of the services provided, and special circumstances involved. Each of our Advisory Representatives negotiates their own fee schedule based on the fee schedules outlined below.

- Fixed Fee – A fixed fee will range from \$500 - \$10,000, depending on the nature and complexity of each Client's circumstances.
- Hourly Fee - An hourly fee will range from \$50 - \$300 per hour, depending on the nature and complexity of each Client's circumstances. An estimate for total hours will be determined at the start of the advisory relationship.

When you receive Non-Discretionary Services, other services are available through Royal Alliance, such as securities and insurance products. Our Advisory Representatives receive commissions as Registered Representatives of Royal Alliance or insurance agents in connection with such transactions. Thus, there is a conflict of interest when providing these services to you as there is an incentive for us to recommend specific courses of action through our Non-Discretionary Services that lead to our Advisory Representatives receiving additional compensation.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with our providing you with Non-Discretionary Services, or any advisory service that we offer.

### **RETIREMENT PLAN CONSULTING SERVICES**

Each of our Advisory Representatives will determine whether to bill the Company for Retirement Plan Consulting Services at a pre-determined hourly rate, a fixed fee, basis points based upon a percentage of Plan assets, or a combination thereof. Fees will be billed quarterly in advance or in arrears. In special circumstances other fee paying arrangements can be negotiated. The above referenced terms will be disclosed in the client agreement we sign with the Company.

The client agreement may be terminated by us or the Company at any time upon 30 days' prior written notice. Upon termination, we will deliver a final billing statement for unbilled work performed prior to termination, and the Company will have a period of 30 days within which to deliver payment. If we bill the Company in advance, our fee will be credited back to the Company on a pro-rata basis for the unused portion of the billing period. When we calculate the credit, we will subtract any unbilled work we performed for the Company prior to termination.

Each of our Advisory Representatives negotiates their own fee schedule based on the fee schedules outlined below:

- **Fixed Fee:** Based on the scope of services agreed upon in engagement, reasonable in light of geographical location, complexity of engagement, size of Plan, and other relevant factors.

Range: \$1,000 - \$100,000

- **Hourly Fee:** Based on estimate of hours needed as provided in engagement (Company must approve in writing hours above original engagement); reasonable in light of geographical location, complexity of engagement, size of Plan, and other relevant factors.

Range: \$50 - \$300 per hour

- **Basis Points:** Based on specific asset levels in Plan at dates provided in the engagement, fees can range up to 125 basis points.

You should refer to your Retirement Plan Consulting Services agreement for more detailed information about advisory fees.

## **SEMINARS**

Our Advisory Representatives are permitted to host seminars on various financial topics that encourage clients to seek investment advisory services or purchase securities or insurance products. Fees for the seminars generally range from \$0 to \$300 per session. Group rates are available and are negotiated based upon the number of attendees and the content of the seminar. Fees are due before the seminar or on the day of the seminar, as set forth in the seminar announcement. Cancellation and refund provisions for prepaid fees are disclosed in the seminar announcement or invitation.

## **NEGOTIATION OF FEES**

Fees are negotiated on a case-by-case basis, depending on a variety of factors, including the nature and complexity of the particular service, your relationship with us and our Advisory Representative, the size of the account, the potential for other business or clients, the amount of work anticipated and the attention needed to manage your account. As a result of these and other factors, the sponsors of the advisory programs offered also set different limits on fees that are charged to you. Please note that the same or similar services to those described above may be available elsewhere to you at a lower cost.

## **ADDITIONAL FEES AND EXPENSES**

Mutual fund investments in the programs that we offer are no-load or load at NAV. Certain mutual fund investments are subject to early redemption fees, 12b-1 fees and mutual fund management fees as well as other mutual fund expenses. These fees are in addition to the fees and expenses referenced above. Please review the mutual fund prospectus for full details. Royal Alliance and your Advisory Representative do not retain 12b-1 fees paid by mutual funds.

A \$10 surcharge, paid by your Advisory Representative, is applied for certain mutual funds. For details, please refer to Item 5 (Fees and Compensation) of the Advisor Managed Portfolios wrap fee brochure."

Variable annuity companies generally impose internal fees and expenses on your variable annuity investment, including contingent deferred sales charges and early redemption fees. In addition, variable annuity companies generally impose mortality charges. These fees are in addition to the fees and expenses referenced above. Complete details of such internal expenses are specified and disclosed in each variable annuity company's prospectus. Please review the Variable Annuity prospectus for full details.

There are additional fees relating to IRA and Qualified Retirement Plan accounts that you normally incur such as maintenance and termination fees. You will find these fees disclosed in the account application paperwork provided to you associated with these accounts.

Advisory Representatives may receive commissions or other fees or compensation in relation to any investment or insurance product placed through or with Royal Alliance as a broker-dealer outside your Model Program account. Therefore, Advisory Representatives have a conflict of interest in recommending such products, as does any commission-based broker or fee based solicitor.

In their capacity as registered representatives and/or licensed insurance agents, your Advisory Representative may offer securities and insurance products and receive commissions as a result of such transactions. The recommendation to purchase a commission product creates a conflict of interest since the receipt of commissions provides an incentive to recommend products based on commissions to be received rather than your particular needs.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with providing you with any advisory service that we offer.

Mutual funds generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to the more commonly offered retail share classes (typically, Class A, B and C shares), some mutual funds also offer institutional shares classes and other share classes that are specifically designed for purchase in an account enrolled in fee-based investment advisory programs. Institutional share classes or classes of shares designed for purchase in an investment advisory program usually, but not always, have a lower expense ratio than other shares classes. An investor who holds a more expensive share class of a fund will pay higher fees over time – and earn lower investment returns – than an investor who holds a less expensive share class of the same fund. Not all mutual funds and share classes offered to the investing public are available through our advisory programs for which a client might otherwise be eligible to purchase.

The Firm and its Advisory Representatives have a financial incentive to recommend or select share classes that have higher expense ratios because such share classes generally result in higher compensation. The Firm has taken steps to minimize this conflict of interest by implementing additional training for Advisory Representatives, increasing the proportion of institutional share classes that are available on the platform and rebating Rule 12b-1 fees on both qualified and non-qualified client accounts. Regardless, however, clients should not assume that they will be invested in the share class with the lowest possible expense ratio.

In an advisory program, the appropriateness of a particular mutual fund share class should be determined based on the presence and nature of selling agreements with the mutual fund sponsors.

Finally, certain additional brokerage fees and custodian fees apply to your advisory accounts where Royal Alliance is acting as the broker-dealer. In some instances, we apply a markup to these fees. Examples of instances where a markup fee is applied include, but are not limited to, federal funds wire fees, outgoing account transfer fees, correspondent internal transfers, margin fees, insufficient funds fees, check stop payment fees, direct registration system transfers, redemptions, reorganizations, retirement accounts, safekeeping, cash due interest, and free credit interest. Depending on the custodial fee, it is applied annually, per transaction, per month or per CUSIP. Please visit the Firm's website at [www.royalalliance.com](http://www.royalalliance.com) for the Pershing and NFS brokerage fee schedules (Go to: [www.royalalliance.com](http://www.royalalliance.com) → Disclosures → Client Fee Disclosure).

## **WRAP ACCOUNTS**

For Advisory Programs that we offer Wrap Account pricing, the fee for transactions executed in your account are included in your quarterly account fee. As a result, in some cases the quarterly fee charged in a Wrap account will be higher than that of a Non-Wrap account with separate advisory fees and transaction charges. Please consider that depending upon the level of the wrap fee charges, the amount of portfolio activity in the account, the value of services that are provided under the investment program, and other factors, the wrap fee may or may not exceed the aggregate cost of services if they were to be provided separately. Generally, wrap programs are relatively less expensive for actively traded accounts. However, the fees in a wrap account will be higher overall cost to a client than in a Non-wrap, if the wrap account has low trading activity.

