

Ausdal Financial Partners, Inc.

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FORM ADV PART 2A APPENDIX 1

WRAP FEE BROCHURE

December 23, 2020

This wrap fee brochure ("Brochure") provides information about the qualifications and business practices of Ausdal Financial Partners, Inc. If you have any questions about the contents of this Brochure, please contact Ausdal Financial Partners at (800) 722-8732 or ausdal@ausdal.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Ausdal Financial Partners is available on the SEC's website, adviserinfo.sec.gov, and searching the CRD number for the advisor: 7995.

Ausdal Financial Partners is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

This Item discloses material changes since the last annual update of this brochure on March 29, 2019.

The following material changes have been made since the last annual update:

Item 4 has been revised to provide additional disclosure regarding the forms of brokerage compensation AFP receives. Each form of additional compensation (creates a conflict of interest in that it provides an incentive to recommend or select for the Client the particular product or service based on the compensation (or other economic benefit) to be received by AFP or the Representative, rather than based solely on the Client's need for such product or service.

Item 5 has been revised to read as follows: AFP does not impose a minimum account size. Third-Party Programs and Managers may impose minimum sizes to open and maintain accounts, which often exceed \$100,000 or higher. The SMA Program may be customized to the individual needs of a Client by choosing a suitable Third-Party Program and one or more Managers with minimum account sizes that meet the Client's needs.

Item 6 has been revised to disclose that AFP acts as portfolio manager in a limited number of SMA Programs. In the case where AFP acts as portfolio manager, AFP will receive a portion of the SMA Advisory Fee attributable to the Third-Party Manager Fee for assets assigned to a model managed by AFP.

Item 9 has been revised to disclose that separate from their role as Advisors with respect to Client Managed Account(s), Representatives and Agents may recommend that a Client purchase or sell investments or insurance products, reallocate existing investments, or take steps to implement a financial plan outside of their Managed Account. If the Client elects to implement the recommendations regarding investment or insurance products outside of their Managed Account (including without limitation, the purchase of mutual funds, 529 Plans, variable products, or long-term care or disability insurance products), the Representative or Agent will receive compensation (including without limitation, brokerage commissions, asset-based sales charges or service fees [such as 12b-1 Fees] from the sale of mutual funds, 529 Plans, or variable products, or commissions from fixed annuities, long-term care, or other insurance products). In the case of mutual funds, 529 Plans, and variable annuities, asset-based sales charges or service fees (such as 12b-1 Fees) will continue for as long as the client owns the investment, as described in the prospectuses for those products; not all mutual funds, 529 Plans, or variable products pay 12b-1 Fees. The possibility of receiving such additional compensation creates a conflict because it provides an incentive for the Representative to recommend such investment products based on the compensation to be received rather than based solely on the Client's investment needs. Additionally, AFP and the Representatives can select or recommend, and in many instances, will select or recommend for clients, investments in mutual fund (or variable annuity separate account) share classes that pay sales charges and 12b- 1 Fees when clients are eligible to purchase share classes of the same funds (or separate accounts) without sales charges or 12b-1 Fees, and are less expensive. The ability to earn the higher amount of compensation creates a conflict of interest by providing an incentive to recommend such share classes based on the benefit to AFP and the Representative from such higher compensation rather than based on the Client's interest in the lowest cost investment.

Item 9 has also been revised regarding our practices regarding recommendation or selection of other investment advisers for our Clients and the material conflicts of interest. We disclose with respect to the SMA Program, certain sponsors share a portion of their Program Fees with AFP (typically, not more than 15 basis points based on the Client's account value). Clients are advised of these payments when considering whether to invest in these Third-Party Programs. These payments provide an

incentive to recommend these Sponsors' Third-Party Programs, based on the share of Program Fees received rather than based on the Client's investment needs or interest in reasonable fees for advisory services. We also disclose information regarding the Strategic Alliance Program, which is a joint educational and marketing program involving various financial service providers, some of which are investment advisers. The Strategic Alliance Program offers participants exposure to AFP Advisors and Representatives via educational sessions and other meetings. Expenses associated with sponsorship of these events are funded through a fixed fee paid by partner firms. In any given year there are between 10 and 15 "Strategic Alliance" partners participating in the program with contributions ranging from \$5,000 to \$15,000 per firm.

Item 9 contains expanded discussion of arrangements or situations where AFP receives an economic benefit from third-parties for providing investment advice or advisory services to a Client, such as compensation from Custodians, Compensation From Sponsors of Third Party Manager Programs, Compensation & Marketing Support from Non-Traded Product Sponsors & Strategic Alliance Program, Other Custodian Compensation, Benefits of Institutional Manager Platforms, and Investment and Insurance Purchases Outside of Advisory Accounts.

Special Notice Regarding Current COVID -19 Pandemic

At the time we issue this Brochure, the outlook for the COVID -19 Pandemic and its effects on the global and national economy and security markets is uncertain. This Brochure does not project future performance of AFP, and therefore, does attempt to project the effects of COVID -19 on AFP's business or operations. Our firm is currently operating pursuant to its Business Continuity Plan, and believe we will be able to continue such operations, barring significant adverse changes in conditions. Clients who would like further information should contact their Advisor, or our Chief Compliance Officer, at the email address, telephone number, or street address shown on the front of this Brochure, or see our Business Continuity Plan on our website at www.ausdal.com.

Clients should expect that the COVID -19 Pandemic, and its effects on global and national economies, security markets, and public health, and the aftermath of such issues, among other factors, will likely adversely affect the value of the holdings in client accounts and account returns. AFP is not be able to predict the duration or degree to which portfolio holdings will be affected. The location and degree of infectious illness outbreaks, and any restrictive measures implemented to control such outbreaks, could adversely affect the economies of many nations or the entire global economy; consequently, the financial condition of individual issuers or companies (including those that are held by a client's account) cannot necessarily be foreseen, and such impact could be significant and long term. The degree of impact may be greater in emerging market countries as a result of less established healthcare systems. We continue to monitor the situation and urge Clients to contact their Advisor prior to taking any action regarding their portfolio.

Coronavirus Aid, Relief, and Economic Security Act

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which provides, in part, for the Small Business Administration (SBA) to administer a new lending program, called the "Paycheck Protection Program" (PPP), to provide loans to businesses in connection with the COVID-19 pandemic. At that time, AFP viewed the uncertainties surrounding the pandemic and markets, and obtained a PPP loan of approximately \$434,000. As of May 12, 2020, although we cannot predict future events, our board of directors now believes that, barring unforeseen adverse events, AFP is reasonable in believing it maintains sufficient capital and liquidity to conduct normal advisory services and meet its commitments to its Clients.

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Item 4 Services, Fees and Compensation

This Wrap Fee Brochure & Our Firm's Background

This Wrap Fee Brochure ("Brochure" or "Wrap Brochure") provides important information about Ausdal Financial Partners, Inc. (referred to as "AFP," the "Firm," "we," or "us"), our Wrap Program services, our compensation, the costs of participating in our Wrap Programs, and situations where our interests may conflict with the interests of our Clients. We offer other investment advisory programs and services that are not offered on a wrap fee basis, and those are described in our Form ADV Part 2A Brochure ("General Brochure"). Clients who participate only in wrap fee programs will receive only this Wrap Brochure; Clients who also participate in non-wrap fee programs or services will also receive our General Brochure.

Our firm offers services through our network of investment advisor representatives. Investment advisor representatives may use D/B/A names ("doing business as" names) or may have their own legal business entities whose trade names and logos are used for marketing purposes and may appear on marketing materials or client statements. You should understand that the businesses are legal entities of the investment adviser representative and not of our firm, Ausdal Financial Partners, Inc. The investment adviser representatives are under the supervision of Ausdal Financial Partners, Inc., and the advisory services of the investment adviser representative are provided through Ausdal Financial Partners, Inc. For a complete list of D/B/A or trade names please refer to Ausdal Financial Partners, Inc.'s ADV Part 1 Brochure, accessible through the SEC's website, www.adviserinfo.sec.gov, as referenced on the cover page, or in certain instances the D/B/A or trade name is listed on your investment adviser representative's ADV 2B Brochure.

You should pay particular attention to the discussions about our various conflicts of interest because these can affect our judgment in managing your account, in choosing brokers to execute trades for your account, and in recommending custodians, among other important considerations.

You should also keep in mind that a number of separate businesses provide the various investment products and services described in this Brochure. These businesses' legal, contractual, and regulatory obligations differ in important ways depending on whether, in providing the product or service, they are acting as custodian, broker-dealer, third-party manager, or insurance company.

Clients interested in learning about our non-wrap fee programs or services may request our General Brochure from their investment adviser representative (their "Advisor") at the email address, telephone number, or street address shown in the Brochure Supplement received from your Advisor, or from our senior management, including our Chief Compliance Officer, at the email address, telephone number, or street address shown on the front of this Wrap Brochure. Your Advisor or the home office contact can also answer questions about the information in this Brochure.

Our History, Ownership and Business

We are an Iowa corporation headquartered in Davenport, Iowa. We were founded in 1979 as a securities broker-dealer firm, and are currently registered as a broker-dealer with the Securities and Exchange Commission as well as all 50 states and the District of Columbia. We are a member of the Financial Industry Regulatory Authority ("FINRA"). In 1991 we registered with the SEC as an investment adviser. We are a closely held corporation with no shareholder owning 25% or more of our stock.

As more fully discussed in our General Brochure, we are registered as both an investment adviser and broker-dealer, and are licensed as an insurance broker, and provide investment advisory services and sell securities and insurance products. Pershing, LLC ("Pershing") serves as the clearing broker-dealer

for our brokerage business and provides custodial services for some of our advisory Clients. In addition to Pershing, Charles Schwab & Co., Inc. ("Schwab") and TD Ameritrade, Inc. ("TD Ameritrade") serve as custodians for most advisory accounts, including wrap fee accounts.

A. Ausdal Wrap Fee Program

The *Ausdal Wrap Fee Program* ("Wrap Fee Program") consists of the following individual programs (collectively, the "Managed Programs"):

- Representative-Directed Portfolio Wrap Fee Program ("RDP Program")
- Proprietary Advisory Wrap Fee Program ("Proprietary Program")
- Separately Managed Account Wrap Fee Program ("SMA Program")

This Brochure provides information about the Managed Programs. Additional information about AFP is available in our General Brochure, as described above. Additional information about the Sponsors is available in each Sponsor's Form ADV Part 2A Appendix 1 Wrap Fee Brochure ("Wrap Brochure"), and information regarding the Third-Party Managers is available in their respective Form ADV Part 2A Brochure ("Third-Party Brochure"), which are available upon request through our Advisor or from the Sponsor or Manager directly.

Because the information in this Brochure is necessarily general and does not address all details of each of the Wrap Fee Programs, Clients should refer to their individual "Advisory Agreement" and Client Fee Schedule with AFP, and where applicable, "Wrap Program Agreement" with the Sponsor of their Third-Party Program (which includes documentation designating a Third-Party Manager for the Third-Party Assets) for specific terms that apply to them. Clients should be sure to discuss any specific questions with their investment adviser representative ("Advisor").

1. Wrap Fee Programs

a. Representative-Directed Portfolio Wrap Program

In the RDP Program, the Advisor will obtain information regarding the Client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account (the "Managed Account") that will be managed through the RDP Program (all referred to as the "Suitability Information"), as well as any reasonable investment restrictions the Client wishes to impose.

The Advisor will assist the Client to identify a suitable allocation of the Client's RDP Program assets, and an investment style and strategy which are suitable for the Managed Account in view of the Managed Account's Suitability Information, and any reasonable investment restrictions imposed by the Client.

Clients should take care to ask the Advisor questions about the RDP Program to be sure they understand the risks, potential rewards, fees, and expenses of the Program, the strategy the Advisor expects to use, and the types of investments that are expected. Where available, Clients should request copies of the prospectuses for the investments expected to be used in managing the Managed Account, and then ask questions about these investment before deciding to participate in the RDP Program.

Subject to the Firm's supervision, the Advisor will provide continuous and regular investment management services of the Managed Account assets consistent with the Suitability Information and the investment style or strategy identified for the Managed Account, as modified from time to time by the Advisor, in the Advisor's discretion, to achieve the Managed Account's objective.

Refer to the *Common Terms and Disclosures* below for terms and disclosures that apply to all of the programs in the Ausdal Wrap Fee Program.

b. Proprietary Advisory Wrap Fee Program

Proprietary Program

AFP offers the Proprietary Program for Clients who choose to enroll in a program utilizing AFP's models. Generally, the models consist of varying proportions of cash, fixed income, and equity investments, comprised of mutual funds, money market funds, closed-end funds; exchange-trade funds ("ETFs"), including inverse and leveraged ETFs; common and preferred stocks; as well as direct obligations issued or guaranteed by the U.S. Treasury, government agencies, or government sponsored enterprises; and if appropriate, "sweep" arrangements where cash balances are transferred into money market funds, money market deposit accounts, or bank accounts for cash management purposes, which may be advised by or maintained with the account's qualified custodian ("Custodian") or an affiliate of the Custodian.

The Models

AFP's Investment Committee (or a senior executive, in the absence of the Investment Committee) is responsible for developing, managing and selecting the securities comprising the model portfolios used in the Proprietary Program.

We will invest Client assets according to one or more model portfolios developed by one of AFP's portfolio managers. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. Once a model portfolio is selected, the Client may set reasonable restrictions on the management of the Managed Account, including the types of securities that should not be purchased, or if already held, securities that should not be sold.

Model Services Provided by Third Parties

Probabilities Fund Management, LLC ("PFM"), an SEC-registered investment adviser, is currently engaged to assist in the development of the Probabilities Portfolios and selection of the securities to be used for the Growth Sleeve, and to provide signals ("Signals") AFP may use to identify when to buy and sell securities in Clients' accounts. We expect to follow the Signals in managing Managed Accounts that have designated the Probabilities Portfolios. However, we may, in our discretion, reject, delay implementation, or modify, in whole or in part, a Signal and we may engage in other transactions, as we deem appropriate. There is no set minimum or maximum number of positions that will be held for Managed Accounts, including those that have designated the Probabilities Portfolios, or specific frequency that account positions will be traded.

The majority owner of PFM is Joseph Childrey, who was, prior to 2018, a registered representative and investment adviser representative of AFP. AFP owns an interest in PFM (less than 5%). Robert B. Ausdal Jr., President of AFP, serves as a consultant to the PFM investment committee, a position for which he receives no compensation. AFP benefits financially from advisory fees paid to PFM. The economic benefit to AFP of such fees is small in view of the relative size of PFM (assets under management: approx. \$84 million 12/31/2019) compared to AFP (assets under management: approx. \$1 billion 12/2019). We strive to address this conflict in a manner consistent with our fiduciary duty, by

disclosing it in this Brochure, and by adopting procedures designed to ensure that transactions recommended for a Portfolio are based on the Suitability Information provided by the Client, and by emphasizing the right of the Client to reject any investment or recommendation.

Refer to the *Common Terms and Disclosures* below for terms and disclosures that apply to all of the programs in the Ausdal Wrap Fee Program.

c. Separately Managed Account Wrap Fee Program

Through the Ausdal Separately Managed Account Wrap Fee Program ("SMA Program"), AFP offers Clients access to a range of professional investment management programs offered on a wrap fee basis (each a "Third-Party Wrap Fee Program" or "Third-Party Program") and sponsored by third-party investment firms (each a "Sponsor"). Information regarding current Sponsors and Third-Party Programs open to new investors changes regularly, and without notice.

This Brochure provides a general overview of the terms common to many of the Third-Party Programs. Clients interested in Third-Party Programs should inform their Advisor, who will meet with the Client to identify a suitable Sponsor, and third-party investment adviser (each a "Third-Party Manager" or "Manager") from a roster of managers available through the particular Sponsor's Third-Party Program, whose stated investment style or strategy is consistent with achieving the investment objective and other characteristics (such as volatility, liquidity, etc., the "target characteristics") Client has identified for the Managed Assets to be allocated to such Manager (the "Third-Party Assets"). Each Manager will actively manage the Third-Party Assets according to the Manager's stated investment style or strategy for which such Manager was selected, and the target characteristics. Refer to Item 7 for information regarding the ability to impose reasonable restrictions on the management of the Managed Account and Managed Assets.

