

# TRANSAMERICA FINANCIAL ADVISORS, INC.

## FORM ADV PART 2A, APPENDIX 1

### TRANSAMERICA® ONE WEALTH MANAGEMENT PLATFORM

#### BROCHURE

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**March 30, 2020**

*This Form ADV Part 2A – Appendix 1 (“Wrap Fee Brochure”) provides information about our qualifications and business practices as they relate to the Transamerica® ONE Wealth Management Platform program. If you have any questions about the contents of this Brochure, please contact us at (727) 299-1800 extension 123-2080. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.*

*Additional information about Transamerica Financial Advisors, Inc. (“TFA”) is also available at the SEC’s website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). (Click on the link, select “investment adviser firm” and type in our firm name). Results will provide both Part 1 and Part 2A of our Form ADV.*

TFA is a registered investment adviser with the SEC. Our registration as an investment adviser does not imply any level of skill or training. The oral and written communications we provide to clients and prospective clients, including this Wrap Fee Brochure, is information clients and prospective clients should use to evaluate TFA and which should be factored into the decision to hire TFA or to continue to maintain a mutually beneficial relationship.

## ITEM 2 – MATERIAL CHANGES

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For the Transamerica® ONE program, no material changes have occurred since the firm's last annual brochure update on March 31, 2019.

When we update the Disclosure Brochure with material changes, we will either send you a copy or offer to send you a copy (either by electronic means (email) or in hard copy form).

If you would like a copy of this Disclosure Brochure, you may download it from the SEC's public disclosure website (IAPD) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), download it at [www.tfaconnect.com](http://www.tfaconnect.com), or contact us at 727-299-1800 ***extension 123-2080***.

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## ITEM 4 – SERVICES, FEES AND COMPENSATION

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### THE COMPANY

Transamerica Financial Advisors, Inc. (“we/our/us/TFA”) is an investment advisory firm registered with the SEC since 1991.

TFA is also a broker-dealer and has been a member of the Financial Industry Regulatory Authority (FINRA) since 1984. This enables us to offer a wide range of financial products to our clients such as variable annuities, mutual funds and other financial products. Some of our advisory programs require our financial advisors to act as broker-dealer representatives as well. TFA’s core mission is providing life insurance, employer retirement solutions, and advisory and asset management services.

TFA is directly owned by AUSA Holding, LLC, Commonwealth General Corporation, and AEGON Asset Management Services, Inc., which are indirect, wholly-owned subsidiaries of the ultimate parent, AEGON N.V., a publicly traded company listed on the New York Stock Exchange (NYSE) and trading under the symbol AEG.

### SERVICES

TFA offers various types of advisory services and programs, including wrap fee programs, third-party money management programs, and employer retirement services. TFA’s advisory services are made available to clients through individuals registered with TFA as investment advisor representatives (“Advisors”). Please refer to TFA’s current Form ADV Part 2A for information regarding these services. The information in this Wrap Fee Brochure pertains to the Transamerica® ONE Wealth Management Platform (“Transamerica® ONE”) only. TFA does not provide legal, tax, or accounting advice.

TFA Advisors have the ability to offer you advisory services other than Transamerica® ONE as described in this brochure. Advisors have access to third-party money managers who manage model portfolios on behalf of clients. Additionally, Advisors can refer you to various third-party providers that offer certain administrative services relating to employee benefit plans. TFA is the sponsor of and one of several model portfolio managers within the Transamerica I-Series® Program; however, this Program is now closed to new investors and may not be available to all Advisors. TFA Advisors have access to Transamerica ALPHA which is a digital advice program under which clients receive investment portfolio recommendations and discretionary investment management of the assets held in their accounts. For more detailed information about these programs, your Advisor can provide you with a copy of TFA’s Form ADV Part 2A or you can access the form directly by visiting our public website at [www.tfaconnect.com](http://www.tfaconnect.com).

Generally, at the time TFA offers you our advisory services, our Advisors conduct interviews with you to determine your financial needs and objectives. The Advisor will analyze your current financial situation, investment goals, and present strategies. The Advisor will then provide recommendations to you based on the Advisor's analysis. The Advisors do not provide legal, tax or accounting advice. If your Advisor determines that your investments are best suited within a wrap fee account, your Advisor may offer you the ability to open an account within the Transamerica® ONE Wealth Management Platform ("Transamerica® ONE").