For certain Advisor Managed Portfolio wrap accounts, Royal Alliance will assess the transaction charges to our Advisory Representatives. As a result, your Advisory Representative has an incentive to trade your Wrap Account less often or to trade your account with certain securities where transaction charges may be waived by the clearing firm or product sponsor (please refer to Item 15, Other Compensation).



## OPTIONS FOR ASSETS INVESTED IN RETIREMENT PLAN ACCOUNT

If you have an employer-sponsored retirement plan, you may have several choices as to what to do with your assets when you retire or change jobs. Generally, you might choose one of the following options:

1. Keep your assets in the employer's plan (if allowed)
2. Rollover your assets into an individual retirement account, commonly referred to as an IRA
3. Rollover your assets to another employer-sponsored plan
4. Take a distribution in cash from the plan

Your Advisory Representative has a financial incentive to recommend an IRA rollover because of the compensation he/she will receive when you transfer funds to an account on which the representative will receive a fee from an employer-sponsored retirement plan or from another IRA. This conflict also pertains to situations where you are a participant in a plan where your Advisory Representative is a fiduciary. You should carefully discuss and weigh the advantages and disadvantages of each option with your Advisory Representative before making your decision.

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Neither Royal Alliance nor its Advisory Representatives accept performance-based fees (i.e. fees based on a share of capital gains or capital appreciation of the assets of a client). Nor does Royal Alliance engage in side-by-side management (i.e. managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees). As a result, this disclosure item is not applicable.

## ITEM 7 - TYPES OF CLIENTS

Our Advisory Representatives provide investment advisory services to:

- individuals
- pension and profit sharing plans
- trusts
- estates or charitable organizations
- corporations
- other business entities

Our minimum account size requirements for opening an account with us are as follows:

Program	Requirement
VISION2020 Wealth Management Platform – Advisor Managed Portfolios	\$50,000
VISION2020 Wealth Management Platform – Unified Managed Account Program	The program minimum for the Unified Managed Account Program is \$5,500. The specific minimum varies according to the investment manager and asset allocation model selected.
Third Party Advisory Services	Each Third Party Advisory Service sets their own minimums.
Financial Planning	No minimum
Consulting Services	No minimum

Non-Discretionary Investment Services	No minimum
Retirement Plan Consulting	No minimum

*All account minimums may be waived at the sole discretion of the Program Sponsor.*

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Our Advisory Representatives rely on various types of tools and methods to assist in recommending or selecting investment strategies to you, including asset allocation and various types of software. You should note that our advisory services are generally designed for strategic long-term investing. However, short-term tactical investment strategies are also available to accommodate certain circumstances. Investment returns are highly dependent on the value of underlying securities which are impacted by trends in the various investment markets. Under the Third Party Advisory Services Program, each third party asset manager will have its own methods of analysis, investment strategies and unique investment risks that should also be reviewed and considered.

### **METHODS OF ANALYSIS**

When analyzing investments that are right for you, we may use Fundamental and Technical Analysis. Fundamental analysis is security analysis grounded in basic factors such as company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Information such as interest rates, GNP, inflation and unemployment are used to predict the direction of the economy and therefore the stock market. Technical analysis is the practice of using statistics to determine trends in security prices and make or recommend investment decisions based on those trends. Technical analysis focuses on matters such as trade volume, demand, and volatility to help determine the market forces at work on a certain security or on the securities market as a whole.

### **ASSOCIATED RISKS**

When using Fundamental Analysis, we generally rely on, among other things, company earnings, balance sheet variables and management quality which are used to predict the future value of an investment. Data we review is generally considered reliable, but we cannot guarantee nor have we verified its accuracy. In addition, the data that we review is sometimes subjective in nature and open to interpretation. Even if our data and interpretation of the data is correct, there can be other factors that determine the value of securities other than those considered in Fundamental Analysis.

When using Technical Analysis, we review statistics to determine trends in security prices and make our investment decisions based on those trends. This analysis is used to predict how an investment will perform short-term. In addition, this analysis does not take into account, the more fundamental properties of what an investment may be worth such as company performance and balance sheet variables which play a part in determining the value of an investment.

When pursuing our strategic long-term investing strategies, we are assuming the Financial Markets will go up in the long-term which cannot be assured. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall Financial Markets advance. In addition, purchasing investments long-term creates an opportunity cost, “locking-up” assets that may be better utilized in the short-term in other investments.

#### **1. General Investment Risks**

In addition to the personal risk considerations discussed above, Royal Alliance believes it is important for you to understand the risks associated with each recommendation and investment type available. The following is a summary of some of the general risks associated with investing. Please note that this list is not exhaustive, and is provided as an indication of some of the factors that can impact the value of your investments:

##### **Business risk**

This is the risk that the strength of the company you are buying a piece of ownership in (stock for example) or are loaning money to (a bond, for example) affects your potential returns. Your returns from the stock purchase or

bond purchase are influenced by factors like the company going out of business, or going into bankruptcy, or having a viable and strong revenue stream from the products or services it sells that is not over-shadowed by expenses. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds.

**Call risk**

This is the risk that your bond or other fixed-income investment will be called or purchased back from you when conditions are favorable to the product issuer and unfavorable to you.

**Concentration risk**

This is the risk of loss because your money is concentrated in one investment or type of investment. When you diversify your investments, you spread the risk over different types of investments, industries and geographic locations.

**Credit risk**

This is the risk that the government entity or company that issued the investment will run into financial difficulties and won't be able to pay the interest or repay the principal at maturity. Credit risk applies to debt investments such as bonds. You can evaluate credit risk by looking at the credit rating of the bond or the issuer. For example, long-term U.S. government bonds currently have a credit rating of AAA, which indicates the lowest possible credit risk.

**Currency risk**

This is the risk of losing money because of a movement in the exchange rate. For example, if the U.S. dollar becomes less valuable relative to the Canadian dollar, your U.S. stocks will be worth less in Canadian dollars. This applies when you own foreign investments.

**Default risk**

This is the risk that a bond or other fixed-income investment issuer is unable to pay the contractual interest or principal on the product in a timely manner or at all.

**Financial risk**

This is the risk that the companies you invest in will perform poorly, which affect the price of your investment. You can't eliminate financial risk; however, you may be able to minimize the impact through diversification.

**Foreign Investment risk**

This is the risk of loss when investing in foreign countries. When you buy foreign investments, such as shares of companies in emerging markets, you face risks that do not exist in the United States (for example, the risk of nationalization).

**Horizon risk**

This is the risk that your investment time horizon may be shortened due to a foreseen or unforeseen event, thus requiring you to sell the investment(s) that you were expecting to hold for a longer term. If you must sell at a time when the markets are down, you may lose money.

**Inflation risk**

Inflation risk, also called purchasing power risk, is the chance that the cash generated by an investment today won't be worth as much in the future. Changes in purchasing power due to inflation may cause inflation risk. There are investments that help minimize inflation risk.

**Interest Rate risk**

This is a risk that can affect the value of bonds or other fixed-income investments you may purchase. When interest rates rise, the market value of bonds fall. When interest rates fall, the market value of bonds rise.

**Liquidity risk**

Liquidity risk arises when an investment can't be bought or sold quickly enough to prevent or minimize a loss. You may be able to minimize this risk by diversifying. A good option is index investing where risk is diversified over the various stocks held in a portfolio tracking a particular index. You can't invest directly in an index.

**Manager risk**

This is the risk that an actively managed mutual fund, exchange traded fund, or closed-end fund's manager will fail to execute the fund's stated investment strategy.

**Market risk**

This is the risk that the stock market will decline, decreasing the value of the securities owned. Stock market bubbles and crashes are good examples of heightened market risk. You can't eliminate market risk; however, you may be able to minimize the impact through diversification.

**Political and Government risk**

This is the risk that the value of your investment will be affected by the introduction of new laws or regulations.