Client will receive the Sponsor's Form ADV Part 2A Appendix 1 Wrap Fee Brochure ("Wrap Brochure"), the wrap program agreement governing the terms of the Third-Party Program (the "Wrap Program Agreement," which includes any agreement or schedule designating the Third-Party Manager to manage the Third-Party Assets), and the separate Form ADV Part 2A Brochure ("Third-Party Brochure") of each Third-Party Manager designated for the Third-Party Assets.

Refer to the *Common Terms and Disclosures* below for additional terms and disclosures that apply to the Ausdal Wrap Fee Program.

2. Fees for the RDP Program, Proprietary Program, and SMA Program

Representative-Directed Portfolio Program & Proprietary Program Advisory Fees

For RDP Program and Proprietary Program Accounts, the Client agrees to pay AFP Advisory Fees, which shall not exceed the following "Maximum Fee Rates" (expressed as annual percentage rates) stated for the indicated "Asset Tiers" in the following "RDP Program & Proprietary Program Maximum Advisory Fee Schedule" (or, "Maximum Fee Schedule"):

RDP PROGRAM & PROPRIETARY PROGRAM MAXIMUM ADVISORY FEE SCHEDULE*	
Asset Fee Tier	Maximum Fee Rate
Up to - \$250,000	2.50%
\$250,001 - \$500,000	2.25%
\$500,001 - \$1,000,000	2.00%
Over - \$1,000,001	1.75%

*The Client's Advisory Agreement will contain the actual amount of the Client's Advisory Fee Rate(s), the applicable Asset Tiers, whether fees are paying in advance or in arrears, whether tiers will be determined at the household or individual account level, and whether the fees are calculated by multiplying the Fee Rate for each Asset Tier times the value of assets in that Tier (the "Tiered Method") or by using a single Fee Rate based on the rate applicable to the highest Tier in which the account has assets. Advisory fees are assessed on a monthly or quarterly basis as agreed to in the applicable advisory agreement.

Separately Managed Account Program Fees

For the Separately Managed Account Program ("SMA Program") Clients will enter into an advisory agreement with AFP pursuant to which the Client agrees to pay AFP Advisory Fees for AFP's on-going advisory services with respect to a Third-Party Program the Client selects.

The maximum combined Advisory Fee Rate (expressed as an annual percentage rate) for SMA Program accounts is 3%. The "SMA Advisory Fee" for each SMA Program account will be made up of the following parts as applicable to the particular Third-Party Program:

- *Adviser's Fee - A fee charge by AFP for compensation to the Adviser advising the Client.*
- *Adviser Platform Fees - A fee charged by AFP for administration and operation of a Third-Party Program where AFP serves as Sponsor of the Program. The Adviser Platform Fee will be disclosed to the Client prior to entering into the Advisory Agreement. The Platform fee typically ranges between 15 - 30 basis points.*
- *Program Fee - A fee charged by the Third-Party Program Sponsor for administration and operation of the Third-Party Program. This fee can also be labeled as an Overlay Management Fee or Platform Fee, but is separate and in addition to any Adviser Platform Fee charged by AFP.*

AFP has negotiated with the Sponsors of certain Third-Party Programs to share with AFP the Program Fees the Sponsors receive from Clients (approximately 15 basis points). These payments are sometimes referred to as referral fees, or payments in support of AFP's administration or operation of the Third-Party Program.

- *Third-Party Manager Fees - Fees charged by Third-Party Managers to manage the assets within the SMA Program Account. AFP may negotiate rates with Third-Party Managers (sometimes referred to as Model Providers, Managers, Strategists or Sub-advisors) but the Third-Party Managers determine and set the Third-Party Manager Fees. The Third-Party Manager fees will either be detailed in the Client's Advisory Agreement or they will be aggregated and included with the Program Fee and paid by the Program Sponsor. In certain Programs AFP will serve as a model manager. In these cases, AFP will receive the Third-Party Manager fee for the assets assigned to a model managed by AFP.*

The combined fees for the Separately Managed Account Program as described above will be referred to collectively as the "SMA Advisory Fee" and will not exceed 3%. The Advisory Agreement will govern the SMA Advisory Fees the Client agrees to pay to participate in a Third-Party Program but in no case shall the "SMA Advisory Fee" exceed 3%.

The Sponsor is responsible for administering the SMA Program, paying Third-Party Managers (including any model providers, strategists or sub-advisors), arranging for services related to Client profiling assistance, strategic asset allocation assistance, style allocation assistance, research and

evaluation of investment strategies and investments, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services to assist AFP in providing advisory services. Not all services are provided with respect to all Third-Party Programs offered by a Sponsor, and not all Clients will receive or benefit from all services available, offered, or provided by a Sponsor through a Third-Party Program in which the Client participates, even though the costs of such services will be borne by all accounts participating in that Third-Party Program, or by all accounts participating in the Sponsor's Managed Programs.

Refer to the *Additional Fees & Expenses*, below, regarding additional amounts Clients will incur in addition to the Advisory Fees, Adviser Platform Fees, and Program Fees.

Common Terms and Disclosures Regarding Fees and Compensation

Except as otherwise provided in this Brochure or in a Client's Advisory Agreement or Wrap Program Agreement, the following terms and disclosures apply to Managed Accounts participating in the RDP Program, Proprietary Program and SMA Program (all the "Managed Programs"). The term "Advisory Agreement" refers to an Advisory Agreement between AFP and Client in each of such programs.

Negotiability of Fees and Other Terms of Advisory Relationship

Subject to limitations or restrictions of any Sponsor or Third-Party Manager, AFP has discretion to negotiate all terms and conditions with respect to each Client's relationship with AFP, including without limitation, any and all fees, minimum account sizes, minimum fees, and other terms, on a Client-by-Client, and account-by-account basis. When considering these matters, we usually consider the amount of assets to be placed under management by a Client and related accounts, anticipated future revenues and anticipated future assets or other business from the Client or related persons, and existing or anticipated relationships. We may elect, in our discretion, to aggregate related Client accounts for the purpose of achieving and negotiating the terms of a Client relationship.

Because Advisory Fees and other terms of our Managed Programs and services are negotiated separately with each Client, some accounts and Clients pay lower Advisory Fees and other amounts than other accounts and Clients. Waivers, discounts or more favorable terms not generally available to other Clients are offered to family members and friends of our Advisors, employees, and affiliates.

Fees Paid to Portfolio Managers

We are required to disclose the portion of the total "wrap fee," or range of the wrap fees, paid to portfolio managers.

In the RDP Program and Proprietary Program, AFP (through its supervised persons) is the portfolio manager and receives the entire Advisory Fee,

In the SMA Program and any other Managed Program where the Client is charged a Program Fee, the Program Fee includes the compensation paid to the Third-Party Manager for portfolio management services. Depending on the particular Program, Program Fees will be disclosed on the Client Fee Schedule to the Advisory Agreement with AFP, or the Wrap Program Agreement with the schedule identifying the specific Third-Party Manager managing the Third-Party Assets.

Calculation and Deduction of RDP Program and Proprietary Program Advisory Fees

For RDP Program and Proprietary Program Accounts, Advisory Fees (and Adviser Platform Fees, if any) are calculated with respect to each Managed Account on a Custodian-by-Custodian basis. Advisory Fees are determined pursuant to the terms of the Client's Advisory Agreement, based on the

Advisory Fee Rate(s) provided therein, and the value of Managed Assets, using the valuation date and method provided according to the Advisory Agreement. If not otherwise provided in the Advisory Agreement for RDP Program and Proprietary Program Accounts, for Advisory Fees (and any Adviser Platform Fees) payable in advance, the valuation date shall be the "end of the preceding calendar period," which shall be interpreted as the end of the calendar period preceding the period for which Advisory Fees are being calculated (e.g., calendar month or quarter); provided, for the initial period, fees shall be calculated on an asset-by-asset basis beginning as of the date each asset is "placed in the management program" (which shall mean the date credited by the Custodian to the Managed Account). For Advisory Fees (and Adviser Platform Fees, if any) payable in arrears, the valuation date shall be the end of the calendar period for which such Advisory Fees are being calculated (e.g., calendar month or quarter); provided, for the last fee calculation period, the valuation date for fees payable in arrears shall be the termination date of the Advisory Agreement).

For SMA Program Accounts (or other Program Accounts treated as SMA Program Accounts), Advisory Fees (and Adviser Platform Fees, if any) are calculated according to the terms of the Client Fee Schedule attached to the Client's Advisory Agreement with AFP, and the Sponsor's Wrap Program Agreement, subject to the Maximum Fee Rate Schedule and Maximum Combined Rates, described in this Brochure.

Fair Valuation of Managed Account or Managed Assets

For RDP Program and Proprietary Program Accounts (except when treated as an SMA Account, as provided in this Brochure), the value of a Managed Account or Managed Assets will be determined according to the terms of the Client's Advisory Agreement; provided, if the value determined pursuant to the Advisory Agreement is materially inaccurate, the account or such asset shall be valued by us in good faith to reflect its fair value.

For SMA Program Accounts, Third-Party Assets shall be valued according to the terms of the Sponsor's Wrap Program Agreement.

Risk of Liquidations to Pay Advisory Fees, Adviser Platform Fees, and Sponsor Program Fees and Program Expenses

The Custodian of a Managed Account will be authorized to deduct the Advisory Fees (including without limitation, any Third-Party Manager fees) and other expenses related to participation in the Ausdal Wrap Fee Program. If sufficient cash is not available in the Managed Account to pay any fees or expenses when due, the Custodian is authorized to liquidate securities selected by the Custodian or AFP (or the Sponsor or any Third-Party Manager) without prior notice to the Client. If mutual funds are liquidated, the Client may be charged any applicable contingent deferred sales charge, early redemption fee, or fee payable to discourage short-term trading of fund shares. If the liquidated securities have declined in value, the Client will realize a loss and lose the opportunity for future appreciation of the securities.

Fees Directed Debited from Client

Subject to Client's consent, fees are directly debited from a Client's account(s), and each Client is required to provide the qualified Custodian of the Client's account(s) written authorization to deduct the fee described. The Custodian sends the Client a statement, at least quarterly, indicating all amounts disbursed from the account. The Client is responsible for verifying the accuracy of the fee calculation, as the Custodian will not verify the calculation.

Fees Billed Direct to Client

In the RDP Program, Proprietary Program, and SMA Program, the Custodian deducts the Advisory Fees or SMA Advisory Fees upon receipt of AFP's or the Sponsor's instructions, and forwards the Advisory Fees and Adviser Platform Fees to AFP. In the RDP Program and Proprietary Program, Clients may choose to have the fees billed to them directly, in lieu of deduction from the account; however, the Client must agree that any fees not paid within 60 days will be deducted automatically.

Changes in Fee Calculation and Billing Procedures

Clients should be aware that AFP may, in its sole discretion, engage one or more Sponsors of Third-Party Programs (or service providers they designate) to act as collection agents with respect to AFP's Advisory Fees and Adviser Platform Fees, and we intend to work with each such Sponsor, to the extent we believe reasonable, to coordinate and improve the efficiency of our fee billing, calculation, and collection procedures so that they are consistent with the procedures used by the Sponsor of each Third-Party Program. Consequently, in our discretion, we may change the billing and valuation periods and assumptions for calculating Advisory Fees and Adviser Platform Fees from those described above or in the Client's Advisory Agreement, as we determine appropriate so that they reasonably reflect the procedures used by each Sponsor. However, such changes will not cause the Advisory Fee or SMA Advisory Fee to exceed the Maximum Rates stated above for each program, unless we provide Client with at least 30 days' prior notice of such changes. Advisory Fees and Adviser Platform Fees are not charged on the basis of a share of capital gains upon or capital appreciation of any Managed Account or Managed Assets.

Termination of Advisory Agreements

Subject to the terms of any Wrap Program Agreement, an Advisory Agreement may be terminated by the Client or us upon written notice to the other, as provided in the Advisory Agreement. If Client terminates the Advisory Agreement within five business days of the effective date of the Advisory Agreement, Client shall receive a full refund of any prepaid fees. If the Advisory Agreement is terminated more than five business days after the effective date, any prepaid, but unearned Advisory Fees, if any, for the final calendar period of the Agreement shall be prorated based on the number of days the Advisory Agreement was in effect during such calendar period, and the unearned portion shall be refunded to Client within 30 days; and any earned but unpaid Advisory Fees (and any Adviser Platform Fees or other amounts) owed to AFP will become immediately due and payable upon termination of the Advisory Agreement.

After an Advisory Agreement has been terminated: Client will be charged commissions, sales charges, and transaction, clearance, settlement, and custodial charges, at prevailing rates, by us (in our capacity as introducing broker-dealer) and any executing or carrying broker-dealer. Client will be responsible for monitoring all transactions and assets; and AFP shall not have any obligation to monitor or make recommendations with respect to any account or assets.

Discretionary or Non-Discretion Accounts

On the Advisory Agreement, Clients shall indicate whether they grant discretionary authority to AFP (and Advisor, on AFP's behalf) to purchase and sell securities, and act as the Client's limited agent to effect transactions for the Client's Managed Account and Managed Assets, without the Client's prior knowledge or consent. The discretionary authorization remains in effect until terminated or changed by the Client in writing.

Clients may choose not to grant AFP and the Advisor discretionary authority by marking "Non-Discretionary Trading Authorization" on the Advisory Agreement. Orders for non-discretionary accounts will usually not be included in block orders with discretionary accounts, and these accounts will not receive the benefits of sharing execution costs or using an average price account, as used with orders for discretionary accounts. Consequently, the transaction costs, the quality of execution, and overall performance of non-discretionary accounts may be less favorable, as compared to discretionary accounts.

Differences among Advisors' Accounts; AFP Supervision

Advisors follow different investment strategies and styles, and adjust their investment selections depending on their Clients' personal and financial situation, and the investment objective, risk tolerance, liquidity needs, and investment time horizon of the account they are managing. Consequently, it is expected that the levels of volatility, fees, expenses, returns, and performance will, and do, vary significantly among Managed Accounts managed by the same Advisor and among Managed Accounts managed by different Advisors.

In managing Client accounts, Advisors are acting on behalf of AFP, and the discretion granted by the Client, is granted to AFP. Advisors exercise such discretion in their capacity as AFP's investment adviser representative. As supervisor of the Advisors, AFP monitors Client Accounts. However, AFP does not direct or mandate the investment strategies or styles the Advisors follow in managing their Clients' Accounts.

Types of Investments

For the RDP Program and Proprietary Portfolios for which an Advisor or other AFP supervised person serves as portfolio manager, and the investment objective, tolerance for volatility, and other characteristics, the Managed Assets may be invested in a portfolio allocated among such asset classes, implemented through investments in: mutual funds; money market funds; closed-end funds; exchange-traded funds ("ETFs"), including inverse and leveraged ETFs; common and preferred stocks; REITs; business development companies; non-traded closed end funds; as well as direct obligations issued or guaranteed by the U.S. Treasury, government agencies, or government sponsored enterprises; and if appropriate, "sweep" arrangements where cash balances are transferred into money market funds; money market deposit accounts, or bank accounts for cash management purposes, which may be advised by or maintained with the account's qualified custodian ("Custodian") or an affiliate of the Custodian. The Advisor's investment strategy and any liquidity needs and investment restrictions imposed by the Client will affect the specific types of investments the Advisor purchases or recommends for the specific Client's account.

Brokers for Managed Accounts and Non-Program Brokers

AFP will act as introducing broker and TD Ameritrade, Pershing, or Schwab (or other qualified custodian acceptable to AFP and a Sponsor) (the "Custodian") will serve as custodian and broker-dealer for the Managed Account, except in the limited circumstances of a trade placed with a non-program broker (explained below).

In a Third-Party Program, the designated broker-dealer executes and clears purchase and sale orders placed by the Managed Account's portfolio manager, provides transaction confirmations, account statements, annual reports, prospectuses, and tax information, and maintains custody of Client cash and securities. However, in the event that a portfolio manager reasonably believes in good faith that another broker or dealer will provide better trade execution considering all factors, including the net

price, then it may execute the transaction through another broker (a "non-program broker"). In these circumstances, the account will be charged the separate brokerage commissions and other transaction costs of the non-program broker.

Brokerage arrangements for certain Third-Party Programs will be handled on the basis of "directed brokerage subject to most favorable execution." This means that the Client will direct all the portfolio manager(s) of the account's assets to place purchase and sale orders through a specific broker-dealer.