Your Advisor may also provide assistance to you by explaining any special instructions for the management of the assets in a Transamerica® ONE account; in understanding the investment management process, investment objectives, and the investment strategies undertaken as part of the service; in reviewing and completing the electronic and/or written materials required to open the wrap fee account; in monitoring reports, statements and performance results; in monitoring your ongoing needs and financial situation; and in answering questions about the service. Your Advisor will meet with you, at least annually, to review your stated investment objectives and goals in order to assess whether or not a Transamerica® ONE account is still suitable for you.

Transamerica® ONE is a wrap fee program that offers clients access to fee-based investment management. "Wrap-fee" means that you will pay a single fee for the services provided by the program, as opposed to purchasing and paying for the services separately. Transamerica® ONE is available to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. TFA has entered into an agreement with FOLIOfn Investments, Inc. ("FOLIOfn"), whereby TFA will administer and sponsor Transamerica® ONE using FOLIOfn's internet-based platform. TFA has entered into contractual arrangements with various Model Managers to develop model portfolios to include in Transamerica® ONE.

Model Portfolios are accessed by your Advisor through the Transamerica® ONE Website ("Website"). The website also contains online analytical tools to assist your Advisor in conducting a review of your financial circumstances and situation. After conducting a suitability analysis, including consideration of your investment objectives, time horizon and risk tolerance, your Advisor will assist you with the selection of one or more model portfolios in an effort to meet your investment needs. Your Advisor will review with you, at least annually, whether information reflected in your Client Questionnaire has changed so that updated investments can be made, if warranted. While your information is considered confidential, it will be provided to FOLIOfn as required to open and maintain your account.

Clients' Accounts are managed on a fully discretionary basis. Clients may, however, impose reasonable investment restrictions on the management of their Accounts. If a requested investment restriction is deemed to be unreasonable, or if we determine that a previous restriction has become unreasonable, TFA will notify the client that, unless the instructions are modified, TFA may reject or terminate the client relationship.

The model portfolios available in Transamerica® ONE offer various types of investment alternatives that vary in terms of strategies and investment style and are dependent upon the model portfolio selected. Types of investments used can consist of, but are not necessarily limited to, individual stocks, mutual funds, and exchange traded products. For a complete listing of the securities that may be used in your model portfolio, please consult the Model Manager's Form ADV Part 2A or other Disclosure Brochure.

TFA also offers its own proprietary model portfolios in Transamerica® ONE. The Transamerica I- Series® model portfolios consist of asset allocation model portfolios invested primarily in exchange traded products and mutual funds.

Since TFA is the sponsor of Transamerica® ONE, we earn additional fees for providing administrative services. Please see the fee schedule below for more details on fees.

You and your Advisor can also access performance reports from the Website. As the custodian of your assets, FOLIOfn will send e-mail notifications to you when statements and confirmations are posted to your account. If you wish to receive paper statements or performance reports, you can request those documents from FOLIOfn for an additional fee.

You are responsible for directing the manner in which proxies, solicited by issuers of securities held in your account, shall be voted.

Your client services agreement with TFA may be terminated by either party effective upon receipt of written notice to the other party. If you terminate the client services agreement within five (5) business days of signing, you will receive a full refund of all fees and expenses. All account fees paid to us for investment advice are separate from any additional fees and expenses that FOLIOfn may charge for the termination of your account. Please refer to the FOLIOfn client agreement for more information. Your client services agreement with TFA will also terminate should the agreement between TFA and FOLIOfn terminate.

Your account may also be subject to certain Service Fees separate from the advisory fee that you pay. The following is a non-comprehensive list of service fees that you may incur (a complete listing of service fees is available on the Website - <https://www.folioinstitutional.com/resources/service-fees.jsp>):

- Wire fund transfer
- Account transfer out
- Check ordering
- Returned check (non-sufficient funds)
- Express mail
- Annual IRA custodial account

## **FEES AND COMPENSATION**

You will pay a Total Annual Advisory Fee (“Total Fee”) as outlined in the Transamerica® ONE Fee Schedule below. The Total Fee is comprised of your Advisor’s fee, a Platform Fee, and a separate Model Portfolio Management Fee, where applicable. This compensation may be more than what your Advisor would receive if you participated in our other programs or paid separately for investment advice, brokerage services, or other services. Therefore, your Advisor may have a financial incentive to recommend this wrap fee program over other programs or services. Your advisory fees may be higher or lower than what other clients are paying that are participating in Transamerica® ONE.