**Reinvestment risk**

This is the risk of loss from reinvesting principal or income at a lower interest rate.

**2. Specific Investment Risks**

Royal Alliance and your Advisory Representative offer various types of investments. The different types of investments we offer and their potential risks are described below.

- **Stock** – A stock, also known as “shares” or “equity,” implies owning a proportionate amount of a company that issued the stock. It entitles the stockholder (you) to that proportion of the company's assets and earnings.
  - Major risks: Business, Concentration, Currency, Financial, Foreign Investment, Inflation, Market, Political and Governmental
- **Bonds** – This is a fixed income investment that represents a loan by you (the investor) to a borrower (typically a company, government/municipality, or governmental agency).
  - Major risks: Business, Call, Credit, Default, Financial, Inflation, Interest Rate, Liquidity, Reinvestment
- **Notes** (Including Structured Products) – This is a fixed-income investment where you (the investor) purchase a secured debt (or other assets) and become the lender, after which you receive payments (principal and interest) over a specific period (usually a shorter time period than a bond) from the borrower.
  - Types:
    - **Principal Protected Note (PPN)** – This is a fixed-income security that guarantees a minimum return equal to the investor's initial investment (the principal amount), regardless of the performance of the underlying assets.
    - **Non-Principal Protected Note (NPPN)** – This is a fixed-income security that does not guarantee a minimum return equal to the investor's initial investment (the principal amount), because it allows clients to customize the date of return to suit their investment needs. NPPNs can be linked to a variety of underlying investments including indices, single stocks, portfolios of shares, industry sectors, commodities and currencies.
  - Major risks: Call, Credit, Default, Inflation, Interest Rate, Liquidity, Reinvestment
- **Certificate of Deposit (CD)** – This is a fixed-income investment where you (the investor) deposits a sum of money for a specified period and you will receive either a specific rate of interest or a rate of interest linked to an index with a capped gain. Certain CDs can be FDIC insured.
  - Major risks: Call, Default, Inflation, Interest Rate, Reinvestment
- **Unit Investment Trust (UIT)** – This is where a U.S. financial company that buys or holds a group of securities, such as stocks or bonds, and makes them available to investors as redeemable units. UITs have a stated expiration date based on what investments are held in their portfolio; when the portfolio terminates, investors get their share of the UIT's net assets.
  - Major risks: Business, Credit, Interest Rate, Liquidity, Market, Reinvestment
- **Exchange Traded Fund (ETF) and Exchange Traded Note (ETN)** – An ETF is a basket of securities that trades on an exchange (open stock market), just like a stock and it seeks to track an underlying index. ETF share prices fluctuate throughout the trading day as the ETF is bought and sold; this is different from mutual funds that only trade once a day after the market closes. An ETN is a debt instrument that mimics the

performance of a basket of securities but does not actually hold them for the benefit of the client. An ETN is an obligation of the issuing company, often an investment bank.

- Major risks: Concentration, Currency, Foreign Investment, Inflation, Liquidity, Manager, Market, (for ETN: Credit risk)
- **Mutual Fund** – This is a type of investment vehicle consisting of a portfolio of stocks, bonds, or other securities. Mutual funds give small or individual investors easier access to diversified, professionally managed portfolios. Mutual funds are divided into several kinds of categories, representing the kinds of securities they invest in, their investment objectives, and the type of returns they seek. Mutual funds charge annual fees (called expense ratios) and, in many cases, commissions, which can affect their overall returns. Most mutual funds offer you different types of shares, known as "classes." Each class invests in the same portfolio of securities and has the same investment objectives and policies. But each class has different shareholder services and/or distribution arrangements with different fees and expenses.
  - *Open-end* -- With an open-end fund, if you want to buy shares, the management company will sell them to you. They will take your money, add it to the portfolio, and create more shares. You always transact shares of an open-end fund with the issuing fund company, never on the secondary market.
    - Major risks: Concentration, Currency, Foreign Investment, Inflation, Manager, Market
- **Annuity** – This is a long-term investment that is issued by an insurance company designed to help protect the annuitant from the risk of outliving the income generated by their deposits into the contract. Because these are long-term vehicles annuity contracts include contingent deferred sales charges ("CDSCs") that would result in a forfeiture of a percentage of account value if surrendered prior to their expiration, typically three to 10 years depending on the contract.

Annuities have two phases. Phase one of the annuity contract is known as the accumulation phase, where deposits are designed to accumulate on a tax-deferred basis. During the accumulation phase contract holders can choose annuities with any one or, in some cases, a combination of the following accumulation account options:

- **Variable Annuity** – This is a tax-deferred retirement contract that allows you to choose from a selection of investments called subaccounts. These investments are designed to provide contract holders with a diversified investment portfolio in a specified asset class or general investment strategy. Subaccounts are managed by an investment specialist or a team of specialists who make decisions to manage the subaccount based on the stated objective. Each subaccount will have a unique expense ratio based on the services provided by the investment specialist team. For example, subaccount designed to follow the return of a stock index, such as the S&P 500 will have a lower expense ratio than a subaccount seeking to actively manage a portfolio based on a stated objective.
  - Major risks: Business, Credit, Liquidity
- **Investment-only Variable Annuity (IOVA)** – This is a type of annuity contract that provides you with a simple way to set aside taxable assets in a tax-deferred entity focused on investments only. Unlike most variable annuities which offer living income stream and death benefits (for a cost), IOVAs only offer investments and the ability to access the assets without penalty as early as age 59 ½.
  - Major risks: Business, Liquidity, Market
- **Registered Index Linked Annuity (RILA)** – This is a type of annuity contract that calculates account value adjustments based on the performance of a specified market index, such as the S&P 500. The account value will receive protection against market losses typically through a buffer (carrier accepts the first xx% of losses and the account accepts any additional losses in market value) or a floor (the account accepts the first xx% of losses and the carrier accepts any additional losses in market value). This protection is in exchange for limiting gains in account value to a cap (a maximum account value increase of xx%) or a participation rate (account participates in xx% of the market gains). Fees and caps may limit the potential upside. At the end of the sample period, the account value could increase or decrease.
  - Major risks: Business, Liquidity, Market

Phase two of the annuity contract is known as the annuitization phase. This option converts your purchase payments (what you contribute) and accumulated growth (if any) into periodic payments that can be paid out under various payment options, including a lifetime option. Annuities can provide clients with

additional benefits above and beyond tax deferred growth in the form of living benefits or enhanced death benefits including but not limited to the following.