When a Client directs the use of a particular broker-dealer, the portfolio manager will not aggregate the Client's orders with the orders of other Clients. Orders for these accounts will not be placed until after orders have been placed for accounts that have not directed the use of a particular broker. As a result, the Client will not receive the benefit of reduced transaction costs or better prices that may result from aggregation of Client orders or earlier execution. Further, when the portfolio manager is directed to use a particular broker-dealer, it will not have the authority to negotiate commissions, obtain volume discounts, or seek price improvement from other broker-dealers.

Consequently, Clients should understand that the direction to place orders with a broker-dealer may result in the portfolio manager not achieving most favorable execution of the Client's transactions. This practice may cost the Client more than if the portfolio manager had discretion to select the broker-dealer. A disparity may arise such that Clients who direct brokerage may pay higher overall transaction costs and receive less favorable prices than Clients who do not direct brokerage.

Notwithstanding a directed brokerage provision, these programs often authorize the portfolio manager to effect transactions with a non-program broker, if the portfolio manager believes that "best execution" may be obtained through such non-program broker.

In placing orders with a non-program broker, the portfolio manager's primary objective will be to obtain prompt execution of orders at the most favorable prices reasonably obtainable. In doing so, the portfolio manager may consider a number of factors, including, without limitation, the overall direct net economic result to the Client, the financial strength, reputation and stability of the non-program broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future and other matters involved in the receipt of brokerage services. In these circumstances, however, the Client's account will be charged the separate brokerage commissions and other transaction costs of the non-program broker.

Taxes; Services by Accountants

AFP and Advisor will use reasonable efforts to follow the instructions of Client and Client's tax advisors regarding the timing and recognition of taxable gains and losses, subject to applicable tax laws and regulations, as we understand them. Client must acknowledge AFP and Advisor are not acting as accountants or tax advisors, and are not providing legal or tax advice. Client must rely on his or her own tax advisors with respect to the tax consequences of transactions involving the Managed Assets; provided, where an Advisor conducts business as an accountant and provides tax advice for Clients separate and apart from services as an investment adviser representative on behalf of AFP, Advisor will request the Clients' to acknowledge in writing that such advice is provided by the Advisor-Accountant in his or her separate capacity and is not provided by or on behalf of AFP and AFP has no responsibility or liability for the advice provided in such separate capacity.

B. Information About Wrap Fee Programs

The Managed Programs are offered as "wrap fee" programs. Wrap fee programs have important differences from traditional investment advisory arrangements.

In a traditional investment advisory arrangement, the investment adviser provides investment advisory services for managing the Client's account, and then charges the Client an advisory fee that is based on a percentage of the account's assets (referred to as an "asset-based fee"). When the investment adviser places trade orders with a broker-dealer to invest the account's assets, the account pays brokerage commissions for the broker's services in executing the trade plus related costs (all referred to as "transaction-based costs").

By contrast, in a wrap fee program, the Client pays a single fee (the "wrap fee") that includes both the advisory services of the account's investment adviser and the brokerage services of the account's broker (subject to very limited exceptions stated in each program's agreements), and may also include custodial services of the account's custodian. The wrap fee is based on a percentage of the account's assets. In Wrap Fee Programs, the total wrap fee is the combination of the Advisory Fee and the Program Fee.

Although wrap fee programs can be beneficial for some Clients, they are not appropriate for everyone. Some Clients may pay higher overall costs in a wrap program than in a traditional program where they pay separately for investment advisory services and brokerage costs. The benefits of a wrap fee arrangement depend on a number of factors, most particularly the amount of the wrap fee, the number and frequency of account trades, the types of securities the account will trade, and the brokerage commission cost per trade.

Wrap fee programs calculate their fees based, in part, on certain assumptions regarding their expected brokerage commissions and other transaction costs. Clients who choose strategies with modest levels of trading would likely not incur sufficient transaction costs (if they paid commissions out-of-pocket) to justify the higher fees charged in a wrap fee program.

For example, a traditional program that emphasizes the use of "no-transaction fee" mutual funds ("NTF Funds"), for example, would incur very low (or no) transaction costs; as such, these Clients would not benefit from the lack of transaction charges in a wrap fee program. Similarly, Clients who do not expect their account to trade frequently or who have a history of a relatively small number of trades each year may find a wrap fee arrangement to be more costly than paying the separate costs of brokerage commissions and fees for investment advice.

A wrap fee arrangement is more likely to be beneficial for accounts that expect relatively frequent trading, such as where the account intends to pursue an active trading strategy using securities for which the transaction costs are relatively higher. In that case, the single wrap fee may cost less than the combined investment advisory fees and brokerage commissions that would be charged in a traditional arrangement.

Clients are cautioned to review the information regarding the cost of the wrap fee (the combination of the Advisory Fee and the Program Fee), the anticipated level of trading of the strategy they select, the approximate transaction costs, and Advisory Fees they might incur in a traditional arrangement, among the other matters discussed in this Brochure, to understand the costs and factors they should consider when deciding whether to participate in (or to continue to participate in) the Wrap Fee Programs.

No assumption should be made that any particular fee arrangement, such as a wrap fee arrangement or a portfolio management service of any nature will provide better returns than any other fee arrangement, service, or investment strategy.

Fees paid by Clients in the Wrap Programs may be more or less than fees charged for advisory, custodial or brokerage services offered separately, depending on the nature, size and frequency of account transactions, the costs of transactions, Manager fees, and other services.

Clients should also consider that a wrap fee arrangement creates a disincentive to trade wrap fee accounts because the execution costs of each trade will reduce the potential profit from the wrap fee. A wrap program sponsor may have an incentive to limit referrals to or may exclude outright from its program portfolio managers that trade actively.

C. Additional Fees & Expenses (Part 2A, Item 5.C)

Item 4.C instructs AFP to describe any other types of fees or expenses Clients may pay, in addition to the wrap fees, and the circumstances under which they may pay such fees, including, if applicable, mutual fund expenses and mark-ups, markdowns, or spreads paid to market makers.

In the Managed Programs, in addition to the Advisory Fees, Adviser Platform Fees, and Program Fees provided under the terms of the Advisory Agreement and Wrap Program Agreement, Clients will pay the following additional fees and expenses:

- Brokerage and Investment Expenses
- Investment Company Expenses
- Cash Management Expenses
- Custodial Expenses

Brokerage and Investment Expenses

Although accounts participating in wrap fee programs do not pay commissions or other transaction charges for purchasing or selling securities, they will incur the following costs related to investments and maintaining the Client's account, including:

- dealer spread (mark-up/mark-down) incurred when securities are purchased on principal basis, rather than on an "agency basis" (where a commission would be charged); fixed income securities tend to be bought and sold more frequently on a principal basis, so accounts that invest more frequently in fixed income securities may incur the cost of the dealer mark-up/down for each purchase and sale;
- margin interest charged by the custodian's broker-dealer affiliate; and
- service, handling, delivery, and mailing fees, electronic wire transfer fees, and other miscellaneous expenses related to the Client's account.

Investment Company Expenses

Mutual funds, money market funds, exchange-traded funds ("ETFs"), closed-end funds, and variable products (all referred to as a "fund") deduct from their assets the internal management fees, operating costs, and investment expenses they incur to operate the fund. Variable products also deduct mortality expenses. These internal expenses generally include recordkeeping fees, and transfer and sub-transfer agent fees, among other fees and expenses. All of these represent indirect costs that are charged to the fund's shareholders.

Frequently, these internal expenses also include "Distribution Fees." These amounts are deducted from the fund's assets to compensate brokers who sell fund shares, as well as to pay for advertising, printing and mailing prospectuses to new investors, and printing and mailing sales literature. Mutual

fund internal expenses also commonly include "Shareholder Service Fees" which are amounts deducted from the fund's assets to pay the costs of responding to investor inquiries and providing investors with information about their accounts.

Distribution Fees and Shareholder Service Fees are referred to collectively as "12b-1 Fees," named after the SEC rule that adopted them. The 12b-1 Fees are calculated for each class of shares of a fund, and are calculated as a percentage of the total assets attributable to the share class. The 12b-1 Fees, investment management fees, and other ongoing expenses are described in the fund's prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help compare the annual expenses of different funds.

ETFs are a type of investment company that aims to achieve the same return as a particular market index. They can be either open-end companies or unit investment trusts. ETFs are not considered to be, and are not permitted to call themselves, mutual funds. ETFs differ from mutual funds and unit investment trusts because shares issued by ETFs are bought and sold by investors on a secondary market. Unlike mutual funds, retail investors generally cannot tender their shares directly to the ETF for redemption because shares of ETFs are redeemable from the fund only in very large blocks (blocks of 50,000 shares, for example).

We may use ETFs to achieve market exposure consistent with the index on which the ETF is based. Investment returns and principal value will fluctuate so that an account's ETF shares, when sold, may be worth more or less than the original cost. Mutual funds may also impose a short-term trading fee if shares are redeemed within a short time period, usually within 30, 60 or 90 days from the date of purchase. The redemption fee is generally one percent.

Cash Management Fees and Expenses

Cash in a Client's account that is awaiting investment or reinvestment may be invested in cash balance, money market fund, or deposit account at the Custodian (or their affiliate), pursuant to an automatic cash "sweep" program. AFP receives compensation in connection with the Pershing Cash Management Sweep Program, which pays AFP a "distribution" fee based on the average money market fund balance, which can range from 10 to 50 basis points with respect to assets vested in money market funds (or from \$0.10 to \$0.50 for every \$100 annually), depending on the total amount of eligible assets in the fund(s)). Clients should refer to the Prospectus and Statements of Additional Information of the money market funds in which they invest for further information regarding such payments. Refer also to Item 9.B. of this Brochure.

The possibility of compensation provides an incentive for us to invest Client accounts in Pershing custodial accounts to increase the compensation we receive as Clients use the cash management features Pershing offers. We will also receive compensation from money market funds or deposit accounts used for cash management purposes, and this also provides an incentive for us to invest the account so as to increase this compensation, which may not necessarily represent the optimal investment of the Client's assets. Our recommendation of these investment products is based on the compensation we will receive rather than the Client's interest in the lowest cost, or better performing cash management products and services. Refer to Item 9.B for information regarding how we address this conflict of interest.

Custodial Expenses

AFP will not have possession of Managed Assets. To participate in the Managed Programs, the Managed Assets must be maintained in an account (either the Managed Account or a Third-Party Account, as described in this Brochure) under Client's name with a Custodian designated for the particular Managed Program.

The Custodial account will be governed by a separate agreement (each a "Custodial Agreement") between the Client and each Custodian, and Client will be solely responsible for negotiating the terms of such agreement. The Custodial account will bear all fees and expenses of its Custodian and of transactions for such account, according to Client's agreement with the Custodian, all of which will be separate from and in addition to the Advisory Fees, Adviser Platform Fees, and Sponsor Program Fees payable pursuant to the Advisory Agreement or Wrap Program Agreement.

Clients must pay the cost of services provided by the Custodian for: (1) arranging for the receipt and delivery of securities that are purchased, sold, borrowed or loaned for the Custodial account; (2) making and receiving payments with respect to Custodial account transactions and securities; (3) maintaining custody of Custodial account securities; and (4) maintaining custody of cash, receiving dividends, and processing exchanges, distributions, and rights accruing to the Custodial account. The specific fees and terms of each Custodian's services are described in the Client's separate Custodial Agreement(s).

Summary of Additional Fees and Expenses

Below, AFP has summarized specific types and current examples of Brokerage and Investment Expenses, Cash Management Expenses, Investment Company Expenses, and Custodial Expenses Clients incur through the Managed Programs:

Brokerage and Investment Expenses

Pershing Account Charges:

- **Annual IRA Fees** - clients are charged up to \$35 per year for standard IRAs (more for Simple, 401k, etc.);
- **Transfer Fees** - clients are charged \$100 for transfers of IRAs and non-IRA accounts.

Pershing Margin Interest & Interest on Short Sale Transactions

- **Margin Interest & Interest on Short Sale Transactions.** Clients pay Pershing interest on the debit balance in their margin account, and also pay interest on short sale transactions. AFP receives from Pershing regular payments of a portion of the margin interest Clients pay on their margin debit balance, and a share of the interest Clients pay on short sale transactions. AFP's interest in having these payments continue creates an incentive to recommend Clients open and maintain their accounts with Pershing, and further, to recommend that Clients use (or increase their use) of Pershing's margin and short sale investment products, based on AFP's economic interest in receiving Pershing's payments, rather than based solely on the Client's investment needs, and interests in reducing the costs and risks of investing.

Cash Management Fees and Expenses

Pershing Cash Management Sweep Program:

- **Pershing's Cash Management Sweep Program.** The Pershing Cash Management Sweep Program allows a client's cash awaiting investment or reinvestment to be invested in cash balance, money market fund, or deposit account investment products through Pershing (or an affiliate). Depending on the specific investment product, Client will pay internal management fees and expenses (money market funds), or other expenses of the investment product(s) in which the Client's Account is temporarily invested. While available account types and program terms will vary, some programs establish a margin account for the Client, unless the Client specifically "opts-out." Clients should also take care to understand the fees and charges of the program, such as cost for cash advance fees and overnight debit card fees. AFP receives from Pershing regular payments of a "distribution" fee based on the average balance invested in eligible Program money market funds. Pershing's payment provides an incentive for AFP to recommend Clients open and maintain their assets with Pershing, and further, and to use (or increase their use) of Pershing's cash management investment products. A conflict of interest exists because AFP has an economic incentive to recommend Pershing's Cash Management Program, based on AFP's interest in continuing or increasing its revenue from the Pershing sweep program payments, rather than based solely on the Client's interest in the lowest cost cash management program. Refer to Item 9.B. of this Brochure.

Investment Company Fees and Expenses

Asset-Based Sales Charges and Service Fees (12b-1 Fees):

- **Asset-Based Sales Charges and Service Fees (12b-1 Fees):** For Clients with Managed Accounts maintained with Pershing, if AFP purchases shares of a mutual fund share class that carries 12b-1 Fees, AFP's automated surveillance system will detect the investment in a share class more expensive than a share class for which the account is able and willing to invest, and will rebates the 12b-1 Fee within a reasonable period to the Client (except in individually-negotiated circumstances, where expressly agreed by Client pursuant to the terms of the Advisory Agreement). For other Custodians, AFP has implemented electronic and manual procedures to monitor purchases of mutual fund shares to detect share purchases that do not meet AFP's obligation to seek best execution with respect to the purchase of mutual fund shares.

FundVest Account Program:

- **FundVest Account Program:** AFP Clients of Pershing are able to purchase certain "No Transaction Fee" ("NTF") mutual funds available through the FundVest Program, without a transaction charge or sales load. Clients are cautioned even though they are able to acquire the funds without a transaction charge, they should be sure to understand the fees and requirements of the FundVest Program, such as short-term redemption fees fees and minimum purchase requirements for certain account types, as well as the internal management fees and expenses of the mutual funds available through the Program. Pershing pays AFP a regular fee based on the value of Client assets invested in FundVest Funds. As the value of AFP's FundVest assets increases, Pershing's payments to AFP's also increase. AFP has an incentive to recommend the FundVest Funds to Clients based on the payments AFP will receive from Pershing, and not based solely on the client's investment needs. Consequently, AFP has an incentive to recommend Client assets invest in the FundVest Funds. Clients should be aware that AFP does not share the FundVest compensation with the Advisors, and thus this

compensation does not influence the Advisors' decision to select the FundVest funds. Additionally, AFP's selection of the FundVest funds continues to be subject to the obligation to seek best execution in the purchase of securities for the Client's account.

Investment and Insurance Purchases Outside of Advisory Accounts

Brokerage Commissions, Asset-Based Sales Charges and Service Fees, Insurance Commissions:

- **Brokerage Commissions, Asset-Based Sales Charges and Service Fees, Insurance Commissions:** As registered representatives of AFP and insurance agents, AFP's Representatives and Agents recommend that Clients purchase or sell investments or insurance products, reallocate existing investments, and take steps to implement a financial plan outside of their Managed Account(s). If the Client elects to implement the recommendations regarding any investment or insurance products outside of their Managed Account(s) (including without limitation, purchase of mutual funds, 529 Plans, variable products, or long-term care or disability insurance products), the Representative or Agent will receive compensation (including without limitation, brokerage commissions, asset-based sales charges or service fees [such as 12b-1 Fees] from the sale of mutual funds, 529 Plans, or variable products, or commissions from long-term care or other insurance products). Such compensation will be separate from and in addition to the Advisory Fees, Adviser Platform Fees, or share of Sponsor Program Fees. In the case of mutual funds, 529 Plans, and variable annuities, asset-based sales charges or service fees (such as "12b-1 Fees") will continue for as long as the Client owns the investment, as described in the prospectuses for those products; not all mutual funds, 529 Plans, or variable products pay 12b-1 Fees. The possibility of receiving such additional compensation creates a conflict because it provides an incentive for the Representative or Agent to recommend such investment or insurance products based on the compensation to be received rather than based solely on the Client's investment or insurance needs.