Transaction costs are included in the Total Fee, however other separate Service Fees as previously described may apply. All or a portion of your Advisor’s allocated investment advisory fee may be waived with TFA approval. Additionally, the Total Fee is paid monthly in arrears and calculated based on your account’s average daily balance during the preceding month. The applicable Total Fee will be determined based on the amount of assets held in all accounts established in Transamerica® ONE under the identical primary social security or tax ID number. All brokerage, custodial, and administrative costs associated with this program will be clearly noted on your statements. FOLIO*fn* will deduct from your account its own fees and will also, at the direction of the Sponsor, deduct from your account fees related to Transamerica® ONE. TFA will be responsible for paying each Model Manager the appropriate fee for their participation in Transamerica® ONE.

## ***Transamerica® ONE Wealth Management Platform Annual Fee Schedule***

<b>Range of Assets*</b>	<b>Investment Advisor Representative Fee**</b>	<b>TFA's Platform Fee</b>	<b>Model Portfolio Management Fee***</b>	<b>Total Annual Advisory Fee****</b>
First \$0 - \$250,000	1.10%	0.50%	0.00% to 0.40%	1.60% - 2.00%
Next \$250,001 - \$500,000	1.00%	0.35%	0.00% to 0.40%	1.35% - 1.75%
Next \$500,001 - \$1,000,000	0.90%	0.25%	0.00% to 0.40%	1.15% - 1.55%
Next \$1,000,001 - \$2,000,000	0.80%	0.20%	0.00% to 0.40%	1.00% - 1.40%
Next \$2,000,001+	0.70%	0.15%	0.00% to 0.40%	0.85% - 1.25%

*\* The minimum account size for Transamerica® ONE is \$25,000; however, certain model portfolios may require higher account minimums. TFA reserves the right to waive the minimum account requirement at its discretion.*

*\*\* Discounts may be negotiated in certain circumstances.*

*\*\*\* Fees are expressed as an annual percentage of assets under management. All of the Model Portfolio Management Fees are paid to the third party model managers. In addition, TFA retains Platform Fees, and pays a portion of the Platform Fee to FOLIOfn for technology, billing, custody, and clearing services.*

*\*\*\*\* The Total Fee to the client is dependent on the model portfolio(s) selected. Client may also incur certain charges imposed by third parties other than TFA and Advisor in connection with investments made through Client's Account, including, without limitation, the following types of charges which are generally charged by mutual funds and fully disclosed in the prospectus for each fund: 12b-1 fees, management fees and administrative servicing fees, other transaction charges and service fees, and IRA and Qualified Retirement Plan fees.*

*Some mutual fund share classes that TFA makes available to clients on its platforms charge a distribution fee pursuant to Rule 12b-1 under the Investment Company Act of 1940, also known as trails. The Model Managers on the Transamerica® ONE Wealth Management Platform maintain a practice of purchasing the lowest cost mutual fund share class available through our custodian, FOLIOfn, which, in certain instances, pay 12b-1 fees. TFA does not receive any of these 12b-1 fees; rather, such fees are received and retained by FOLIOfn. TFA requires Model Managers to periodically attest that they are purchasing the lowest cost share class available for model portfolios on this platform.*

*For clients with multiple accounts in Transamerica® ONE, the applicable account balance/range of assets will be determined based on the combined assets in all accounts within Transamerica® ONE by the client with matching primary social security numbers.*

Assets under management is the total value of the assets in the account. The Platform fees will be



charged whether the assets are held in securities or other instruments or whether they are held in cash or cash equivalents. Beginning November 2019, assets held in cash that are not part of a model portfolio would not be charged Model Portfolio Management or Investment Advisor Representative fees.

## **Changes in Fees**

TFA, upon 30 days prior notice to clients, may revise the advisory fee or other miscellaneous fees, including in a way that may cause the fees paid by the client to increase. A client will be deemed to have approved a fee change unless he or she objects to the fee change by sending written notice to TFA within 30 days from the date of the fee increase notification. TFA further reserves the right to negotiate, discount or waive any fees associated with an advisory program in general or payable by any particular client or group of clients at our sole discretion. Furthermore, TFA employees and employees of affiliates may be entitled to fee discounts by virtue of their employment.

## **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

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TFA provides advisory services to individuals, high-net worth individuals, employer retirement plans, corporations or other businesses, trusts, estates and charitable organizations.

TFA has established conditions for opening accounts in Transamerica® ONE. Specifically, advisory clients must complete an Advisory Profile. This form will provide us with information such as name, address, date of birth and other information used to identify you. TFA may use third-party sources to verify and/or update the information provided and may also request to see your driver's license or other identifying documents. TFA will impose an initial minimum account size and will have a client advisory agreement for you to review carefully and agree to the conditions.

The initial minimum account size for Transamerica® ONE is \$25,000. However, some of the model portfolios may require higher investment minimums than \$25,000 due to the minimums required by the underlying mutual funds in the model portfolio.