- **Guaranteed Minimum Withdrawal Benefit (GMWB)**– Guarantees clients a stream of lifetime income based on a percentage of the contract's benefit base. Lifetime GMWB payments are available without having to immediately annuitize the contract.
  - **Guaranteed Minimum Accumulation Benefit (GMAB)** – Guarantees a certain portion of the investment is returned to the contract owner regardless of the performance of the subaccounts.
  - **Guaranteed Minimum Death Benefit (GMDB)** – Guarantees an enhanced benefit to the contract owner's beneficiaries regardless of the account value on the date of death. These benefits can be based on a return of the initial investment, the highest contract value on the contract's anniversary over a specified period of time or increase at a specified percentage over a period of time.
- **Life Insurance** – Is designed to pay a sum of money at the death of an insured person or group of insured individuals. Life insurance payments are typically income tax free and are designed to replace income lost due to the death of the insured or for multiple estate planning scenarios. Life insurance is categorized as term (viable for a specific period of time) or cash value (can be designed to remain in effect for the insured's entire life). Cash value life insurance allows contract owners to invest the accumulated cash value in one or a combination of the following options:
    - **Variable Life** - Allows you to choose from a selection of investments called subaccounts. These investments are designed to provide contract holders with a diversified investment portfolio in a specified asset class or general investment strategy. Subaccounts are managed by an investment specialist or a team of specialists who make decisions to manage the subaccount based on the stated objective. Each subaccount will have a unique expense ratio based on the services provided by the investment specialist team. For example, a subaccount designed to follow the return of a stock index, such as the S&P 500 will have a lower expense ratio than a subaccount seeking to actively manage a portfolio based on a stated objective.
      - Major risks: Business, Liquidity
  - **Structured Settlement** – This is an alternative method of settling or converting the funds received from a claim or lawsuit by means of a combination of cash and future periodic payments. Payments are generally funded with a specialized commercial annuity and the payout can be customized for the Claimant's situation. A highly rated life insurance company issues the specialized annuity and administers the payments. The ownership and obligation to make the future payments generally lies in the hands of a third-party company known as an Assignee.
    - Major risks: Business, Inflation, Liquidity
  - **529 Investment** - A 529 plan is a college savings plan that offers tax and financial aid benefits. 529 plans may also be used to save and invest for K-12 tuition in addition to college costs. The investments in 529 plans can include various mutual funds and ETFs and are offered as a single investment as well as in risk-based or enrollment (or age-based) portfolios.
    - Major risks: Concentration, Currency, Foreign Investment, Horizon, Market
  - **1031 Exchange** – An alternative investment, this real estate exchange gets its name from Section 1031 of the U.S. Internal Revenue Code, which allows the seller of an investment property to defer paying capital gains taxes when the investment property is sold and reinvest the proceeds from the sale within certain time limits in a property or properties of a like kind and of equal or greater value.
    - Major risks: Business, Concentration, Credit, Financial, Inflation, Interest Rate, Liquidity, Political and Government
  - **Closed-end Fund** –This is a type of investment vehicle where, at fund inception, the investment company raises a set amount of money and issues a specific number of shares. No new shares are created after that point. Investors can buy the fund shares only on the secondary market, from someone else who is selling shares. Like stocks, closed-end fund shares can be traded at any time of the day when the market is open. The shares reflect market values rather than the net asset value of the fund itself.
    - Major risks: Concentration, Currency, Foreign Investment, Inflation, Manager, Market

- **Hedge Fund** – This is an alternative investment that is operated by a manager who invests the money into different assets to achieve the fund's goals. Hedge funds got their name from investors holding both long and short stocks in various funds, to make sure they generated a gain despite market fluctuations (called "hedging").
  - Major risks: Business, Concentration, Currency, Interest Rates, Liquidity, Market
- **Exchange Fund** – This is an alternative investment which is also known as a swap fund. It is an arrangement between a product sponsor and concentrated shareholders of different companies that pools shares and allows you to exchange your large holding of a single stock for units in the entire pool's portfolio.
  - Major risks: Business, Concentration, Liquidity, Market
- **Interval Fund** – This is a type of investment company that periodically offers to repurchase its shares from shareholders. These shares typically do not trade on the secondary market. These shares are subject to periodic repurchase offers by the fund at a price based on net asset value.
  - Major risks: Credit, Liquidity, Market
- **Managed Futures** – This is an alternative investment where a portfolio of *futures* contracts is actively *managed* by professionals. *Managed futures* are considered an alternative investment and are often used by funds and institutional investors to provide both portfolio & market diversification.
  - Major risks: Foreign Investment, Horizon, Inflation, Interest Rate, Market
- **Non-Traded REIT** – This is an alternative real estate investment designed to reduce or eliminate tax while paying dividends and/or providing returns on real estate appreciation. A non-traded REIT does not trade on a securities exchange and, is therefore quite illiquid for extended periods of time.
  - Major risks: Business, Concentration, Credit, Financial, Inflation, Interest Rate, Liquidity, Political and Government
- **Non-Traded BDC (Business Development Companies)** – This is an alternative investment where a pooled investment vehicle originates or invests in equity or debt of private companies. Like REITs, Business Development Companies are permitted favorable tax treatment if they meet minimum IRS criteria.
  - Major risks: Business, Concentration, Credit, Financial, Inflation, Interest Rate, Liquidity, Political and Government
- **Private Equity Fund** – This is an alternative investment where a general partnership is formed by Private equity firms to raise funds from institutions and wealthy individuals. The partnership then invests these funds through the purchase and sale of various businesses. After raising a specified amount, a fund will close to new investors; eventually each fund is liquidated, selling all the businesses therein within a preset time frame, usually no more than ten years.
  - Major risks: Business, Concentration, Credit, Financial, Inflation, Interest Rate, Liquidity, Market, Political and Government
- **Oil and Gas Drilling** – This is an alternative investment in an oil and gas program where a general partnership is formed to raise funds from institutions and wealthy individuals. An oil and gas program is designed for people to invest directly in oil and gas production and exploration. It is a type of investment that allows the investor to gain the benefits of the cash flow and tax advantages from the investment. In many oil and gas programs, profits and losses can be passed directly to investors, as owners of the entity. Oil and gas investment requires a substantial amount of due diligence and can have varying levels of risk, and significant risk based on the price of the commodity.
  - Major risks: Business, Concentration, Credit, Financial, Inflation, Interest Rate, Liquidity, Political and Government
- **Equipment Leasing** – This is an alternative investment that allows investors to pool their capital with a sponsor, which obtains and leases out equipment. Investors in these programs have the potential to receive regular income (often-tax deferred) during the life of the equipment and, should there be residual value, when the equipment is sold or re-leased.
  - Major risks: Business, Concentration, Financial, Inflation, Interest Rate, Liquidity

When you are deciding whether to invest in a specific investment, make sure you obtain, review and discuss with your Advisory Representative the documentation related to the investment which outlines the details of the

investment (i.e., prospectuses, annual reports and offering memorandums that discuss the structure of the investment, fees/costs, management, portfolio, restrictions, contributions, distributions, risks, etc.) The documentation should be provided by your Advisory Representative or can be obtained directly from the investment sponsor.

### **Pledging Assets**

Clients should be aware that pledging assets in an account to secure a loan or purchase securities on margin involves additional risks. The broker/dealer or bank holding the loan has the authority to liquidate all or part of the securities at any time without your prior notice in order to maintain required maintenance levels, or to call the loan at any time. As a practical matter, this may cause you to sell assets and realize losses in a declining market. These actions may interrupt your long-term investment goals and result in adverse tax consequences and additional fees to the bank. The returns on accounts or pledged assets may not cover the cost of loan interest and account fees and may dictate a more aggressive investment strategy to support the costs of borrowing. Before pledging assets in an account, clients should carefully review the loan agreement, loan application and any forms required by the bank and any other forms and disclosures provided by the Firm.

Listed above are some of the primary risks associated with the way we recommend investments to you. Please do not hesitate to contact us to discuss these risks and others in more detail. In instances where we recommend that a third party manage your assets, please refer to the third party's ADV and associated disclosure documents for details on their investment strategies, methods of analysis and associated risks.

***Investing in securities involves risk of loss that you should be prepared to bear.***

## **ITEM 9 - DISCIPLINARY INFORMATION**

### **Disclosure of Disciplinary Action Related to the Sales of Complex Exchange-Traded Products:**

On November 13, 2020, Royal Alliance Associates, Inc. entered into a settlement agreement with the Securities and Exchange Commission ("SEC") and an administrative order has been issued by the SEC. The SEC found the Firm violated Section 206 and Rule 206(4)-7 of the Investment Advisers Act of 1940. More specifically, during the period from January 2016 through April 2020, the Firm, did not adopt and implement policies and procedures reasonably designed to prevent unsuitable investments by its Advisory Representatives in volatility-linked exchange traded products ("ETPs").

Without admitting or denying the SEC's findings, the Firm agreed to cease and desist from committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Advisers Act Rule 206(4)-7. The Firm also agreed to pay disgorgement, prejudgment interest, and a civil monetary penalty totaling \$502,400.29.

The SEC noted that the Firm cooperated with the SEC and promptly took remedial steps relating to volatility-linked ETPs and imposed restrictions on holding them in all client accounts maintained at the Firm.