Recommendation of Higher-Cost Share Classes:

- **Recommendation of Higher-Cost Share Classes:** Additionally, AFP and the Representatives can select or recommend, and in many instances, will select or recommend to Clients, investments in mutual fund (or variable annuity separate account) share classes that pay sales charges and 12b-1 Fees when clients are eligible to purchase share classes of the same funds (or separate accounts) without sales charges or 12b-1 Fees, and are less expensive. The ability to earn the higher amount of compensation creates a conflict of interest by providing the incentive to recommend such share classes based on the benefit to the Representative rather than the Client's interest in the most economical investment.

No Obligation to Purchase through Advisor, and Can Purchase Direct or Through Lower Cost Options:

- **No Obligation to Purchase through Advisor, and Can Purchase Direct or Through Lower Cost Options:** Clients are under no obligation, contractually or otherwise, to purchase investment or insurance products through AFP, or a Representative or Agent, or otherwise to implement or act upon AFP's or a Representative's or Agent's recommendations. Clients can generally purchase similar investment or insurance products or services through other brokers, dealers, insurance agencies, or other financial intermediaries that are not affiliated with AFP. Refer to Item 9 for further information regarding conflicts of interest which exists. Clients may purchase mutual funds directly from mutual fund companies. The products may be available on a low or "no-load" basis. We also recommend "no-load" mutual fund share classes; however, many of the mutual funds we recommend carry 12b-1 Fees or other internal

expenses higher than a Client is able to obtain through direct purchases from a mutual fund company or from other financial services firms. If a Client chooses to purchase investments directly from a mutual fund company or through another intermediary, the Client will not receive the benefit of the services we provide in determining which investment products or services may be appropriate in view of the Client's financial situation, investment objectives, risk tolerance, and liquidity needs.

Evaluate All Costs of Our Programs

When evaluating the overall costs and benefits of the Wrap Programs, Clients should consider not just our Advisory Fees, but also the potential Brokerage and Investment Expenses, Cash Management Expenses, Investment Company Expenses, and Custodial Expenses Clients will bear through the Managed Programs. Clients should consider carefully all of the direct and indirect fees and expenses of our services and the investment products we recommend to fully understand the total costs and assess the value of our services.

Purchases of Similar Products and Services from Other Firms (Part 2A, Item 5.E.2)

Clients are under no obligation to accept any recommendation made by AFP or our Advisors or Representatives to enter into any transaction to purchase any securities, insurance, or other investment products; Clients have the option to purchase investment products we recommend through other brokers or agents that are not affiliated with AFP. If a Client wishes to purchase such products, they may complete the purchase through any duly licensed and authorized broker-dealer, insurance agency or other financial services firm. However, they would not receive the benefit of our advice if purchased through a third party. Our Advisory Fees and the other costs of our programs are likely higher than amounts charged by other investment advisers or financial services firms for similar services and who may provide better performance or lower risk.

Clients may also purchase mutual funds or other investment products or services directly from mutual fund companies, which may be available on a low or "no-load" basis. Although we do recommend "load-waived" mutual fund share classes, they may carry 12b-1 Fees higher than a Client may be able to obtain through a Client's direct purchases from a fund company.

If a Client chooses to purchase investments directly or through another intermediary, the Client will not receive the benefit of the services we provide in determining which investment products or services may be appropriate in view of the Client's financial situation, investment objectives, risk tolerance, and liquidity needs.

No Reduction or Offset of Advisory Fees or Adviser Platform Fees (Part 2A, Item 5.E.4)

We do not reduce or offset Advisory Fees or SMA Advisory Fees by any of the Additional Compensation, or any other direct or indirect compensation we receive from any custodian, broker, mutual fund company, or insurance company based on or as a result of a Client's purchase or sale of securities, insurance, or other investment products, or based on the value of a Client's account, free credit balance, margin account balance, or retirement account balances. Refer to Item 4.C and Item 9.B regarding compensation from Sponsors of Third-Party Programs and other third-parties.

Addressing Our Conflicts of Interest

Each form of Additional Compensation (except the Asset-Based Sales Charges from Client purchases at Pershing, which AFP returns to the Client) creates a conflict of interest in that it provides an incentive to recommend or select for the Client the particular product or service based on the

compensation (or other economic benefit) to be received by AFP or the Representative, rather than based solely on the Client's need for such product or service. We seek to address these conflicts of interest as follows:

- we disclose these conflicts to our Clients in this Brochure;
- we collect and maintain adequate information about our Clients and their accounts, including their financial circumstances, investment objectives, and risk tolerance, and we conduct regular account reviews to confirm investment selections or recommendations are suitable;
- we periodically review overall holdings to identify significant disparities indicative of unusual treatment;
- we review our systems to ensure our 12b-1 surveillance and other compliance systems are operating, as intended; and
- we educate our Representatives and employees regarding their fiduciary responsibilities, regardless of fee arrangements.

Clients should refer to Item 9 regarding recommendations to purchase investment or insurance products, and additional forms of compensation AFP receives from custodians and third-parties.

D. Compensation and Financial Incentive

AFP Supervised Persons Recommending this Wrap Fee Program Receive Compensation as a Result of Client Participation in the Managed Programs

The Client's Advisor is generally the person who recommends a Wrap Program to the Client. Advisors are paid a share of the Advisory Fees received by AFP from Clients who participate in the Wrap Programs.

Virtually all Advisors are also Representatives, and for Clients who choose a traditional arrangement where the Client pays separately for investment advice and brokerage services, the Representative will receive a share of brokerage commissions and a share of any advisory fees paid by the Client.

Depending upon a number of factors, particularly the type of securities in the Client's account, and the size, frequency, and cost of Client transactions, changes in account value over time, Client's ability to negotiate fees or commissions, and the amount of Client's wrap program fee, evaluated in light of the current low cost for most brokerage transactions, the wrap program fee may be higher than the amount the Advisor would receive if the Client paid separately for investment advice, brokerage and other services.

Where compensation an Advisor can expect to earn from a traditional advisory fee plus brokerage commission arrangement is less than the compensation expected from a wrap fee arrangement, the Advisor will have a financial incentive to recommend the wrap fee arrangement over other programs or services based on the increased compensation to be received rather than the Client's interest in obtaining the most suitable investments for the lowest costs.

Item 5 Account Requirements & Types of Clients

A. Account Requirements (Part 2A, Item 7)

Minimum Account Size (Part 2A, Item 7)

AFP does not impose a minimum account size. Third-Party Programs and Managers may impose minimum sizes to open and maintain accounts, which often exceed \$100,000 or higher. The SMA Program may be customized to the individual needs of a Client by choosing a suitable Third-Party Program and one or more Managers with minimum account sizes that meet the Client's needs.

Minimum Annual Program Fee (Part 2A, Item 7)

Some Third-Party Programs impose Minimum Annual Program Fees. Client will be advised of Minimum Annual Program Fees prior to entering to the Advisory Agreement or a Wrap Program Agreement.

Unless otherwise required according to the terms of a Sponsor Wrap Program Agreement, Minimum Annual Program Fees are expressed as annual amounts, but the Minimum Annual Program Fee is determined and assessed quarterly. For example, if an account has a \$2500 Minimum Annual Program Fee, it will be assessed a minimum fee of approximately \$625 every quarter. Therefore, if a Client has large asset inflows or outflows during the year, depending on the timing of such transactions, it is possible for the account to be assessed a minimum fee for a particular quarter even if the account's average balance for the entire year is above the minimum asset value threshold.

The Sponsor of Third-Party Programs, and the Third-Party Managers control the specific terms and conditions of a Third-Party Program with respect to minimum account size, and minimum annual fees (amount and calculation).

Investment Restrictions

In the RDP Portfolios and the Proprietary Portfolios (unless a Third-Party Manager is acting as portfolio manager), the Client may set reasonable restrictions on the investment of the Managed Assets, including the types of securities that should not be purchased, or if already held, securities that should not be sold.

Although AFP permits such reasonable restrictions in SMA Program Accounts, Third-Party Managers set their separate policies with respect to SMA Program Accounts.

B. Types of Clients

AFP's Wrap Fee Program Clients are comprised of individuals, high net worth individuals and their families.

Item 6 Portfolio Manager Selection & Evaluation

A. Selection & Review of Portfolio Managers

Item 6.A asks AFP to describe how it selects and reviews portfolio managers, its basis for recommending or selecting portfolio managers for particular clients, and its criteria for replacing or recommending the replacement of portfolio managers for the program and for particular clients.

Sponsors and Third-Party Programs

For the Sponsors, Third-Party Programs, Third-Party Managers and model portfolios ("Third-Party Models") we recommend or select in any of the programs in the Ausdal Wrap Fee Program, we rely largely on the research and performance information provided by the Sponsors or Third-Party Manager to evaluate and reach our decisions to recommend particular Sponsors, Third-Party Programs, or Third-Party Managers. With respect to Third-Party Programs, Sponsors conduct ongoing research with respect to the Third-Party Managers, and are responsible for identifying and selecting the Third-Party Managers that will participate in the Third-Party Program.

Each Sponsor has represented to us that it has implemented procedures similar to the following to review and select Third-Party Managers. We have not independently verified these procedures. Although each Sponsor's processes may differ in some aspects from the information below, the following is a general overview of the most commonly followed procedures:

Each Sponsor makes available to AFP and the Advisor research regarding Third-Party Managers, including investment discipline and approach. Sponsors generally follow proprietary screening and evaluation processes that focus on technical, quantitative, and qualitative analyses, as well as review of factors, such as a Manager's reputation and approach to investing. Many Sponsors have represented that they compare information they receive from Managers to other data, when available, from publicly available data sources to assist in assessing the accuracy of the information received from Managers; however, they do not warrant or guarantee the accuracy of any of the information provided to AFP. Each Sponsor maintains full discretionary authority to hire and fire the Managers. For discretionary accounts, AFP retains the discretionary authority to hire and fire any Third-Party Manager, and reallocate the Managed Assets, or terminate the Client's participation in a Third-Party Program.

We have not independently verified the processes or procedures described above, nor do we (or any third-party) audit, verify, or guarantee the accuracy, completeness, or methods of calculation of any performance or other information provided by a Sponsor or any Third-Party Manager. There can be no assurance that the performance or other information provided by a Sponsor or Third-Party Manager is or will be calculated on any uniform or consistent basis, or has been or will be calculated according to or based on any industry or other standards.

B. Related Persons Acting As Portfolio Managers

Item 6.B asks if any of AFP's related persons acts as a portfolio manager for a wrap program account; and if so, requests additional information.

The only "related persons" who act as portfolio managers for Client Accounts are AFP's Advisors who serve as portfolio managers for RDP Wrap Program accounts, and AFP's supervised persons serving on the AFP Investment Committee or as Senior Managers. As such, refer to the response to Item 6.C which asks for information regarding supervised persons who act as portfolio managers.

C. Supervised Persons Acting As Portfolio Managers

Item 6.C asks if AFP or any of AFP's supervised persons acts as a portfolio manager for a wrap program account; and if so, requests additional information.

AFP's Advisors act as portfolio managers in the RDP Program, and members of the Investment Committee and Senior Management assist in managing portfolios (or models) with respect to the Proprietary Program Accounts.

AFP acts as portfolio manager in a limited number of SMA Programs. In the case where AFP acts as portfolio manager, AFP will receive a portion of the SMA Advisory Fee attributable to the Third-Party Manager Fee for assets assigned to a model managed by AFP.

1. Tailored Services & Investment Restrictions (Part 2A, Item 4.C)

a. Services Tailored to Individual Needs of Clients (Part 2A, Item 4.C)

Services provided through the Managed Programs are tailored to the individual needs of the Client. Clients participating in the Managed Programs will complete an account profile that collects the information about the Client and Managed Assets necessary to permit a model manager or the portfolio manager to develop (or identify) a suitable model portfolio for the Client and Managed Assets, including (to the extent relevant to the particular Client and Managed Account), information about the Client's personal and family situation, and investment experience, and the investment objective, tolerance for risk, income and liquidity needs, investment time horizon, and any other factors established by the Client for the Managed Assets and Managed Account (all the "Suitability Information").

For Third-Party Programs, Suitability Information is provided to the Sponsor, which is responsible for making it available to the Managers. We forward or update any changes in this information, as we receive it from the Client. Any such updated information is forwarded by the Advisor to the Sponsor, which is responsible for providing the updating information to the Manager.

Portfolio managers in the RDP Program and Proprietary Program (except Third-Party Managers) will invest and re-invest the Managed Assets according to the model portfolio's "target allocations" among stocks, bonds, mutual funds, exchange-traded funds (or other securities, as suitable for the Client and Managed Account) to reflect the specific asset classes, market sectors, geographic regions, or other dimensions comprising the Managed Account's model portfolio. The portfolio manager will manage the portfolio on a continuous basis according to the investment style and strategy adopted by the Advisor to achieve the Managed Account's goals and objectives, including such investment policies and guidelines, tolerances and allowances for "drift," under-weighting and over-weighting, and temporary or permanent adjustments to the target allocations, as the portfolio manager shall allow or adopt from time to time, in the portfolio manager's discretion.

For RDP Program Accounts, AFP's Investment Committee (or Senior Manager acting on its behalf) or other authorized portfolio manager will manage the portfolio to reflect the target allocations of the Managed Account's underlying model portfolio. Proprietary Program Managed Accounts that have designated Probabilities Portfolio models will be managed according to Signals received from PFM from time to time; provided, such Signals are not mandatory, and the portfolio manager may elect to disregard a Signal and take a different action, in the portfolio manager's discretion.

For 401k/403b accounts managed through the FeeX platform, the account is custodied at the custodian of the Plan's choice which may not be our recommended custodian. These assets are considered "held away" assets. Additionally, the investment selection is limited to the investments available through the related Plan.

In the SMA Program, the Third-Party Manager is primarily responsible for day-to-day portfolio management of the Third-Party Assets; AFP and Advisor are responsible for monitoring the portfolio for consistency with the target asset allocations and model portfolio, and to ensure the portfolio is rebalanced to continue to adhere to portfolio targets.

b. Client Investment Restrictions (Part 2A, Item 4.C.)

In all Managed Accounts managed by AFP, an Advisor, or supervised person, AFP permits the Client to impose reasonable restrictions on the investments not to be purchased for the Managed Account, and for investments already held in the Managed Account, to impose reasonable restrictions on the investments not to be sold.

However, Clients should be aware that while AFP will permit reasonable restrictions on the investment of Managed Assets, not all Third-Party Managers accept investment restrictions with respect to management of the Third-Party Assets. Third-Party Managers establish separate and independent investment policies which take precedence over AFP's policies in the Third-Party Programs.

2. Portfolio Manager Disclosure (Part 2A, Item 4.D.)

a. Differences Managing Wrap Fee and Non-Wrap Fee Accounts (Part 2A, Item 4.D.(1))

The unique characteristics of a wrap program can create differences in how accounts are managed, depending on the specific facts and circumstances existing at the time. The following examples are representative of the ways in which the accounts may be managed different. However, the reader should consider that if the cost of brokerage commissions and other transaction costs continue to decline, wrap programs may begin to lose their price advantage over a traditional arrangement that charges separately for investment advice and brokerage.

Investment Strategy and Portfolio Composition Are Typically Different in Wrap and Non-Wrap Accounts

- Wrap accounts tend to emphasize portfolio management strategies that adapt easily with higher levels of trading, on an ongoing basis, and select securities such as equities or options that are conducive to such a strategy.
- Sometimes, it may be less clear whether a particular portfolio or strategy is appropriate for a wrap fee account. It is less clear that wrap accounts will benefit an ETF asset allocation strategy. A number of factors must be weighed: how actively traded will the portfolio be traded? What is the commission per trade? What are the costs for the wrap fees versus the costs for the separate investment advice and brokerage costs? If the activity level and transaction costs are high enough, the wrap fee program might be beneficial.
- We would not manage a portfolio of fixed income securities (a "bond ladder") or other portfolio where a "buy & hold" strategy is expected. In that case, the account would not have sufficient transactions to benefit from the higher wrap fee.