## **ITEM 6 – MODEL MANAGER SELECTION AND EVALUATION**

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TFA selects Model Managers based upon various guidelines and criteria that we consider as part of our due diligence review of each Model Manager. Please keep in mind that TFA may make exceptions to the following list of criteria when reviewing new Model Managers and that the following list is not necessarily a comprehensive list of everything that TFA

reviews during our due diligence of Model Managers:

- Available Strategy/Model Portfolio
- Use of Leverage
- Use of Hedging
- Performance vs. Benchmark (audited to GIPS standards)
- At least 3 years of actual performance history
- Management fees
- AUM (minimum \$100MM and federally registered)
- Form ADV Part 1 and 2A Disclosures
- Staffing experience and turnover
- Pending or previous regulatory matters
- Financials

The methods of analysis, sources of information and investment strategies used by TFA's Model Managers will vary among managers. TFA encourages you to read each Model Manager's Disclosure Brochure, Form ADV Part 2A prior to selecting a Model Manager in Transamerica® ONE.

On a regular basis and at least quarterly, TFA's Advisory Services Team will monitor and review the performance results of each model portfolio. If a model portfolio is underperforming for an extended time period, the Advisory Services Team will consult with the Model Manager to identify the cause of the underperformance. The Advisory Services Team and the Investment Committee will decide if removal of a particular model portfolio or Model Manager from Transamerica® ONE is warranted.

Summit Global Investments, LLC, an unaffiliated third-party money management firm and independent investment adviser registered with the Securities and Exchange Commission, has entered into an agreement with TFA to provide certain investment advisory services to TFA clients. Richard Thawley is registered with one or more of TFA's affiliated insurance companies/agencies with which TFA conducts business. However, Mr. Thawley is not registered with the broker-dealer or investment advisor of TFA. Mr. Thawley is a private investor in Summit Global and will benefit from business referred to Summit Global by TFA Advisors. Mr. Thawley's access to TFA Advisors could lead to certain Advisors being influenced to recommend Summit Global to clients. We resolve this conflict by monitoring the appropriateness of the recommendations made to you by our Advisors on all products you purchase.

## ITEM 7 – CLIENT INFORMATION

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Your Advisor will assist you in completing your risk questionnaire within the FOLIO*fn*

platform in order to obtain a risk score to assist in determining a suitable selection of one or more model portfolios.

The selection of your model portfolio(s) will be based upon your stated investment objectives, risk tolerance, and financial circumstances. In addition, your Advisor will gather the following information (not meant to be an exhaustive list) to assist in this selection:

- Income
- Age
- Number of Dependents
- Employment Status
- Marital Status
- Tax Bracket
- Net Worth
- Risk Tolerance
- Investment Objective
- Investment Experience

Your information is retained in the FOLIO*fn* system in order for us to continue to ensure that model portfolios used in your Transamerica® ONE account are appropriate for your risk tolerance. Your information is not provided to the Model Managers.

## ITEM 8 – CLIENT CONTACT WITH MODEL MANAGERS

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Generally, you will not have any direct contact or consultation with your Model Manager.

## ITEM 9 – ADDITIONAL INFORMATION

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All investments in securities include a risk of loss of your principal. Stock markets and bond markets fluctuate over time and clients may lose money. You should be prepared to lose money in an investment account offered through TFA. Investments are not a deposit of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. You may lose money by investing in Investment Products. Each investment strategy offered by the advisory programs offered by TFA pose risks, and many factors affect each investment's or account's performance.

Investments or accounts are also subject to volatility in non-U.S. markets through either direct exposure or indirect effects in the U.S. markets from events abroad. Investments or accounts that seek exposure to debt are subject to risks of prepayment or default, and Model Portfolios that concentrate in particular industries or are otherwise subject to

particular segments of the market may be significantly impacted by events affecting those industries or markets. In addition, the investments in your advisory account may be subject to the following specific risks:

**Investing in Mutual Funds and ETPs:** Your account bears all the risk of the investment strategies employed by the mutual funds and ETFs held in your account, including the risk that a mutual fund or ETF will not meet its investment objectives. For the specific risks associated with a mutual fund or ETF, please see its prospectus.

**Investing in Exchange Traded Notes:** ETNs are unsecured debt obligations of the issuer (often a bank). As such, ETN holders are directly exposed to the issuer's credit or default risk.