### **Disclosure of Disciplinary Action Relevant to Mutual Fund Share Classes and Wrap Accounts:**

On March 14, 2016, Royal Alliance Associates, Inc., SagePoint Financial, Inc. and FSC Securities Corporation (collectively, the "Advisor Group Firms") consented to the entry of an Order Instituting Administrative and Cease-and-Desist Proceedings ("Order") by the U.S. Securities and Exchange Commission (the "SEC"). The Order focuses on two specific issues related to our fee-based advisory business conducted between 2012 and 2014 at the Advisor Group Firms. In summary, the SEC found that the Advisor Group Firms placed certain advisory clients invested in the Advisor Managed Portfolios program in mutual fund share classes with higher expense costs when lower expense cost share classes of those funds were available. The SEC found that this financial incentive, to place non-qualified advisory clients in higher fee share classes, presented a conflict of interest that should have been disclosed to clients. The SEC also concluded that the Advisor Group Firms failed to adopt written compliance policies or procedures governing mutual fund share class selection. In addition, the SEC found the Advisor Group Firms failed to timely monitor certain wrap advisory accounts for inactivity pursuant to Advisor Group's written compliance policies and procedures.



Without admitting or denying the SEC's findings, the Advisor Group Firms agreed to cease and desist from committing or causing any violations and any future violations of Sections 206(2), 206(4) and 207 of the Investment Advisers Act and Rule 206(4)-7 thereunder. The Advisor Group Firms agreed to jointly pay disgorgement of \$1,956,460 and prejudgment interest of \$93,399, a civil penalty of \$7,500,000 and to retain a qualified independent compliance consultant. To address the issues presented in the Order, the Firm has implemented new policies and procedures relating to mutual fund share class selection designed to expand the number of lower cost share classes available to advisory clients, provide training on share class selection, and require the rebating of 12b-1 fees to all advisory clients going forward. The Firm has also enhanced its Form ADV disclosures. In addition, the Firm has enhanced its policies and procedures for the review and on-going use of wrap accounts managed by the Firm's Investment Advisory Representatives.

#### **Disclosure of Disciplinary Action Relevant to Unit Investment Trust Sales Charge Discounts:**

Effective December 2, 2015, without admitting or denying the findings, Royal Alliance (the "Firm") entered into an Acceptance, Waiver and Consent (AWC) order with the Financial Industry Regulatory Authority ("FINRA") regarding the Firm's alleged failure to identify and apply sales charge discounts to certain customers' eligible purchases of unit investment trusts (UITs) resulting in customers paying excessive sales charges of approximately \$204,000. The findings also stated the Firm paid restitution to all affected customers. FINRA also alleged the Firm failed to establish, maintain and enforce a supervisory system and Written Supervisory Procedures (WSPs) reasonably designed to ensure that customers receive sales charge discounts on all eligible UIT purchases. The Firm has enhanced its policies and procedures related to identifying and applying sales charge discounts for eligible UIT purchases. Pursuant to the order, the Firm's payment of the \$225,000 fine was completed on December 18, 2015.

#### **Disclosure of Disciplinary Action Relevant to Supervision of Variable Annuity Products Sold by Royal Alliance:**

Effective June 30, 2015, Royal Alliance entered into a Consent Order with the State of Nevada, Department of Business and Industry, Division of Insurance ("NDOI"). Without admitting or denying the allegations, Royal Alliance consented to the described sanctions, the entry of findings, and a fine of \$21,000. Royal Alliance also agreed to report to the NDOI any complaints or potential complaints from purchasers of annuities by residents of Nevada for the period of January 1, 2007 through December 31, 2012 (the "Market Conduct Examination") and subsequent self-audit utilizing a grading system by Royal Alliance relevant to 810 sales transactions for the same period.

In the Order, the NDOI found deficiencies in the ability of Royal Alliance to demonstrate supervision, oversight, procedures, controls, documentation, and reports to the NDOI, in place at the time annuity products were sold, including certain violations of the Nevada Administrative Code ("NAC") 688A.460(2) and NAC 688A.455(1).

In the Order, the NDOI recognized the remedial actions taken by Royal Alliance which included the implementation of appropriate safeguards to assure suitable sales transactions and the adequate supervision of the sales of those transactions, including the adoption of written procedures, control structures, and continuous monitoring assessment. Moreover, the NDOI acknowledged that Royal Alliance implemented appropriate audit safeguards, including a formal audit process, and documentation controls for its sales transactions.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Overview**

This section contains information about our financial industry activities and affiliations. We provide information about the material relationships and arrangements we have with any related persons, including broker-dealers and investments advisers. We identify if any of these relationships or arrangements creates a material conflict of interests with clients and discuss how we address these conflicts.

Related Persons are defined as entities that we control or control us or are under common control with us.

## **Corporate Structure**

Royal Alliance is a subsidiary of Advisor Group, Inc., a wholly-owned subsidiary of Advisor Group Holdings, Inc. ("AGHI"), which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes, RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P., and The Berliniski Family 2006 Trust.

## **Broker-Dealer Registration**

As noted in Item 4, Royal Alliance Associates, Inc. is dually registered as both a broker-dealer with FINRA engaged in the offer and sale of securities products and as an Investment Adviser with the SEC in order to offer investment advisory products and services to its advisory clients. Royal Alliance's registration as a broker-dealer is material to our advisory business because at times our advisory accounts are held with Royal Alliance. This results in additional compensation to be earned by Royal Alliance (in their capacity as an introducing broker-dealer). These conflicts of interest due to the additional compensation are further described herein or within other disclosures for the program.

All of our Advisory Representatives are associated with Royal Alliance as Registered Representatives. Since your Advisory Representative is a registered representative of a broker-dealer, they must comply with Regulation Best Interest and will take into consideration all types of accounts that could be offered (i.e., both brokerage and advisory accounts) when making the recommendation of an account that is in your best interest.

Account recommendations include recommendations of securities account types generally (e.g., to open an IRA or other brokerage account), as well as recommendations to roll over or transfer assets from one type of account to another (e.g., a workplace retirement plan account to an IRA).

Our Advisory Representatives can recommend the purchase of securities offered by Royal Alliance. If you purchase these products through them, they will receive normal commissions which will be in addition to customary advisory fees. As such, Advisory Representatives have an incentive to sell you commissionable products in addition to providing you with advisory services when such commissionable products may not be suitable. Alternatively, they have an incentive to forego providing you with advisory services when appropriate, and instead recommend the purchase of commissionable investments, if they deem that the payout for recommending the purchase of these investments would be higher than providing management advice on these products for an advisory fee. Therefore, a conflict of interest could exist between their interests and your interests.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

All such transactions are effected in compliance with the Advisers Act and other applicable law, including our duty to seek best execution.

Please be aware that you are under no obligation to purchase products or services recommended by us or members of our Firm in connection with providing you with any advisory service that we offer.

General securities accounts for our brokerage customers are maintained and custodied on a fully disclosed basis by Pershing or for VISION2020 Wealth Management Platform accounts, Pershing or, NFS. Pershing and NFS are registered broker-dealers and investment advisers.

## **Insurance**

Royal Alliance is also an insurance agency licensed to do business in all 50 states.

Advisory Representatives that are also insurance licensed are permitted to sell fixed insurance products including, but not limited to, fixed annuities, term life insurance, and whole life insurance for compensation through Royal Alliance's insurance agency or an independently owned agency.

Highland Capital Brokerage ("Highland") is a related person of the Firm and an independent insurance brokerage firm that delivers life insurance, fixed and equity indexed annuities, long-term care solutions and variable insurance

wholesaling support to investment and insurance providers. Some employees of Highland may also be registered with us and/or our broker/dealer affiliates.