Strategies Using Wrap and Tax-Favored Accounts May Offer Benefits (*where suitable for the Client*)

- Where suitable for the Client, use of an actively traded strategy in a tax-favored account may help Clients to benefit from their wrap program and avoid the potentially negative tax consequences such strategies can carry.

b. Receipt of Share of Wrap Fees (Part 2A, Item 4.D(2))

This Item requires disclosure if a Wrap Program portfolio manager receives a share of the wrap fees.

As described in Item 4.A.(2) AFP (through its supervised persons) provides portfolio management services to Clients in the RDP Program, Proprietary Portfolios and SMA Programs, and is compensated for such portfolio management services.

3. Performance-Based Fees (Part 2A, Item 6)

We are required to disclose information about any "performance-based" fee arrangements with Clients.

AFP does not have any performance-based fee arrangements with Clients.

4. Methods of Analysis, Investment Strategies and Risk of Loss (Part 2A, Item 8.A)

With respect to the Managed Accounts in the RDP Program or in the Proprietary Program for which AFP, the Advisor, or other supervised person serves as portfolio manager, Item 6.C.4 asks us to describe the methods of analysis and investment strategies used in formulating investment advice or managing assets.

Please note that the SMA Program Accounts are managed by the Third-Party Manager designated for the Account. Refer to Items 6.A., 6.B., and 9.A. regarding how AFP selects and reviews portfolio managers, and for information regarding conflicts of interests arising from referral and other business arrangements with third-party advisers.

a. RDP Program & Proprietary Program

For RDP Program accounts, each Advisor is permitted to adopt his or her preferred method of analysis in developing the portfolios and selecting the securities, some of which are discussed below.

For Proprietary Program accounts, the Investment Committee will typically rely on the Signals receive from our third-party Signal Provider and our evaluation of available and appropriate mutual funds (or other Portfolio investments) in managing accounts. In addition to the investment recommendations provided by the Signal Provider, we conduct our own internal evaluation and selection of appropriate fund families and other investments, and allocation of Client account assets.

Proprietary Program investments may be selected or recommended on the basis of any or all of the following criteria: performance history; asset class and industry sector; the track record, management style and philosophy of the investment manager; the security's fee structure; the fund company's policies and limitations regarding excessive trading and penalties for early redemptions; the size of the investment in comparison to the size of the issuer; the fund company's trading restrictions, and our and our brokers' ability to place and execute orders and maintain records in an efficient manner, at reasonable costs. We may receive and rely on historic financial and other data from sources we deem to be reliable.

Methods of Analysis Advisors May Use

Following are typical methods of analysis that Advisors in any of our programs may use; however, Clients should inquire of their specific Advisor the particular method the Advisor intends to use in managing the Client's account. Each Advisor may adopt the method of analysis he or she deems appropriate.

Fundamental Analysis: Fundamental analysis involves analyzing a company's income statement, financial statements and health, its management and competitive advantages, and its competitors and markets. The fundamental analysis school of thought maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by trading the mispriced security and then waiting for the market to recognize its "mistake" and re-price the security. However, fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless

of the economic and financial factors considered in evaluating the stock. Therefore, unforeseen market conditions and company developments may result in significant price fluctuations that can lead to investor losses.

Technical Analysis: Technical analysis seeks to identify price patterns and trends in financial markets and attempt to exploit those patterns. Technical analysts follow and examine indicators such as price, volume, moving averages, and market sentiment.

Mutual fund and ETF Analysis: In analyzing mutual funds, we look at the experience and track record of the portfolio managers to determine if they have demonstrated the ability to invest successfully over periods of time and in different economic conditions. We also consider whether or not there is a significant overlap with the underlying investments held by other mutual funds. We monitor the mutual funds in an attempt to determine if they are continuing to follow their stated investment strategies. We also evaluate the fees of the portfolio managers and the internal expenses of the mutual funds to determine whether the Client is receiving adequate value for these fees and expenses.

A risk of our mutual fund and ETF analysis is that, as in all investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds in a Client's account may purchase the same security, increasing the risk to the Client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund or ETF less suitable for the Client's portfolio. Moreover, we do not control the portfolio manager's daily business or compliance operations, and we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Management of Account Until We Receive Written Notice

Unless and until the Client notifies us in writing to designate a different portfolio for their account, to notify us of material changes in their Suitability Information, or to impose reasonable restrictions on the investment of their account, we will continue to manage the account according to the Suitability Information in our records. Clients should inform us promptly of significant changes in their individual or family circumstances or financial situation, or in the investment goals or objectives, investment time horizon, tolerance for risk, or liquidity needs of the account so that appropriate changes can be made.

Risks of Inaccurate Information

Our methods of analysis assume the accuracy of the information we analyze, such as ratings, financials, and research. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Investment Strategies and Risks

For the methods of analysis and strategies we use, we have identified the material risks we believe are involved. Of course, we cannot guarantee these are the only risks of investing through our programs.

When deciding whether to participate or to continue to participate in one of our programs, prospective or current Clients should feel comfortable that they have an understanding of how our programs work, the strategies we use, the risks of those strategies, the kinds of investments we use, the fees and expenses they will pay and the compensation we will receive, and the conflicts of interests that can potentially affect the advice we give.

We urge prospective Clients to ask questions if they do not understand any of these points.

Risk of Leveraged Funds and ETFs

As the name implies, leveraged funds and ETFs seek to provide leveraged returns at multiples of the underlying benchmark or index they track. Leveraged funds and ETFs generally seek to provide a multiple (i.e., 200%, 300%) of the daily return of an index or other benchmark for a single day excluding fees and other expenses. In addition to using leverage, these funds and ETFs often use derivative products such as swaps, options, and futures contracts to accomplish their objectives. **The use of leverage as well as derivative instruments can cause leveraged funds and ETFs to be more volatile and subject to extreme price movements.**

Inverse Funds and ETFs

Inverse mutual funds and ETFs, which are sometimes referred to as "short" funds and ETFs, seek to provide the opposite of the performance of the index or benchmark they track. Inverse funds and ETFs are often marketed as a way to profit from, or hedge exposure to, downward moving markets. Some inverse funds and ETFs also use leverage, such that they seek to achieve a return that is a multiple of the opposite performance of the underlying index or benchmark (i.e., -200%, -300%). In addition to leverage, these funds and ETFs may also use derivative instruments to accomplish their objectives. **As such, inverse funds and ETFs are volatile and provide the potential for significant losses.**

Risks Associated with Leveraged and Inverse Funds

Risk associated with holding leveraged and inverse ETF's include, but are not limited to:

- **Use of Leverage and Derivative Instruments:** Many leveraged and inverse funds and ETFs use leverage and derivative instruments to achieve their stated investment objectives. As such, these funds and ETFs can be extremely volatile and carry a risk of substantial losses.
- **Most Leveraged and Inverse Funds and ETFs Seek Daily Target Returns:** Most leveraged and inverse funds and ETFs "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Due to the effect of compounding, the return for investors who invest for a period different than one trading day may vary significantly from the fund's stated goal as well as the target benchmark's performance. This is especially true in very volatile markets or if a leveraged fund is tracking a very volatile underlying index.
- **Higher Operating Expenses and Fees:** Investors should be aware that leveraged funds and ETFs typically rebalance their portfolios on a daily basis in order to compensate for anticipated changes in overall market conditions. This rebalancing can result in frequent trading and increased portfolio turnover. Leveraged and inverse funds will therefore generally have higher operating expenses and investment management fees than other funds and ETFs.
- **Tax Treatment of Leveraged and Inverse Funds and ETFs May Vary:** In some cases, leveraged and inverse funds and ETFs may generate their returns through the use of derivative instruments. Because derivatives are taxed differently from equity or fixed-income securities, investors should be aware that these funds may not have the same tax efficiencies as other funds.

Non-Traded Investments

Real Estate Investment Trust (REITs)

A Real Estate Investment Trust (REIT) is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, offered as a non-traded, public company or offered as a private placement. A Non-traded public company electing REIT tax status is registered with the Securities and Exchange Commission (SEC), but is not listed on an exchange. On the other hand a private company that elects REIT status is exempt from registration. As such, less information may be readily available to investors as with any private offering.

Business Development Companies (BDCs)

A BDC is a form of publicly registered company in the United States that provides financing to small and mid-sized businesses. This form of company was created by Congress in 1980 as an amendment to the Investment Company Act of 1940. As a result, Congress created a new category of closed-end funds known as a business development company.

BDCs are closed-end funds that make investments in private, or in some cases public companies, typically with lower trading volumes, with investment objectives of providing for the possibility of capital appreciation and current income. BDCs are investment companies and answer to an independent board of directors. A BDC can trade on the market but can also be a public, non-traded company, just like a public, non-traded REIT. However, one difference is that unlike a REIT, a BDC cannot be a private offering.

BDCs, which essentially can be viewed as a hybrid between a traditional investment company and an operating company, represent a transparent portfolio of loans, similar in some sense to private equity or venture capital.

Publicly filing firms may elect to be regulated as a BDC if they meet certain requirements of the Investment Company Act. One such requirement is that a BDC must maintain at least 70% of its investments in eligible assets before investing in non-eligible assets. Eligible assets can include a domestic issuer that either does not have any class of securities listed on a national securities exchange, or has a class of equity securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250 million and, in each case, is not, with limited exceptions, a registered or unregistered investment company; or either:

- Does not have a class of securities that are "margin securities"
- Is controlled by a BDC and has an affiliated person of the BDC as a director
- Has total assets of not more than \$4 million and capital and surplus (shareholders' equity less retained earnings) of not less than \$2 million.

The majority of BDCs elect to be treated as a regulated investment company (RIC) for tax purposes. As a result, they must distribute at least 90% of their investment company taxable income, as defined by the Internal Revenue Code, to shareholders every year. A BDC can also receive tax exempt status on the 4% nondeductible federal excise tax if they:

- Distribute 98% of their ordinary income for each calendar year to their shareholders;
- Distribute 98% of their capital gain net income in a calendar year to their shareholders; and
- Distribute any income not distributed in prior years.

To continue to be treated as a RIC for tax purposes, BDCs must also:

- Continue to qualify as a BDC in accordance with the Investment Company Act of 1940;
- Derive at least 90% of their gross income from dividends, interest, payments on securities loans, gains from the sale of stock or other securities, or other income derived from their business of investing in these stocks or securities; and
- Satisfy quarterly RIC diversification requirements by not investing more than 5% of their assets in any single security and no more than 10% of a given security's total voting assets. Following these same requirements, they also may not invest more than 25% into businesses they control or businesses within the same industry.

Non-Traded Closed End Funds

Like a public, non-traded REIT, a public non-traded closed end fund is not traded on the exchange. A closed end fund cannot elect REIT status and cannot be a private company. Like a BDC, a closed end fund is regulated under the investment act of 1940, but is unlike a BDC in terms of the type of investments it can hold. Basically, a closed end fund is a fund with a fixed number of shares, as opposed to an open end fund that creates and redeems shares on a daily basis.

Non-traded Public Companies

Other companies that are not organized as a REIT, BDC or closed end fund may be organized as a non-traded company, similar to a public company like Apple, except that the company does not trade on an exchange. This structure is sometimes used for offerings that are not real estate, such as specific sector offerings like clean energy.

Risks Associated with Non-Traded Company Investments

The risks of non-traded REITs, BDCs, non-traded closed end funds and non-traded public companies are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, making them illiquid investments. This could limit or restrict a Client's ability to dispose of such investments in a timely manner and/or at an advantageous price. Consequently, a Client should exercise caution to avoid over-concentration of their assets in these types of illiquid investments.

Valuation and Advisory Fees Associated with Non-Traded Company Investments

Ausdal may advise certain qualified Clients to invest in non-traded REITs, BDCs, non-traded closed end funds or non-traded public companies. In order for these offerings to be purchased in an Ausdal advisory account, the distributor must provide advisory-class pricing for their products through a custodian. Generally this means that the distributor allows purchases at a price that "waives" the sales charge, or "load," therefore allowing Ausdal to include the product in the quarterly or monthly asset management fee billing established for the Client's account.

The price of a non-listed security on your account statement provided by a custodian could potentially reflect the original purchase price and not any price or value from a secondary market, a repurchase offered by the sponsor, or the book value. The actual value of the investment on a secondary market or through a repurchase by a sponsor could potentially be significantly higher or lower than the original purchase price contained on the account statement provided by the custodian. The asset management

fee for non-traded investments included in your program may be based upon the current valuation set by the product sponsor as reflected on the custodian's account statement. Due to the fact that non-traded investments are illiquid, the value is not easily or readily ascertainable or reported. As a result, the value shown on the account statement provided by the custodian is the most reliable method for determining the present value of the investment.

Variable Annuities Risk

A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate and the remainder of the funds accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds and mutual funds do. Some variable annuities offer "bonus credits." These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

Fee Based Annuities Risk

Fee based annuities are products meant for registered investment advisers, who are paid a flat, annual advisory fee, often based on assets under management, rather than a commission for each product sale. Fee based annuities do not come with a sales load to compensate the adviser. Fee based annuities include an annual advisory fee in the sub-accounts in addition to the annuity's fees. If the advisory fee is paid out of certain annuity products, specifically, nonqualified annuities, the fee payment may be considered a taxable event. Additionally, pulling an advisory fee from the annuity could have other adverse effects, if the product has any type of insurance rider, causing a dilution or nullifying those benefits. Factors such as the advisory fee, expected life of the annuity and if the annuity is actively or passively managed should be considered when selecting a fee-based annuity. Other benefits, such as upfront bonuses, generally only come with commissioned annuities. To get a full understanding of the costs, features and benefits of an annuity, you should closely read your annuity contract. The insurance features of annuity contracts are backed by the full faith and credit of the underlying insurance company.

Interest Rate Risk

Interest rates may go up, causing the value of debt securities held by an account (or by any mutual fund, money market fund, or other fixed income security owned by the account) to decline. This is known as interest rate risk, which may be greater for securities with longer maturities. Again, this is a known risk factor for the Programs, depending on specific allocations.

Credit Risk

The issuer (or other obligor) of a security owned by the account (or by any mutual fund, money market fund, or variable product owned by the account) may fail to pay principal or interest, or otherwise default, or may be perceived to be less creditworthy, or the security's credit rating may be downgraded, or the credit quality or value of any underlying asset may decline. This is known as credit risk. This risk is greater for high yield securities than for securities of higher credit quality. Accounts participating in the Programs may invest in high yield securities.

Prepayment Risk

During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the account (or any mutual fund or money market fund) to reinvest in lower yielding securities. This is known as call or prepayment risk.

Extension Risk

During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration (a calculation of a security's future payments designed to measure sensitivity to interest rate changes), increase the security's sensitivity to interest rate changes and reduce the value of the security. This is known as extension risk.

Liquidity Risk

From time to time, as a result of economic, market, or issuer-specific reasons, one or more investments held by the account may become difficult to sell at a favorable price, and in certain adverse markets or economic conditions, may become difficult to sell at any price. The causes of a loss of liquidity may not be related to any specific adverse changes in the business of a particular issuer. These examples of liquidity risk.

Risk of Errors in Investment Decisions

There is a risk that our judgment about the attractiveness, relative value, or potential appreciation of a particular market sector or security, or about the timing of investment purchases or sales, may prove to be incorrect, resulting in losses to the account.

Risk of holding cash balances for an extended period of time

Some strategies may seek to improve long-term risk-adjusted performance by holding substantial cash balances for extended periods of time. However, because the account will continue to be charged Advisory Fees on the cash balances, and holding cash balances in this manner can ultimately reduce portfolio returns, especially in times when money market rates are extremely low.

Risk of Delays In Accounts

For a variety of reasons, there may be periods of time when we will not be able to trade an account. For example, accounts may require several weeks after the Advisory Agreement is signed by all parties before we will be able to enter trades with the Custodian (and such period may be lengthened as a result of delays by Client or third parties in transferring assets to the Custodian). Similarly, accounts that are transferred between Custodians, or whose registrations are changed, or that change Portfolios may experience periods during which we will not be able to trade the account. Further, there

will likely be periods when we are not able to trade an account as a result of the Firm's administration, review, portfolio management, trade execution, or other handling of that account or the account for other Clients.

During periods when we are not able to trade the account, we may receive a Signal that we may not be able to effect. As a result, the account may incur losses that would not have been incurred, or may miss profits or opportunities that would have been realized, if the account had been traded.