### Outside Business Activities

Since registered representatives are independent contractors of Royal Alliance, they have the ability to engage in certain other business activities separate from the activities they conduct through Royal Alliance. Some of Royal Alliance's affiliated representatives are permitted to be employed by, or own, a financial services business entity, including an investment adviser business, separate from Royal Alliance. Although this is not considered a conflict of interest, clients should be aware that these situations can exist. Such activities include tax preparation, insurance, and/or real estate services.

### Other Affiliated Broker-Dealers and Investment Advisers

The Firm has the following affiliates, which are either wholly-owned subsidiaries of Advisor Group, Inc. ("AGI"), or wholly owned subsidiaries of one of AGI's affiliates.

Your Advisory Representative, however, cannot recommend the purchase of securities through such affiliates and do not conduct advisory business through these affiliates. The chart below illustrates these affiliates and their ownership.

The Firm is also affiliated with VISION2020 Wealth Management Corp., a registered investment adviser with the SEC. We offer investment advisory programs sponsored by VISION2020 Wealth Management Corp.

Advisor Group, Inc. (AGI) Holding Company	100% owned by AGHI
Financial Service Corporate (FS Corp) Holding Company	100% owned by AGI
FSC Securities, Corporation (FSC) Registered Investment Advisor, Broker/Dealer	100% owned by FS Corp
SagePoint Financial Inc (SPF). Registered Investment Advisor, Broker/Dealer	100% owned by AGI
Woodbury Financial Services, Inc (WFS). Registered Investment Advisor, Broker/Dealer	100% owned by AGI
VISION2020 Wealth Management Corp. Registered Investment Advisor	100% owned by AGI

The Firm also has related persons, as they are under common control of AGI's parent company, Advisor Group Holdings, Inc. ("AGHI"). The following chart details the related persons, which are wholly owned subsidiaries of AGHI.

Securities America Financial Corporation (SAFC) Holding Company	100% owned by AGHI
Securities America Advisors, Inc. (SAA) Registered Investment Advisor	100% owned by SAFC
Securities America, Inc. (SAI) Broker/Dealer	100% owned by SAFC
Arbor Point Advisors, LLC (APA) Registered Investment Advisor	Majority owner SAFC

Ladenburg Thalmann Asset Management, Inc. (LTAM) Registered Investment Advisor	100% owned by AGHI
Ladenburg Thalmann & Co., Inc. (LTCO) Broker/Dealer	100% owned by AGHI
Ladenburg Capital Agency Inc. Insurance Company	100% owned by AGHI
Triad Advisors, LLC Registered Investment Advisor, Broker/Dealer & Insurance	100% owned by AGHI
Triad Hybrid Solutions, LLC Registered Investment Advisor	100% owned by AGHI
Highland Capital Brokerage Insurance Company	100% owned by AGHI
Premier Trust, Inc. Trust Company	100% owned by AGHI

## ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

We have adopted a Code of Ethics (the “Code”) to address securities-related conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes our policies and procedures developed to protect your interests in relation to the following topics:

- The duty at all times to place your interests first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the Code and to avoid any actual or potential conflict of interest or any abuse of an employee’s position of trust and responsibility;
- The fiduciary principle that information concerning the identity of your security holdings and financial circumstances are confidential; and
- The principle that independence in the investment decision-making process is paramount.

We will provide a copy of the Code to you or any prospective client upon request. It is also available on the Firm’s website at [www.royalalliance.com](http://www.royalalliance.com). The Firm’s privacy policy is also posted on the website.

In limited circumstances, and in compliance with the Investment Adviser’s Act of 1940, Section 206(3) and the Rules thereunder (collectively, the “Act”), we perform principal or agency cross transactions as such activities are described in the Act.

Related Person(s) to us may have an interest or position in securities which may be recommended to you.

Our Advisory Representatives, from time to time, can recommend investment products to you, including mutual funds, variable and fixed annuities, and other insurance products, sponsored, distributed, or managed by our Related Persons. Advisory Representatives may also recommend that you select portfolio managers that are Related Persons. These Related Persons may, from time to time, place brokerage transactions with Royal Alliance and refer you to us. Such recommendations and arrangements might create a conflict of interest because they may result in an increase in compensation for us, our Advisory Representatives and our Related Persons.

While our security sales are reviewed for suitability by an appointed supervisor, you should be aware of the incentives we have to sell certain securities products and are encouraged to ask us about any conflict presented.

We may recommend securities to you or buy or sell securities for your account at or about the same time we buy or sell the same securities in our own account. In those instances, the Firm maintains policies and procedures to avoid, detect, and correct conflicts of interest that arise if you and the Advisory Representative (including related persons) invest in the same security on the same side of the market on the same day.

## **ITEM 12 - BROKERAGE PRACTICES**

We do not engage in any soft dollar practices.

We utilize Pershing and NFS to execute advisory account transactions and to custody advisory assets in connection with investment advisory programs we offer you. Transactions executed through Pershing and NFS are subject to our duty to obtain “best execution”, i.e., a price that is as favorable to you as possible under the prevailing market conditions. While we make every attempt to obtain the best execution possible, there is no assurance that it will be obtained. You should consider whether our programs result in costs or other disadvantages to you as a result of possibly less favorable trade executions.

Occasionally, a trading error can occur where either we, or our Advisory Representatives, are at fault for effecting one or more erroneous securities transactions for a client’s brokerage account. If this occurs in your account, the error will be corrected, and your account will be restored to the same economic position had the error never occurred. In the process of restoring your account, a profit may be realized, or a loss suffered in connection with correcting this error. Neither losses nor gains realized will be passed on to you. As a result, trade corrections can result in a financial benefit to us or our affiliated broker/dealers.

In connection with the provision of Third Party Advisory Services, our choice of custodian will be limited to those choices offered by the Third Party Advisory Service.

We may aggregate your orders with those of other clients in a bunched trade or trades when securities are purchased or sold. For each account that we include in the bunched trade, we must reasonably believe that the bunched order is consistent with our duty to seek best execution and benefit you and each client participating in the aggregated order. The average price per share of each bunched trade is allocated to each account that participates in the bunched trade. Accounts that participate in the same bunched trade are charged transaction costs, if applicable, in accordance with their advisory contracts.

If a bunched order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation. Partial fills will be allocated in a way that does not consistently advantage or disadvantage particular client accounts and are generally filled pro-rata among participating accounts.

The aggregation and allocation practices of mutual funds and third party managers that we recommend to you are disclosed in the respective mutual fund prospectuses and third party manager disclosure documents which will be provided to you.

## **ITEM 13 - REVIEW OF ACCOUNTS**

Each purchase or sale of a security affected by our Advisory Representative in your account is monitored for suitability by an appointed supervisor. In addition, our Advisory Representatives periodically review your accounts as needed, but no less than annually. Such review and consultation typically contain, when warranted, advice regarding recommended changes to your investments and recommendations for implementation of proposed changes.

You will receive monthly and/or quarterly account statements and depending on the advisory program we offer, a quarterly performance report (“QPR”).

QPRs are for informational purposes only and based on information believed to be accurate, but that we have not verified. For accurate account information, you must refer to the account statement from the account custodian.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

### **OTHER COMPENSATION**

Royal Alliance offers a range of investments and services to its clients. As you work with your Advisory Representative to determine the right investments and services to achieve your investment goals, it is also important for you to understand how the Firm and your Advisory Representative are compensated. This is because various forms of compensation may create potential conflicts of interest, and it is important for you to assess potential conflicts of interest in making investment decisions.

NFS and Pershing provide significant compensation to Royal Alliance in their capacity as introducing broker/dealer to offset its general operating expenses. Compensation received consists of a fixed dollar amount and percentage of total assets held in client brokerage accounts. The specific terms of this compensation differ between NFS and Pershing. These forms of compensation are in addition to advisory fees you pay to us. Due to this compensation, the Firm has a conflict of interest in recommending to you a brokerage account where it acts as the introducing broker/dealer. Your Advisory Representative does not have financial incentive for selecting either NFS or Pershing as your custodian. We maintain policies and procedures to ensure recommendations of account type are in your best interest.

We maintain policies and procedures to ensure recommendations are suitable and require that Advisory Representatives always act in your best interest. We also maintain a supervisory structure to monitor the advisory activities of your Advisory Representative to reduce potential conflicts of interest. You are encouraged to ask us about any conflict presented. In particular, we note the following:

### **RECRUITING AND TRANSITION ASSISTANCE**

To assist in the costs of transitioning from another investment adviser, we provide various benefits and/or payments to certain Advisory Representatives that are newly associated with the Firm. The proceeds of the transition assistance payments are intended to be used for a variety of purposes, including but not limited to, providing working capital to assist in funding the Advisory Representative's business, satisfying outstanding debt owed to the Advisory Representative's previous firm, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, and staffing support. The amount of the transition assistance is generally based on the size of the Advisory Representative's business established at his or her prior firm. This assistance is generally in the form of loans to the Advisory Representative and are forgiven by Royal Alliance based on the years of service with the Firm.

The receipt of the recruiting/transition assistance creates a conflict in that the Advisory Representative has a financial incentive to recommend a client to open and maintain an account with the Firm.

### **TOP PRODUCER OPPORTUNITIES**

Royal Alliance offers additional educational, training, marketing and home office support services for those Advisory Representatives that meet overall revenue production goals. While these goals are not specific to any type of product or service offered, a conflict of interest exists because these opportunities provide a financial incentive for Advisory Representatives to recommend investment products and advisory services in general.

### **ADVISOR APPRECIATION PROGRAM**

We provide the following compensation and ownership opportunities to certain Advisory Representatives:

- The Loyalty Award – We provide compensation to certain Advisory Representatives that have been affiliated with us for over a year and have generated at least \$250,000 in annual revenue to Royal Alliance. For those generating at least \$500,000 in annual revenue to Royal Alliance a loan will be provided with the repayment dependent on the Advisory Representative retaining affiliation with us through the end of the loan period. These loans create a conflict of interest for your Advisory Representative to retain affiliation with us in order to avoid repayment of the loan.

- The Custodial Net New Asset Program – We will make additional annual payments to Advisory Representatives of up to 12 basis points (.12%) on all new assets added to our brokerage customer accounts custodied with Pershing and NFS. The Net New Asset Program provides an incentive for your Advisory Representative to select the Pershing and NFS custodial location for your brokerage accounts because compensation is paid to the Advisory Representative rather than a custodial location at an investment sponsor which would not result in additional compensation.
- The Equity Ownership Plan – Certain Advisory Representatives who are accredited investors are offered the opportunity to invest in AG Artemis Holdings, L.P, the parent entity of Royal Alliance.

## **LOANS**

Royal Alliance provides loans to certain Advisory Representatives as an incentive to establish, maintain, or expand their brokerage and advisory relationships. The repayments of such loans are typically dependent on the financial professional retaining affiliation with Royal Alliance through the end of the loan period. These loans create a conflict of interest for the financial professional to retain affiliation with the firm in order to avoid repayment of the loan.

## **INDIRECT COMPENSATION AND REVENUE SHARING**

Royal Alliance maintains revenue sharing arrangements with certain mutual funds, variable insurance products, fixed insurance products, direct participation programs, alternative investments, 529 plans, unit investment trusts (UITs) (all preceding products referred to as “Packaged Product” or “Packaged Products”) and third party money managers. The Packaged Products providers and third party money managers are hereinafter referred to as (“Strategic Partner” or Strategic Partners”). Strategic Partners are selected, in part, based on the competitiveness of their products, their technology, their customer service and their training capabilities. Strategic Partners have more opportunities than other companies to market and educate our Advisory Representatives on investments and the products they offer.

In addition to the customary sales charges, Royal Alliance receives compensation (“revenue sharing payments”) from its Strategic Partners. Revenue sharing payments are typically calculated as a fixed fee or as an annual percentage of the amount of assets held by clients, or as a percentage of annual new sales, or as a combination of both. Strategic Partners pay Royal Alliance differing amounts of revenue sharing, for which the Strategic Partner receives different benefits. Please see descriptions of revenue sharing payments received by Royal Alliance below.

A conflict of interest exists in that we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product from one particular sponsor instead of another. Your Advisory Representative also indirectly benefits from Strategic Partner payments when the money is used to support costs relating to product review, marketing or training, or for waiver of ticket charges, as described below. Your Advisory Representative does not receive any compensation associated with the revenue sharing payments.

Royal Alliance will update information regarding Strategic Partners, Third Party Money Managers and other firms who participate in revenue sharing arrangements with Royal Alliance on its website on a regular basis. For additional information, please refer to “the “Client Information and Disclosures” section of our website at [www.royalalliance.com](http://www.royalalliance.com).

### **A. Mutual Funds and Variable Annuities**

Strategic Partners pay extra compensation to the broker-dealer in addition to the usual product compensation described in the prospectus. The additional amounts Strategic Partners pay vary from one Strategic Partner to another and from year to year. Some Strategic Partners pay up to 30 basis points (0.30%) of your total purchase amount of a mutual fund or variable insurance product. So, for example, if you invest \$10,000 in a mutual fund, the broker-dealer could be paid up to \$30. (A “basis point” is equal to one one-hundredth of a percentage point). Additionally, some Strategic Partners make a monthly or quarterly payment or additional monthly or quarterly payment based on the assets you hold in the fund or variable insurance product over a period of time of up to 18 basis points (0.18%) per year. For example, on a holding of \$10,000, the broker-dealer could receive up to \$18. Alternatively, the broker-dealer either receives compensation from the mutual fund or insurance company as: (1)

a flat fee regardless of the amount of new sales or assets held in client accounts; or (2) the greater of such flat fee or amount based on assets and/or new sales as referenced above and any ticket charge payments referenced below.

Some mutual fund companies also participate in broker-dealer's DirectChoice Program. The broker-dealer generally receives additional asset-based compensation from the partners for participation in the DirectChoice Program. The broker-dealer can be paid up to an additional 3 basis points (.03%) of assets you hold in funds participating in the DirectChoice Program. For a current list of Strategic Partners that participate in the broker-dealer's DirectChoice Program, please click on the read more link under "Indirect Compensation" in the "Disclosures" section of our website at [www.royalalliance.com](http://www.royalalliance.com).

## **B. Mutual Fund and Variable Annuity Ticket Charges**

Other than a purchase of a Strategic Partner variable annuity, when you purchase a variable annuity your Advisory Representative is charged a \$20 variable annuity transaction fee on initial investments and the same amount on subsequent investments greater than \$5000. Every mutual fund offered by the broker-dealer are available to be purchased without a ticket charge by processing the transaction with a check and application sent directly to the mutual fund or insurance company.

We believe that, given the nominal amounts of the ticket charge waivers discussed above, they do not compromise the advice your Advisory Representative provides to you.

## **C. Fixed Insurance Products**

Some Designated Insurance Companies pay amounts in addition to sales commissions to compensate Royal Alliance for the enhanced marketing and training opportunities. In the case of a fixed annuity, Royal Alliance may receive up to 30 basis points (.30%) of your purchase amount in revenue sharing. For other fixed insurance products, Royal Alliance may receive with a flat fee, or up to 10% of total premiums paid to a Designated Insurance Company. For a current list of Designated Insurance Companies, please see Designated Insurance Companies within the "Disclosures" section of our website at [www.royalalliance.com](http://www.royalalliance.com).

## **D. Assets in 529 Plans**

While Royal Alliance does not receive revenue sharing payments in relation to sales of 529 Plans, the amount of sales and/or assets in 529 Plans may be included by Strategic Partners in determining the amount of revenue sharing payments. Royal Alliance does not separately account for these payments and does not have any 529 Plan Strategic Partners.