Following such periods, we will endeavor to trade the account and effect transactions so that the account reflects the Portfolio designated for the account, but such transactions may result in immediate losses for the account. We assume no responsibility for losses or missed profits or opportunities resulting from: the account not being traded during any such period; engaging in transactions so that an account reflects the Portfolio; or from implementing any instruction from the Client.

Advisor does not guarantee that transactions will occur within any minimum period of time following receipt of a Signal or that transactions for any account will occur at the same time as transactions for other accounts. We will attempt, when reasonably able, to move all Clients promptly following receipt of a Signal, but Clients should expect that delays will occur, transactions for particular accounts may be delayed until after transactions for other accounts have been effected, and losses may be incurred or profits or opportunities may be missed, all at the risk (and potential benefit) of the Client. Although with respect to any particular Signal or transaction, certain accounts may not be treated the same as other accounts, we will implement procedures to avoid particular accounts being treated unfairly over reasonable periods of time.

Risk of Loss and Other Risks

The risks described below apply to all of our Programs.

Risk of Loss

Investing in securities involves risk of loss that Clients should be prepared to bear. Securities are not guaranteed and Clients may lose money on their investments. We ask that Clients work with us to be sure we understand their willingness and financial ability to bear the risks of their current investments and the investments we recommend for their account.

Insolvency of Brokers and Others

Clients will be subject to the risk of failure of the brokerage firms that execute their trades, the clearing firms that such brokers use, and the clearinghouses of which such clearing firms are members. Although we believe the institutions we recommend have sufficient capital, there is no assurance this will continue to be the case.

Margin Transactions

Although not expected to be used frequently, there may be occasions when the Client's account will use a margin account offered by the Custodian to borrow sufficient funds to purchase a security for an account. This typically happens if sufficient cash is not available in the account to purchase the security and it is not advantageous to sell other investments. The use of margin carries risks that Clients should understand. We do not expect to use significant amounts of margin or other leverage in our strategies; however, certain types of transactions may or must be executed through a "margin account."

In volatile markets, security prices can fall very quickly. If the net value of a Client's account (less the amount the Client owes to the broker) falls below a certain level, the broker will issue a "margin call" and the Client will be required to sell the security (and other positions) or add more cash to the account. You could lose more money than you originally invested. Additionally, the Client must pay interest on the margin balance owed to the broker until it is repaid in full. The amount of margin interest will diminish the Client's profits and in some cases could cause net losses in the Client's account.

Allocation of Investment Opportunities

At times, there will be limited supply of an investment and we will be required to decide which accounts will be able to purchase the investment. Although we do not receive allocations of initial public offerings of stock (IPOs), this would be an example of a situation where demand for an investment opportunity could far outweigh supply. When supply is not sufficient to meet demand, we will be required to decide how which account will participate, and to what extent, in the allocation of the amount of the security we are able to acquire.

In determining which portfolios or accounts will participate or receive an allocation of a limited investment opportunity, we may consider and give greater weight to, among other factors, any one or more of the following factors: asset class or type of security; identity and industry sector of the issuer; market and economic conditions; quantity of the security available to us; available cash, liquidity needs, size, and investment objective of the eligible accounts; effective, current, or target yields, returns, spreads, coupon, duration, or credit quality; volatility (as measured by standard deviation, by comparison against a benchmark or index, or by other measures selected by us); actual, estimated, or target rates of return targets; liquidity, tax position, and investment restrictions. Such factors may be calculated, derived, or estimated by us or any third party or data source we believe is reasonably reliable.

Risk of Trade Errors

When effecting trades to implement the investment decisions we make on your behalf, we may make an error while placing a trade. If we make an error, we will bear the costs of correcting the trade. Trade errors that result in a benefit to the client (for example, failed to sell a security in a timely manner, security price subsequently increases and then the position is sold, resulting in more gain for the client) are generally left in the client's account. For errors that cannot be moved out of a Client's account and create a loss, the Client will be credited the dollar amount needed to make the Client whole. Where multiple transactions are involved, gains and losses resulting from the trade correction process may be netted in determining the dollar amount to make the Client whole. However, AFP works with several different custodians that handle trade errors in different ways according to their own policies and procedures. Therefore, trade errors that result in a gain can be handled one or more of the following ways:

- Trade errors that result in a gain will be credited to the client's account;
- Trade errors that result in a gain are donated to charity;
- Trade errors resulting in a gains that are considered nominal (i.e. \$100 or less) are written off by the custodian; and
- Trade errors that occur on the same day or during the same quarter may be netted, resulting in gains offsetting losses.

Offsetting of trade error gains presents a conflict of interest as AFP has an incentive to transact to produce trade errors that result in a gain to offset the trade errors that result in a loss. However, all net gains are ultimately donated to charity and not retained by AFP. "Soft dollars" may not be used to pay for correcting trade errors. The handling of trade errors is one of the qualitative factors that is reviewed by AFP as part of the best execution review.

Changes in the Portfolios

We may change, add, or remove portfolios (and the objectives or strategy of any portfolio) from time to time, without prior notice to the Client. If a portfolio is changed or removed, we will designate for the account a suitable remaining portfolio, and will notify the Client that such designation has occurred. If the Client objects to such designation, we may terminate the Advisory Agreement and liquidate the account.

Risks of Market, Economic, Political, or Regulatory Events

As a general matter, the values of account assets may fall due to changes in general market conditions, such as real or perceived adverse economic, political, or regulatory conditions, inflation, changes in interest or currency rates or adverse investor sentiment. Adverse market conditions may be prolonged and may not have the same impact on all types of securities. The values of securities may fall due to factors affecting a particular issuer or the securities market as a whole. The risk to portfolios in the programs will depend on the specific portfolio allocation.

5. Voting Client Securities (Part 2A, Item 17)

We require the Client to retain responsibility for voting all account securities. We will not vote proxies, exercise rights, make elections, or take other such actions with respect to securities held for accounts we manage. If desired, a Client may instruct us in writing to forward to the Client or to a third-party materials we receive pertaining to proxy solicitations or similar matters. Upon receipt of the Client's written instructions, we will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, we will discard proxy and related materials.

Clients may obtain proxy materials by written request to the account's Custodian. For information about how to obtain proxy materials from a Custodian, Clients may contact us by email to ausdal@ausdal.com, or by mail to the address on the front of this Brochure. However, we do not provide advice about the issues raised by proxy solicitations or other requests for corporate actions.

Similarly, we do not advise or exercise rights, make elections, or take other actions with respect to legal proceedings involving companies whose securities are or were held for a Client's account, such as asserting claims or voting in bankruptcy or reorganization proceedings, or filing "proofs of claim" in class action litigation.

If desired, a Client may instruct us in writing to forward to the Client or a third party any materials we receive pertaining to such matters. Upon our receipt of such written instructions, we will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, we will discard such materials. Written instructions should be sent by email to ausdal@ausdal.com, or by mail to the address shown on the cover page of this Brochure.

The Sponsors or Managers of Third-Party Programs may have different policies with respect to the voting of proxies. These policies will be stated in the Wrap Fee Brochure of the Sponsor or Manager delivered to the Client.

Item 7 Client Information Provided To Portfolio Managers

Item 7 asks AFP to describe the information about Clients that AFP communicates to portfolio managers, and how often or under what circumstances AFP provides updated information.

Clients participating in the Managed Programs will complete an account profile that provides the portfolio manager sufficient information about the Client and Managed Assets to permit the portfolio manager to develop (or identify) a model portfolio that is suitable for the Client and Managed Assets to be managed through the selected Managed Program, including (to the extent relevant to the particular Client and Managed Account), information about the Client's personal and family situation, and investment experience, and the investment objective, tolerance for risk, income and liquidity needs, investment time horizon, and any other factors established by the Client for the Managed Assets and Managed Account (all the "Suitability Information").

At the opening of the account, the Advisor collects the Suitability Information, which includes information about the Client's personal situation, and the Managed Account's investment objective, tolerance for risk, and investment time horizon, among other characteristics. For the Third-Party Programs, this information is provided to the Sponsor, which is responsible for making it available to the Managers who act as portfolio managers. We forward or update any changes in this information, as we receive it from the Client.

Some Sponsors provide Clients with quarterly (or other) reports and remind the Client to contact the Advisor upon any change of the Client's or the Managed Account's information. Sponsors provide any updated information to the Clients.

Clients are responsible for notifying Advisor or AFP regarding changes to their personal situation or in the account's financial situation or investment objectives, liquidity needs, or risk tolerance, or if the Client wishes to impose or modify any reasonable account restrictions. Any such updated information is forwarded by the Advisor to the Sponsor, which is responsible for providing the updating information to the Manager.

Item 8 Client Contact with Portfolio Managers

Item 8 asks AFP to explain any restrictions placed on the Client's ability to contact and consult with the Account portfolio manager.

The Client's primary contact with respect to the RDP Program and Proprietary Program will be the Client's Advisor. The Advisor will be available to answer questions about administration of the account and its investments. A member of the Investment Committee (or Senior Management, in the absence of the Investment Committee) will be available for reasonable consultation. For orderly processing, requests for consultations should be made through the Client's Advisor.

With respect to Third-Party Programs, the Advisor is also the Client's primary contact. If a Client has questions the Advisor cannot answer, Clients are encouraged to contact the Sponsor of their Program directly, at the address or telephone number shown in the Third-Party Program documentation. Knowledgeable personnel are generally available to answer Client questions.

However, should the Client request a direct consultation, staff of the Sponsor and Manager personnel who are knowledgeable about the Client's Managed Account and its management will be made reasonably available for consultation. For orderly processing, requests for consultations should be made through the Client's Advisor.

Item 9 Additional Information

A. Disclosure & Industry Information

1. Disciplinary Information (Part 2A, Item 9)

We are required to disclose in Item 9 information about legal or disciplinary events involving the Firm or our management that may be material to evaluation of our advisory business or the integrity of our management.

On June 27, 2011 Ausdal Financial Partners, Inc. discovered that certain e-mail addresses were not being retained by AFP's then third-party email vendor. AFP promptly contacted the e-mail vendor to inquire why e-mails were not being retained. Ausdal learned that the e-mail addresses at issue had not been properly set up.

AFP promptly conducted a firm-wide undertaking to ensure that all of its representatives and associated person's emails would be captured by its existing e-mail vendor's system. On a going-forward basis, AFP was also able to recapture a number of the e-mails for certain of the AFP representatives and/or associated personnel that had not been captured and retained. This was made possible because these certain individuals had maintained emails on their personal hard drives. AFP self-reported this issue to FINRA, in writing, on July 15, 2011. AFP changed e-mail vendors as of October 28, 2011. All AFP representatives and associated persons were required to use the new e-mail vendor's platform as of January 1, 2012. AFP representatives were advised of this requirement at the AFP annual compliance meetings held on October 20, 2011 and November 10, 2011. AFP representatives work directly with AFP's new e-mail vendor to ensure that the representatives' AFP email address is set up properly and is being captured and retained by the new e-mail vendor's system. AFP, upon receiving notice from the e-mail vendor that the AFP representative's e-mail address has been set up properly and e-mails are being captured and retained, then conducts its own testing to verify that all representative e-mails are, in fact, being captured and retained.

FINRA findings - Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4, FINRA Rule 2010, NASD Rules 2110, 3110; the firm failed to retain some e-mail correspondence related to its business as a broker-dealer for over two years. The firm began using a new third-party provider to retain its e-mails and when the provider implemented the firm's e-mail retention system, it established e-mail addresses for the firm's personnel on its server. After the initial set-up, the firm was responsible for establishing new e-mail addresses on the server for several newly registered representatives and associated personnel and therefore failed to retain the e-mails of these representatives and associated personnel. The firm was able to retrieve e-mails for some of these representatives and associated personnel after it discovered that the e-mail addresses had not been established on the server. The firm allowed its registered representatives to use their personal e-mail addresses, as long as they forwarded securities related e-mails to any of the e-mail review boxes established by the firm. However, for a period, the e-mails sent to one of these e-mail review boxes were not retained. These e-mails were deleted on a weekly basis because the review box would become full and would not accept any additional e-mails. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings and therefore the firm was censured and fined \$25,000.

2. Other Financial Industry Activities & Affiliations (Part 2A, Item 10)

The principal business of AFP is that of a securities broker-dealer. AFP's management employees (who are also registered as Advisors) and virtually all Advisors are registered as broker-dealer registered representatives of AFP ("Representatives"), and are authorized to sell securities. Many Representatives are also licensed to sell life, health, and annuity products and are appointed as agents ("Agents") by various life insurance companies; AFP is a party to standard agency contracts with life insurance companies which govern compensation from insurance products and renewals.

a. Investment and Insurance Recommendations Outside of Managed Accounts (Part 2A, Item 10.C)

Separate from their role as Advisors with respect to Client Managed Account(s), Representatives and Agents may recommend that a Client purchase or sell investments or insurance products, reallocate existing investments, or take steps to implement a financial plan outside of their Managed Account. If the Client elects to implement the recommendations regarding investment or insurance products outside of their Managed Account (including without limitation, the purchase of mutual funds, 529 Plans, variable products, or long-term care or disability insurance products), the Representative or Agent will receive compensation (including without limitation, brokerage commissions, asset-based sales charges or service fees [such as 12b-1 Fees] from the sale of mutual funds, 529 Plans, or variable products, or commissions from fixed annuities, long-term care, or other insurance products). Such compensation will be separate from and in addition to the Advisory Fees, Adviser Platform Fees, and share of Sponsor Program Fees received with respect to the Client's Managed Account. In the case of mutual funds, 529 Plans, and variable annuities, asset-based sales charges or service fees (such as 12b-1 Fees) will continue for as long as the Client owns the investment, as described in the prospectuses for those products; not all mutual funds, 529 Plans, or variable products pay 12b-1 Fees. The possibility of receiving such additional compensation creates a conflict because it provides an incentive for the Representative to recommend such investment products based on the compensation to be received rather than based solely on the Client's investment needs.

Additionally, AFP and the Representatives can select or recommend, and in many instances, will select or recommend for Clients, investments in mutual fund (or variable annuity separate account) share classes that pay sales charges and 12b-1 Fees when clients are eligible to purchase share classes of the same funds (or separate accounts) without sales charges or 12b-1 Fees, and are less expensive. The ability to earn the higher amount of compensation creates a conflict of interest by providing an incentive to recommend such share classes based on the benefit to AFP and the Representative from such higher compensation rather than based on the Client's interest in the lowest cost investment.

Clients are under no obligation, contractual or otherwise, to purchase investment or insurance products through AFP, or a Representative or Agent, or otherwise to implement or act upon AFP's or a Representative's or Agent's recommendations. Clients can generally purchase similar investment or insurance products or services through other brokers, dealers, insurance agencies, or other financial intermediaries that are not affiliated with AFP. Clients may purchase mutual funds directly from mutual fund companies. The products may be available on a low or "no-load" basis. We also recommend "no-load" mutual fund share classes; however, many of the mutual funds we recommend carry 12b-1 Fees or other internal expenses higher than a Client is able to obtain through direct purchases from a mutual fund company or from other financial services firms. If a Client chooses to purchase investments directly from a mutual fund company or through another intermediary, the Client will not receive the benefit of the services we provide in determining which investment products or services may be appropriate in view of the Client's financial situation, investment objectives, risk tolerance, and liquidity needs.

AFP has adopted the following to address the conflicts of interest with respect to selection or recommendation of investment or insurance products outside of Managed Account(s):

- we disclose the existence of the conflict of interest that arises from the incentive AFP and a Representative (or Agent) have to earn additional compensation from recommending the purchase of securities or insurance products in addition to the Advisory Fees, Adviser Platform Fees, and share of Sponsor Program Fees AFP receives;

- we disclose to Clients they have the right to decide whether or not to act on such recommendations, and if they choose to act on such recommendations, they have the right to purchase such products through AFP and Representative (or Agent), or through another broker-dealer, insurance agency, financial institution, or professional of their choosing, which may charge less (or more) for such products;
- we request Clients provide and update material information regarding their personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the Managed Account(s), and where possible, overall household financial situation, and we conduct regular reviews of account investments;
- we require that our Advisors and Representatives seek prior approval of outside employment activity so that we may detect conflicts of interests and ensure such conflicts are properly addressed;
- we periodically ask Advisors and Representatives to certify information regarding their outside employment activities; and
- we educate our Advisors and Representatives regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients.

b. Recommendations or Selections of Other Investment Advisers (Part 2A, Item 10.D)

We are required to disclose if we recommend or select other investment advisers for our Clients and if so, whether we receive any compensation that creates a material conflict of interest. We must also disclose if we have other business relationships with advisers we recommend that create material conflicts of interest, and describe how we address the conflicts.

(i) Ausdal Financial Partners - Advisory Programs

Proprietary Advisory Program: In the Proprietary Program, AFP recommends the Probabilities Fund Management, LLC ("PFM"), an SEC-registered investment adviser, to assist in the development of model portfolios and selection of securities to be used for the Growth Sleeve of the Client's portfolio, and to provide signals AFP may use to identify when to buy and sell securities for Client accounts. AFP has the following material conflicts of interest with respect to its engagement of PFM:

Probabilities Fund: The principal owner of PFM is a former AFP Advisor. AFP owns an interest in PFM (although less than 5%). Robert B. Ausdal Jr., President of AFP, serves as a consultant to the PFM investment committee, a position for which he receives no compensation. AFP benefits financially from advisory fees paid to PFM, although the extent of such benefit has not been disclosed. The economic benefit to AFP may be relatively small in view of PFM's most recent AUM of \$84 million (as of 12/31/2019) compared to AFP's AUM exceeding \$1 billion (as of 1/31/2020). Nonetheless, the existence of such relationships gives rise to a conflict of interest of which the Client must be informed and permitted the opportunity to waive or not.

SMA Program: As disclosed in Part 2A, Item 5, certain Sponsors share a portion of their Program Fee with AFP (typically, not more than 15 basis points based on the Client's account value). The payment provides an incentive to recommend the Sponsor and its Third-Party Program based on the share of Program Fees received rather than based solely on the Client's investment needs or interest in advisory services at reasonable cost.

Ausdal Wrap Fee Program: The Wrap Fee Brochure discloses conflicts of interest, similar to the conflicts involving recommendations of Sponsors Third-Party Programs in the SMA Program. Clients interested in a wrap fee program (where a single fee (or fees) is charged for investment advice and

brokerage services) should request and review the Ausdal Wrap Fee Brochure. The Wrap Fee Brochure addresses the direct and indirect economic benefits Ausdal receives from recommending the Third-Party Managers AFP recommends to Clients participating in the Wrap Fee Program.

In addition to other factors to consider, certain Sponsors of Third-Party Programs in the SMA Program and Wrap Program provide AFP and its Advisors access to portfolio modeling tools and research, which tools and research AFP and the Advisors would not have access to if AFP and its Advisors did not refer Clients to the Sponsor and Third-Party Programs. Consequently, to the extent AFP and the Advisors value the continued use of such tools and research without having to pay the costs from their separate funds, AFP and the Advisors have an incentive to recommend the Third-Party Programs to Clients based on their economic interests in continuing to receive such tools and research without payment from their separate funds, rather than based on the Client's investment needs.

AFP has adopted the following steps to address these conflicts of interest with respect to recommendations related to the Proprietary Advisory Program, SMA Program, and Ausdal Wrap Fee Program:

- we disclose the conflicts to our Clients in this Brochure, including the conflict related to the economic benefit from the firm's and Advisors' access to portfolio modeling tools and research which tools and research we would not have access to if AFP and its Advisors did not refer Clients to the Third-Party Programs;
- we monitor our accounts and conduct appropriate ongoing due diligence to evaluate the quality and costs of our Programs, including Third-Party Programs, to determine whether our recommendations of them, including Third-Party Managers, to identify conflicts of interest, and otherwise continues to meet our fiduciary obligations;
- we disclose to Clients they have the right to decide whether or not to act regarding any recommendation where a conflict exists related to the Probabilities Fund (model portfolios recommended by PFM), SMA Program (recommendation of Sponsors that share Program Fees with AFP), and Wrap Fee Programs (programs where Wrap Fee Brochure discloses conflict);
- we disclose that if a Client chooses to act with respect to a recommendation, they have the right to implement such recommendations through AFP and Advisor, or through another investment adviser, financial institution, or professional of their choosing, which may charge less (or more) for investment products or services; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need to have a reasonable and independent basis for the investment advice provided to Clients.

(ii) Ausdal Financial Partners - Strategic Alliance Program

Strategic Alliance Program: The Strategic Alliance Program is a joint educational and marketing program involving various financial service providers, some of which are investment advisers, while others are investment companies, insurance companies, and other financial services firms. The Strategic Alliance Program offers participants exposure to AFP Advisors and Representatives via educational sessions and other meetings. Expenses associated with sponsorship of these events are funded through a fixed fee paid by partner firms. In any given year there are between 10 and 15 "Strategic Alliance" partners participating in the program with contributions ranging from \$5,000 to \$15,000 per firm. During the course of the year, Strategic Alliance Partner may be allowed:

- Business contact information for all AFP Advisors and Representatives
- Speaking Time at one AFP Quarterly Educational Meeting
- Participation in AFP's National Sales Conference (exhibition space and speaking time)
- Booth space at various other AFP functions

In general, these partners are selected based on the popularity of the products and services with AFP's Advisors and Representatives. In some cases, new "partners" are selected for inclusion based on AFP's assessment of the proposed partner's potential value to AFP, its Advisors and Representatives, and its Clients. Strategic Alliance Partners are not the sole participants in Ausdal meetings and events. Many other products and services are included in Ausdal meetings and events irrespective of financial support.

Although other product sponsors are granted access to AFP's meetings, as a result of AFP's economic interest in continuing to receive the significant sponsorship payments by the Strategic Partners through the Strategic Alliance Program, a conflict of interest exists where AFP has an incentive to provide priority access to its Advisors and Representatives to the Strategic Partners based on the economic benefits to be received rather than based solely on the investment needs and benefits to the Client.

AFP has adopted the following steps to address the conflicts of interest with respect to recommendations related to the Strategic Alliance Program:

- we disclose the conflict to our Clients in this Brochure;
- we conduct appropriate ongoing due diligence to ensure we have a reasonable basis for recommending Strategic Partners generally, and individually with respect to each Client;
- we disclose to Clients they have the right to decide whether to accept or reject any recommendation of a Strategic Partner, and if they choose to act on such recommendation, whether to implement a recommendation to purchase any investment, insurance or other product or service by or through AFP and an Advisor, or to select another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products;
- we collect and maintain adequate information about our Clients and their accounts, including their financial circumstances, investment objectives, and risk tolerance, and we conduct regular account reviews to confirm investment selections or recommendations are suitable;
- we periodically review overall holdings to identify significant disparities indicative of unusual treatment; and we educate our Advisors and employees regarding our fiduciary responsibilities, regardless of fee arrangements; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need to have a reasonable and independent basis for the investment advice provided to Clients.

The inclusion of a firm as a Strategic Alliance Partner does not necessarily mean their product or service will benefit any Client and may serve only to benefit AFP and its advisors.

Refer to Item 9.B of this Brochure [Part 2A, Item 14.A] for additional disclosures of conflicts of interests and compensation received by AFP and its Advisors.

B. Code of Ethics, Review of Accounts, Client Referrals, Financial Information (Part 2A, Items 11, 13, 14, and 18)

1. Code of Ethics and Personal Trading (Part 2A, Item 11.A)

a. Describe AFP's Code of Ethics

We have adopted a Code of Ethics expressing our commitment to ethical conduct. Our Code of Ethics describes our fiduciary responsibilities to our Clients, and our procedures in supervising the personal securities transactions of our supervised persons who have access to information regarding Client recommendations or transactions ("access persons").

A copy of our Code of Ethics is available to our Clients and prospective Clients. You may request our Code of Ethics by email at ausdal@ausdal.com or by calling us at (800) 722-8732.

We owe a duty of loyalty, fairness, and good faith towards our Clients and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of our access persons' quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code also provides for oversight, enforcement, and recordkeeping provisions.

Our Chief Compliance Officer may grant exceptions to certain provisions contained in the Code where we reasonably believe the interests of our Clients will not be materially adversely affected or compromised. Doubts arising in connection with personal securities trading should be resolved in favor of the Client even at the personal expense of our employees.

Our Code of Ethics prohibits the misuse of material non-public information. While we do not believe that we have any particular access to material non-public information regarding publicly traded companies that would be subject to misuse, all employees are reminded that any such information may not be used in a personal or professional capacity.

The Firm and its principals, officers, affiliates, employees and Advisors may act as investment adviser for others, may manage funds or capital for others, may have, make and maintain investments in its or their own names, or may serve as an officer, director, consultant, partner or stockholder of one or more investment partnerships or other businesses, subject to compliance with the Firm's Code of Ethics. In doing so, the Firm or such persons may give advice, take action, and refrain from taking action, any of which may differ from advice given, action taken or not, or the timing of any action, for any particular Client.

Neither the Firm nor any Advisor has any obligation to purchase or sell, or to recommend for purchase or sale, any security which the Firm or any principal, officer, employee or Advisor purchases or sells for his own account or for the accounts of other Clients, unless such conduct is a fiduciary obligation.

Confidentiality of Client Information

Protecting the confidentiality of our customers' nonpublic information is paramount for the Firm. As such, we have instituted policies and procedures to ensure that nonpublic customer information is kept confidential. We do not disclose nonpublic personal information about our Clients or former Clients to any non-affiliated third parties, except as provided pursuant to our privacy policies or as required by or permitted by law.

In the course of servicing a Client's account, the Firm may share Client information with service providers, such as Sponsors, Managers, Custodians, transfer agents, accountants, and attorneys. The Firm will share information about the Client, the Client's account, and account activity.

b. Recommendations Involving Our Financial Interests (Part 2A, Item 11.B)

Probabilities Funds Management, LLC

As disclosed in Item 4.A., Probabilities Fund Management, LLC ("PFM"), is an SEC-registered investment adviser currently engaged in developing the Probabilities Portfolios and selecting securities to be used for the Growth Sleeve, and also provides signals ("Signals") AFP and its portfolio managers expect to follow in managing Probabilities Portfolios Accounts. However, AFP and its portfolio managers may, in their discretion, reject, delay implementation, or modify, in whole or in part, a Signal and may engage in other transactions for the Probabilities Portfolios, as they deem appropriate. There is no set minimum or maximum number of positions that will be held for Proprietary Portfolio Accounts, or any specific frequency that account positions will be traded.

AFP's former Advisor is the majority owner of PFM, AFP's president serves as an uncompensated consultant to PFM's Investment Committee, and AFP owns a small (less than 5%) equity interest in PFM. AFP benefits financially from advisory fees paid to PFM. Although the economic benefit to AFP is relatively small in view of its total assets under management of approximately \$1 billion (as of January 2020) compared to PFM's total managed assets of about \$84 million (as of 12/31/2019), AFP must still disclose it has a conflict of interest due to the fact its recommending of models or portfolios developed or advised by PFM will be based on the economic benefits from such recommendation, rather than based upon the investment needs of the client.

We strive to address this conflict in a manner consistent with our fiduciary duty, by disclosing it in this Brochure; by disclosing to Clients they have the right to decide whether or not to act on any such recommendation by AFP or any of its supervised persons; and if they choose to act, Clients may elect to implement any recommendation through AFP and a Representative, or another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products; and we educate our supervised persons regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for investment advice provided to Clients.

Amplify Holdings, LLC

AFP has signed a best efforts selling agreement to participate in the private placement offering to accredited investors of membership interests ("Interests") in Amplify Holdings, LLC ("Amplify"), a business that is distributing shares of multiple Exchange-Traded Funds ("ETFs"). Amplify was formerly considered a "related person" with respect to AFP because the companies were under "common control" due to a former member of AFP's board of directors serving on Amplify's board of directors. However, common control has ended and Amplify is no longer AFP's related person.

It is expected AFP Representatives will continue to solicit AFP advisory Clients to purchase the Interests. Any such purchases will be made through such Clients' brokerage or other accounts which AFP is not managing as advisory accounts. The Interests will not be held as assets in any advisory account and AFP will not purchase the Interests in any advisory account through the exercise of discretion. AFP will earn selling compensation as a broker-dealer from the sale of the Interests, and the selling Representative will share in such compensation for selling the Interests, even if the investment is not successful for investors.

In addition, Representatives of AFP will be authorized to sell to their advisory Clients shares of Amplify's ETFs, which will result in financial benefit to principals and Representatives of AFP in cases where the principals and/or Representative personally have acquired interests in Amplify.

Consequently, even though we have adopted procedures to ensure that no Client invests advisory assets, and that all investments are suitable for the investor, it is possible that our judgment could be materially affected by the prospective of the financial gain, such that AFP and the Representative will recommend Clients purchase the Amplify ETFs based on the economic benefits to be received rather than based solely on the Client's investment needs.

Proprietary Portfolio Models

As disclosed in Item 4.A.1.b, Client assets invested in the Proprietary Program are managed according to one or more model portfolios developed by one of AFP's portfolio managers, including AFP's Investment Committee (or a senior executive, in the absence of the Investment Committee) or Third-Party Manager, such as Probabilities Fund Management ("PFM"). Because AFP benefits financially from fees earned by PFM from the Proprietary Portfolios, AFP owns an equity interest (less than 5%) in PFM, and AFP's president serves as an unpaid consultant for PFM, these factors create an incentive for AFP to recommend PFM or its portfolios based on these economic benefits, rather than based solely on the Client's investment or portfolio management needs.

We address this conflict by disclosing it in this Brochure; disclosing to Clients they have the right to decide whether or not to act on any such recommendations, and if they choose to act on such recommendations, they may elect to implement any recommendation through AFP and a Representative or another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products; and we educate our supervised persons regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients.

c. Investments in Securities We Recommend to Clients (Part 2A, Item 11.C)

Individuals associated with the Firm may buy or sell securities for their personal accounts identical to or different from those recommended to Clients. It is the policy of the Firm that no person employed by the Firm shall prefer his or her own interest to that of an advisory Client or make personal investment decisions based on the investment decisions of Clients. Subject to the Code of Ethics, the Firm and its employees are permitted to trade for their own accounts side-by-side and in block transactions with the Firm's Clients in the same securities, and at the same time. We have adopted the procedures described below to address the actual and potential conflicts of interest raised by our policies.

d. Investments around Time of Client Transactions (Part 2A, Item 11.D)

Subject to the procedures in this section, the Firm and its employees are permitted to trade for their own accounts side-by-side with Clients in the same securities at or around the same time as Clients on the same trading day, and are permitted to aggregate trades for their proprietary accounts with trades for Client accounts. The Firm, its employees, and its affiliates may buy or sell securities for their personal accounts identical to the securities recommended to Clients.

In addition to the procedures described above, we have adopted the procedures described below to address these conflicts of interest or our policies described above:

- the Firm prohibits employees from knowingly purchasing or selling securities (other than mutual funds or other securities that are not treated as "reportable securities") immediately prior to Client transactions, in order to prevent employees from benefiting from transactions placed on behalf of advisory accounts;
- no director, officer, or employee of the Firm shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or

her employment, unless the information is also available to the investing public on reasonable inquiry;

- no director, officer, or employee of the Firm shall knowingly prefer his or her own interest to that of an advisory Client;
- the Firm maintains records of securities held by the Firm and its access persons. These holdings are reviewed on a regular basis by the Investment Committee;
- the Firm emphasizes the unrestricted right of the Client to decline to implement any advice it has rendered (except where the Firm has entered an order pursuant to its exercise of discretionary authority);
- the Firm requires all employees to act in accordance with all applicable Federal and State laws and regulations governing registered investment advisory practices; and
- any individual not in observance of the above may be subject to discipline.

D. Review of Accounts (Part 2A, Item 13)

1. Account Reviews (Part 2A, Item 13.A&B)

RDP Program account investments are reviewed continuously by the Advisor assigned to the account. The Advisor also conducts periodic evaluations of the portfolio for consistency with investment objectives and restrictions, and with the account's stated objectives and strategy.

Proprietary Program model Portfolios are reviewed continuously by the Investment Committee (or a senior manager of the Firm). Individual accounts are reviewed periodically by the Advisor for consistency with investment objectives and restrictions, and with the account's stated objectives and strategy.

Third-Party Managers are responsible for managing the Managed Accounts on a continuous and regular basis. The Advisor is responsible for monitoring the Managed Account on an ongoing basis for consistency with the account's stated objectives and strategy, and target allocations.

In general, more frequent reviews or monitoring can be triggered by significant market or economic factors, or if the Client notifies the Advisor of changes in the Client's financial situation, large withdrawals or significant deposits, or changes in the account investment objectives, liquidity needs, or risk tolerance. The Investment Committee (or a manager of the Firm) will be responsible for overseeing all reviews; and the Advisor shall be responsible for monitoring Third-Party Managers.