## **E. Direct Participation Programs and Alternative Investment Products**

In addition to retail commissions and a dealer manager reallowance of up to 150 basis points (1.5%) of the sales amount as a marketing reallowance, Royal Alliance receives payments from some direct participation programs and alternative investment products (collectively, "Alternative Investment Product Strategic Partners") for attendance at meetings. The fixed dollar amount revenue sharing payments do not depend on the amount of the Plan's investment in any product or utilization of any Retirement Plan Partner's services. For a current list of Alternative Investment Product Strategic Partners, please see Alternative Investment Product Strategic Partners within the "Disclosures" section of our website at [www.royalalliance.com](http://www.royalalliance.com).

## **F. Retirement Plan Strategic Partners Program**

Royal Alliance also receives certain fixed dollar amount revenue sharing payments from some third party firms, including plan recordkeeping platforms as well as investment managers of mutual funds and the issuers of annuities (each a "Retirement Strategic Plan Partner"). This is a fixed dollar payment that does vary based on the amount of the Plan's investment in any product or utilization of any Retirement Plan Partner's services. Some Retirement Plan Partners also pay Broker-Dealer expenses, or provide non-cash items and services, to facilitate training and educational meetings for affiliated financial advisors, which similarly do not depend on the amount of the Plan's investment in any product or utilization of any Retirement Plan Partners' services. For a current list of



our Retirement Plan Partners, please see RETIREMENT PLAN PARTNERS within the “Disclosures” section of our website at [www.royalalliance.com](http://www.royalalliance.com).

### **G. Third Party Management Programs**

Royal Alliance also enters into revenue sharing arrangements with certain third party money managers. Third Party Managers that participate in revenue sharing arrangements are provided greater access to our financial advisors to provide training and other educational presentations and product information so that they can serve investors better. From Third Party Money Managers, Royal Alliance receives up to 20 basis points (0.20%) per year of the assets under management or up to 20 basis points (0.20%) of management fees earned on behalf of Advisory Representatives of Royal Alliance. Royal Alliance also receives up to 5 basis points (.05%) on gross sales placed with a Third Party Manager.

Importantly, the compensation formula to determine the payment for your Advisory Representative is the same regardless of which third party money manager is used. Advisory Representatives do not receive a greater or lesser fee in connection with sales of certain products when a third party money manager is used.

For a current list of Third Party Managers from whom we receive support and/or sharing payments, please see the “Indirect Compensation” section in the “Disclosures” section of our website at [www.royalalliance.com](http://www.royalalliance.com).

### **H. Retirement Plan Advisory Accounts**

Royal Alliance does not accept the aforementioned mutual fund Strategic Partner revenue sharing payments on sales or assets held in investment advisory accounts of a plan subject to Title I of the Employee Retirement Income Security Act of 1974, described in section 4975(e)(1)(A) of the Internal Revenue Code (“IRS Code”) or an individual retirement account or annuity described in Internal Revenue Code section 4975(e)(1)(B) – (F) (“Qualified Advisory Accounts”). Instead mutual fund Strategic Partners will pay a fixed dollar amount annual partnership fee of up to approximately \$700,000 in exchange for certain marketing and services provided by Broker-Dealers in connection with these account types.

### **I. Clearing Firms**

Royal Alliance receives substantial indirect clearing and custodian compensation (“Credits”) from Pershing and NFS that are based on the number of accounts and/or account assets held by our advisory clients at the Clearing Firms. These Credits are used to offset Royal Alliance’s general operating expenses. Compensation received consists of a fixed dollar amount and percentage of total assets held in brokerage accounts.

In addition, certain custodian fees apply to your account where Royal Alliance (in their capacity as a broker-dealer) applies a markup. Please refer to “Additional Fees and Expenses” in Item 5, Fees and Compensation for more information regarding custodial fees, and visit the Firm’s website at [www.royalalliance.com](http://www.royalalliance.com) for the Pershing and NFS brokerage fee schedules.

### **J. Other Cash and Non-Cash Compensation**

In addition to reimbursement of training and educational meeting costs, Royal Alliance and its Advisory Representatives may receive promotional items, meals or entertainment or other non-cash compensation from representatives of Third Party Money Managers, mutual fund companies, insurance companies, and Alternative Investment Products, as permitted by regulatory rules. Additionally, sales of any mutual funds, variable insurance products and Alternative Investment Products, whether or not they are those of Strategic Partners, may qualify financial advisors for additional business support and for attendance at seminars, conferences and entertainment events. Further, some home-office management and certain other employees may receive a portion of their employment compensation based on sales of products of Strategic Partners and/or certain sponsors of other products. A conflict of interest exists because these types of cash and non-cash compensation provide a financial incentive for Advisory Representatives to recommend investment products and advisory services in general to receive these benefits. From time to time, non-Strategic Partners may attend Broker-Dealer sponsored meetings for a fee.

## **CLIENT REFERRALS**

Royal Alliance has arrangements with individuals ("Solicitors") under which the Solicitors introduce potential advisory clients to the Firm in exchange for a referral fee. Solicitor arrangements are conducted in accordance with the SEC's "Solicitor Rule" (Rule 206(4)-3). If you are introduced to us through a Solicitor, a separate disclosure statement is provided to you advising that a referral fee is being paid to an individual that is unaffiliated with the Firm.

## **NETWORKING ARRANGEMENTS**

There is an option for Royal Alliance and its Advisory Representatives to offer advisory services on the premises of unaffiliated financial institutions, like banks or credit unions. In such a case, the Firm will enter into networking agreements with financial institutions pursuant to which we share 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.

## **ITEM 15 - CUSTODY**

Although the Firm's advisory assets are held by a qualified custodian, the Firm is deemed to have custody of client funds because it has the ability to direct such custodians to deduct advisory fees from the client's account and because some client accounts have standing letters of instruction or other similar asset transfer authorization agreement ("SLOAs"). Royal Alliance maintains procedures to ensure these SLOAs are signed by the client and give us the authority to transfer funds to a third party as directed by the client.

Royal Alliance provides quarterly performance reports to clients. On at least a quarterly basis, you will also receive statements from the qualified custodian. Royal Alliance urges you to carefully review the quarterly performance reports we send you and compare them with the statements provided by the qualified custodian. You should promptly notify us or your Advisory Representative upon discovery of any errors, discrepancies or irregularities.

## **ITEM 16 - INVESTMENT DISCRETION**

We manage your accounts on either a discretionary or non-discretionary basis. We will only manage your account on a discretionary basis upon obtaining your consent. Your consent is typically granted and evidenced in the client agreement that you sign with us. We define discretion as: the ability to trade your account, without obtaining your prior consent, the securities and amount of securities to be bought or sold, and the timing of the purchase or sale. It does not extend to the withdrawal or transfer of your account funds.

We give advice and take action in the performance of our duties to you, which differs from advice given, or the timing and nature of action taken, with respect to our clients' accounts.

## **ITEM 17 - VOTING CLIENT SECURITIES**

We do not have the authority to vote proxies solicited by, or with respect to, the issuers of securities held in your account. Typically, proxy materials will be forwarded to you by our custodian. We will forward proxy materials that we receive to you. Please contact us at any time with questions you have regarding proxy solicitations.

In addition, we do not take any action or render any advice with respect to any securities held in any accounts that are named in or subject to class action lawsuits or bankruptcy proceedings. However, we will forward you any information we receive regarding class action legal matters involving any security held in your account.

## **ITEM 18 - FINANCIAL INFORMATION**

We do not allow, require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are well capitalized and in full compliance with applicable regulations and do not foresee any financial conditions that will impair our fulfillment of reasonable obligations or contractual commitments to you.

## **ITEM 19 - REQUIREMENTS FOR STATE-REGISTERED ADVISORS**

Not applicable. We are an SEC registered investment adviser.