2. Client Reports (Part 2A, Item 13.C)

Clients will receive account statements directly from their Custodian on at least a quarterly basis showing all transactions in their account during the reporting period. Clients should review the Custodian's statements carefully. AFP does not provide reports regarding Client accounts, and never provides account statements detailing account debits, credits, receipts, deliveries, and positions as part of its advisory services. Some Advisors may agree with their Clients to provide reports (but not statements) to the Client. If a Client receives a report from an Advisor which refers to the value of an asset also shown on a Custodian's statement, we urge the Client to compare the information with the statement they receive from the Custodian and contact us immediately if any discrepancies are found.

E. Client Referrals & Compensation (Part 2A, Item 14)

Below is a summary of the arrangements where AFP receives an economic benefit from third-parties for providing investment advice or advisory services to a Client: Some of the discussion below refers to information found in AFP's Form ADV Part 2A Brochure, which can be found on the SEC's website shown on the front of this Brochure, www.adviserinfo.sec.gov, and searching AFP's CRD number: 7995. When the search locates the link to our firm information, click "more details," then look for

the button to "**Part 2 Brochures.**" Once you click the "**Part 2 Brochures**" button, you will see the link to select AFP's "Form ADV Part 2A Brochure," (**correct choice**) or a link to "Wrap Brochure" (this document you are currently reading).

In this Brochure, we have inserted cross-references to the Item number in our Part 2 Brochure where you can find further information. For example, next to the heading "*Item 9.E. Client Referrals & Compensation*," notice the reference to "(Part 2A, Item 14)." This is a cross-reference to related information about Client Referrals and Compensation found in Item 14 of our Part 2A Brochure, you found on the SEC website.

1. Compensation from Custodians

- **Pershing Fees:** For Client accounts maintained at Pershing, Clients are charged as follows, of which Pershing and AFP have agreed AFP will receive a portion, according to their separate agreements. The amount AFP receives and the basis for such calculation varies by fee, and is subject to change without notice. AFP's share can vary widely, depending on the amount of the client transaction, and factors such as whether the fees are for retirement, IRA or individual accounts.
 - **Annual IRA Fees** - currently, clients are charged up to \$35 per year for standard IRAs (more for Simple, 401k, etc.); and
 - **Transfer Fees** - currently, clients are charged \$100 for transfers of IRAs and non-IRA accounts.
- **FundVest Account Compensation:** AFP has entered into an arrangement with Pershing whereby Pershing pays AFP a monthly fee (up to 10 basis points annually, or \$0.10 per every \$100.00 annually) based on the value of Client assets invested in the Pershing FundVest funds, which includes approximately 3000 funds from approximately 200 fund families. Investments can be made in the FundVest funds without paying a load or a trading commission. These funds are called "No Transaction Fee" ("NTF") funds. Funds participating in FundVest pay Pershing fees to be on the FundVest list, and Pershing shares this compensation with AFP. Consequently, AFP has an incentive to recommend Client assets invest in the FundVest Funds based on increasing the compensation Pershing shares with AFP, rather than based on the Clients' investment needs or interests in purchasing mutual funds at the lowest costs. Clients should be aware that AFP does not share the FundVest Account Compensation with the Advisors, and thus this compensation does not influence the Advisors' decision to select the FundVest funds. Additionally, AFP's selection of the FundVest funds continues to be subject to the obligation to seek best execution in the purchase of securities for the Client's account.
- **Cash Management Fees and Expenses:** Cash in a Client's account that is awaiting investment or reinvestment may be invested in cash balance, money market fund, or deposit account at the Custodian (or their affiliate), pursuant to an automatic cash "sweep" program. AFP receives compensation in connection with the Pershing Cash Management Sweep Program, which pays AFP a "distribution" fee based on the average money market fund balance, which can range from 10 to 50 basis points with respect to assets vested in money market funds (or from \$0.10 to \$0.50 for every \$100 annually), depending on the total amount of eligible assets in the fund(s)). Clients should refer to the Prospectus and Statements of Additional Information of the money market funds in which they invest for further information regarding such payments. Refer also to Item 9.B. of this Brochure. The possibility of compensation provides an incentive for us to invest Client accounts in Pershing custodial accounts to increase the compensation we receive as Clients use the cash management features Pershing offers. We will also receive compensation from money market funds or

deposit accounts used for cash management purposes, and this also provides an incentive for us to invest the account so as to increase this compensation, which may not necessarily represent the optimal investment of the Client's assets. Our recommendation of these investment products is based on the compensation we will receive rather than the Client's interest in the lowest cost, or better performing cash management products and services. Refer to Item 9.B for information regarding how we address this conflict of interest.

- **Share of Margin Interest & Interest on Short Sale Transactions.** AFP receives a payment from Pershing of a portion of the margin interest charged on a Client's margin debit balance, and a share of the interest on short sale transactions. These forms of compensation create a conflict of interest to recommend or encourage Client accounts at Pershing, and further, to encourage recommendations to use margin and engage in short sale transactions, based on the compensation AFP will receive, rather than the suitability of the use of margin and short sale transactions for the Client.

2. Compensation from Sponsors of Third-Party Manager Programs

AFP receives from Sponsors of Third-Party Manager Programs the following:

- **Ausdal Financial Partners - Advisory Programs**
- **Proprietary Program:** In the Proprietary Program, AFP recommends the Probabilities Fund Management, LLC ("PFM"), an SEC-registered investment adviser, to assist in the development of model portfolios and selection of securities to be used for the Growth Sleeve of the Client's portfolio, and to provide signals AFP may use to identify when to buy and sell securities for Client accounts. AFP has the following material conflicts of interest with respect to its engagement of PFM:

Probabilities Fund: The principal owner of PFM is a former AFP Advisor. AFP owns an interest in PFM (although less than 5%). Robert B. Ausdal Jr., President of AFP, serves as a consultant to the PFM investment committee, a position for which he receives no compensation. AFP benefits financially from advisory fees paid to PFM, although the extent of such benefit has not been disclosed. The economic benefit to AFP may be relatively small in view of PFM's most recent AUM of \$84 million (as of 12/31/2019) compared to AFP's AUM exceeding \$1 billion (as of 1/31/2020). Nonetheless, the existence of such relationships gives rise to a conflict of interest of which the Client must be informed and permitted the opportunity to waive or not.

- **SMA Program - Sponsor Program Fees Shared with AFP:** As disclosed in Item 4, certain Sponsors share a portion of their Program Fees with AFP (typically, not more than 15 basis points based on the Client's account value). The payment provides an incentive to recommend the Sponsor and its Third-Party Program based on the share of Program Fees received rather than based solely on the Client's investment needs or interest in advisory services at reasonable cost.
- **Ausdal Wrap Program:** Clients interested in a Wrap Program (where a single fee (or fees) is charged for investment advice and brokerage services) should request and review the Ausdal Wrap Fee Brochure. The Wrap Fee Brochure addresses the direct and indirect economic benefits Ausdal receives from recommending the Third-Party Managers AFP recommends to Clients participating in the Wrap Program.
- **Access to Portfolio Modeling Tools:** Certain Sponsors of Third-Party Manager Programs in the SMA Program and Wrap Program provide AFP and its Advisors access to portfolio modeling tools and research, which tools and research AFP and the Advisors would not have

access to if AFP and its Advisors did not refer Clients to the Sponsor and Third-Party Programs. Consequently, to the extent AFP and the Advisors value the continued use of such tools and research without having to pay the costs from their separate funds, AFP and the Advisors have an incentive to recommend the Third-Party Programs to Clients based on their economic interests in continuing to receive such tools and research without payment from their separate funds, rather than based on the Client's investment needs.

3. Compensation & Marketing Support from Non-Traded Product Sponsors & Strategic Alliance Program

- **Payments from Non-Traded Securities - Sponsorship & Marketing Fees:** With respect to Client investments in non-traded REITs, non-traded BDCs, non-traded closed end funds, and non-traded public companies, AFP receives non-advisory compensation from the sponsors of such securities, typically ranging from .08% to 1.00% of the Client's investment. Additionally, the sponsors pay or reimburse the costs of AFP's quarterly and annual meetings.
- **Strategic Alliance Program - Sponsorship Fees:** Strategic Alliance Program is a joint educational and marketing program involving various financial service providers, some of which are investment advisers, while others are investment companies, insurance companies, and other financial services firms. The Program offers participants exposure to AFP Advisors and Representatives via educational sessions and other meetings. Expenses associated with sponsorship of these events are funded through a fixed Sponsorship Fee paid by partner firms. In any given year there are between 10 and 15 "Strategic Alliance" partners participating in the program with contributions ranging from \$5,000 to \$15,000 per firm.

4. Other Custodian Compensation:

In addition to the compensation identified above, the following forms of compensation are received by AFP:

- **Client "Out-Going Transfer Fees":** Pershing and TD Ameritrade reimburse new clients for the transfer fees they incur when transferring their account to the new custodian. Although AFP does not receive any payment directly, these payments help facilitate the client's transfers, and improve client goodwill, and represent an indirect economic benefit to AFP and its Advisors.
- **Credit for First-Year Orion Bill:** TD Ameritrade provides a benefit for use of TD Ameritrade as clearing firm equal to a credit of AFP's bill for use of the Orion advisor technology for the first year an individual customer account is opened with TD Ameritrade.

5. Benefits of Institutional Manager Platforms:

In addition to the other economic benefits it receives from third parties, AFP's clearing firm, Pershing, and its other two principal custodians, Schwab and TD Ameritrade, each provide many services through their institutional adviser programs on which AFP relies in offering advisory services to its Clients

- **Pershing, LLC:** As described in Item 9.B. [Part 2A, Item 14], AFP's clearing firm, Pershing, provides many services through its institutional adviser program on which we depend in offering advisory services to our Clients in an efficient and cost-effective manner. AFP recommends Pershing to Clients for custody and brokerage services. There is no direct link between AFP's participation in the Pershing's institutional program and the investment advice it gives to its Clients, although AFP receives economic benefits through its participation in the program that are typically not available to Pershing's retail investors. Refer to [Part 2A, Item 12] for a complete description of all of the useful benefits and services that Pershing provides to AFP in

connection with its institutional advisor program.

- **Institutional Custodial Platforms of Schwab and TD Ameritrade:** As discussed in Item 9.B. [Part 2A, Item 14], AFP participates in the institutional advisor programs offered by Schwab and TD Ameritrade. Along with Pershing, AFP recommends these firms to Clients for custody and brokerage services. There is no direct link between AFP's participation in such programs and the investment advice it gives to its Clients, although AFP receives economic benefits through its participation in these programs not typically available to retail investors or other institutional advisors.

6. Investment and Insurance Purchases Outside of Advisory Accounts

Brokerage Commissions, Asset-Based Sales Charges and Service Fees, Insurance Commissions:

- **Brokerage Commissions, Asset-Based Sales Charges and Service Fees, Insurance Commissions:** As registered representatives of AFP and insurance agents, AFP's Representatives and Agents recommend that Clients purchase or sell investments or insurance products, reallocate existing investments, and take steps to implement a financial plan outside of their Managed Account(s). If the Client elects to implement the recommendations regarding any investment or insurance products outside of their Managed Account(s) (including without limitation, purchase of mutual funds, 529 Plans, variable products, or long-term care or disability insurance products), the Representative or Agent will receive compensation (including without limitation, brokerage commissions, asset-based sales charges or service fees [such as 12b-1 Fees] from the sale of mutual funds, 529 Plans, or variable products, or commissions from long-term care or other insurance products). Such compensation will be separate from and in addition to the Advisory Fees, Adviser Platform Fees, or share of Sponsor Program Fees. In the case of mutual funds, 529 Plans, and variable annuities, asset-based sales charges or service fees (such as "12b-1 Fees") will continue for as long as the Client owns the investment, as described in the prospectuses for those products; not all mutual funds, 529 Plans, or variable products pay 12b-1 Fees. The possibility of receiving such additional compensation creates a conflict because it provides an incentive for the Representative or Agent to recommend such investment or insurance products based on the compensation to be received rather than based solely on the Client's investment or insurance needs

Steps to Address the Conflicts of Interest Identified Above:

- we disclose the conflicts to our Clients in this Brochure;
- we conduct appropriate ongoing due diligence to ensure we have a reasonable basis for the recommendations we make to each Client;
- we disclose to Clients they have the right to decide whether to accept or reject our recommendations, and if they choose to act on a recommendation, whether to implement a recommendation to purchase any investment, insurance or other product or service by or through AFP and an Advisor, or to select another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products;
- we collect and maintain adequate information about our Clients and their accounts, including their financial circumstances, investment objectives, and risk tolerance, and we conduct regular account reviews to confirm investment selections or recommendations are suitable;
- we periodically review overall client holdings to identify significant disparities indicative of unusual treatment; and we educate our Advisors and employees regarding our fiduciary responsibilities, regardless of fee arrangements. and
- we educate our employees regarding the responsibilities of a fiduciary, including the need to

have a reasonable and independent basis for the investment advice provided to Clients.

7. Other Forms of Compensation

Although not necessarily related to the services provided by AFP, certain vendors, product providers, distributors and others provide non-monetary compensation to AFP by providing training, education and publications that are designed to further AFP's employees' skills and knowledge. Some vendors occasionally provide AFP with gifts, meals and entertainment of reasonable value, consistent with industry rules and regulations. AFP will, in accordance with its compliance policies, accept lodging or travel expenses from third parties or third-party payment of its conference fee costs or fees to attain professional designations. Certain companies also pay AFP compensation for marketing, access to AFP Representatives, and for other purposes separate from and in addition to commission paid for the sale of their products as disclosed in the prospectus and/or disclosures of each company.

F. Financial Information (Part 2A, Item 18)

1. Prepayment of \$1,200 Six Months or More in Advance

Investment advisers who accept fees of more than \$1,200 per Client, six months or more in advance are required to provide their Clients an audited balance sheet.

In no event will AFP ask or require prepayment of Advisory Fees of more than \$1,200 per Client six months or more in advance. As such, we are not required and have not provided a balance sheet.

2. Disclosure of Certain Financial Conditions

SEC-registered investment advisers who have custody or discretion over Client funds or securities, or who require prepayment of fees exceeding \$1,200 six months or more in advance must disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to Clients.

Refer to the PPP Loan disclosure in Item 2 for information regarding the loan of approximately \$434,000 AFP obtained pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in April 2020. The PPP Loan was obtained pursuant to the requirements of the PPP Loan Program and CARES Act, viewed against then-existing uncertainties surrounding the pandemic and markets. As of May 12, 2020, although we cannot predict future events, our board of directors now believes that, barring unforeseen adverse events, AFP is reasonable in believing it maintains sufficient capital and liquidity to conduct normal advisory services and meet its commitments to its Clients.

3. Bankruptcy within Past Ten Years

Advisers who have been the subject of a bankruptcy petition during the past ten years must disclose certain information about the matter.

AFP has never been the subject of a bankruptcy petition.

AGREEMENT TO RECEIVE MANAGER BROCHURES

Clients have the right to receive the disclosure document, Form ADV Part 2A ("Manager Brochure") for any Manager who manages their Third-Party Program account. A Manager Brochure provides information similar to the types of information in this Brochure, such as:

- the types of services the Manager provides,
- any important conflicts of interest the Manager has with its Clients and how the Manager deals with those conflicts,
- the types of strategies the Manager follows, its methods of analysis, and the types of investments it generally uses,
- whether it manages other accounts or funds that might receive preferential treatment in the allocation of investment opportunities,
- any prior disciplinary history of the Manager or its management personnel,
- how it votes proxies and deals with any conflicts of interest that arise when voting proxies,
- the basic terms of its Code of Ethics, and its general trading practices, among many other matters.

The Manager's Brochure is an important document that Clients are encouraged to read.

Separately, you should be aware that at any time, you may receive a copy of a Manager's Brochure through the SEC's public Investment Adviser Public Disclosure website simply by searching the Manager's name and scrolling down the menu to find the link to the Manager's last filed "Part 2 Brochure": www.adviserinfo.sec.gov.

ELECTRONIC DELIVERY

Upon written Client authorization, AFP may deliver any required regulatory notices and disclosures or correspondence via electronic mail or via AFP's Internet website. AFP shall have completed all delivery requirements upon the forwarding of such document, disclosure, notice or correspondence to the Client's last provided email address (or upon advising the Client via email that such document is available on AFP's website). Client may, at any time, notify AFP in writing that it does not wish to receive electronic communications and instead wishes to receive paper communications for no additional cost.