**Reliance on Technology; Cybersecurity:** Certain TFA investment activities and investment strategies are dependent upon algorithms, as well as other various computer and telecommunications technologies, many of which are provided by or are dependent upon third parties such as data feed, data center, telecommunications, or utility providers. The successful deployment, implementation, and/or operation of such activities and strategies, and various other critical activities of TFA on behalf of its clients, could be severely compromised by system or component failure, telecommunications failure, power loss, a software-related "system crash," fire or water damage, human errors in using or accessing relevant systems, unauthorized system access or use (e.g., "hacking"), computer viruses, or various other events or circumstances. It is not possible to provide fool-proof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. Any event that interrupts such computer and/or telecommunications systems or operations could have a material adverse effect on TFA's clients, including preventing TFA from trading, modifying, liquidating, and/or monitoring its clients' investments. In addition, clients should be aware of the risk of attempted cyber-attacks and harm to technology infrastructure and data from misappropriation or corruption.

With respect to the Transamerica® ONE program, due to TFA's and Folio's interconnectivity with third party vendors, central agents, exchanges, clearing houses, and other financial institutions, TFA and Folio could be adversely impacted if any of them is subject to a cyber-attack or other information security event. Although TFA and Folio take proactive measures and endeavors to modify them as circumstances warrant, their computer systems, software, and networks may be vulnerable to unauthorized access, issues, computer viruses or other malicious code, and other events that could have a security impact.

**Investment Risk:** Every mutual fund and ETF is run by a manager who is making decisions on which stocks and bonds to buy and sell. These securities can lose money causing the mutual fund or ETF to lose money.

**Operation Risk:** Every ETF and fund is an investment company that is run by an advisor and a board of directors that is responsible for managing the funds operations and following the laws and regulations relevant to ETFs and mutual funds. The managers of the fund company may commit fraud, malfeasance, or simply make bad decisions that result in higher expenses for the funds investors, mistaken calculations of the fund's true value, and losses of fund assets.

**Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market value to decline, and vice versa.

**Market Risk:** The price of investments in your advisory account may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events. Economies and financial markets throughout the world are increasingly interconnected. Economic, financial or political events, trading and tariff arrangements, terrorism, technology and data interruptions, natural disasters and other circumstances in one country or region could be highly disruptive to, and have profound impacts on, global economies or markets. During periods of market disruption, the underlying investments exposure to the risks described elsewhere in this section will likely increase. As a result, whether or not the underlying investments are in securities of issuers located in or with significant exposure to the countries directly affected, the value and liquidity of the underlying investments may be negatively affected. Also, liquidity of particular investments, or even an entire market segment, can deteriorate rapidly, particularly during times of market turmoil, and those investments may be difficult or impossible to trade.

**Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

**Currency Risk:** Overseas investments can be subject to fluctuations in the value of the investment in U.S. dollars, which are due to fluctuations in the currency of the investment's originating country.

**Reinvestment Risk:** This is the risk that future proceeds from investments may be

reinvested at a potentially lower rate of return (i.e., interest rate).

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry.

**Financial Risk:** Excessive borrowing to finance a business's operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or declining market value.

**Fixed Income Risk:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks may occur from fluctuations in interest rates, a change in an issuer's individual situation or industry, or events in the financial markets.

**Credit Risk:** Changes in financial condition of an issuer or counterparty, and changes in specific economic or political conditions that affect a particular type of security or issuer, can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's credit quality or value. Lower quality debt securities and certain types of other securities involve greater risk of default or price changes due to changes in the credit quality of the issuer.

**Foreign Risk:** Foreign securities are subject to interest rate, currency exchange rate, economic, regulatory, and political risks, all of which may be greater in emerging markets. These risks are particularly significant for securities that focus on a single country, region, or emerging markets. Foreign markets may be more volatile than U.S. markets and can perform differently from the U.S. market. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties and can be extremely volatile. Foreign exchange rates may also be extremely volatile.

**Tax Risk:** Securities in the investment strategy may be bought and sold without regard to a client's individual tax ramifications, and so portfolio turnover could cause the client to incur tax obligations that negatively affect the after-tax return.

**Tactical Asset Allocation Risk:** Tactical asset allocation is an investment strategy that actively adjusts a strategy's asset allocation. A strategy's tactical asset management discipline may not work as intended. A strategy may not achieve its objective and may not perform as well as other strategies using other asset management styles, including those based on fundamental analysis (a method of evaluating a security that entails attempting to

measure its intrinsic value by examining related economic, financial and other factors) or strategic asset allocation (a strategy that involves periodically rebalancing the fund in order to maintain a long-term goal for asset allocation). This strategy may not work as intended. The sub-adviser's evaluations and assumptions in selecting underlying funds or individual securities may be incorrect in view of actual market conditions, and may result in owning securities that underperform other securities. The management process might also result in a strategy's having exposure to asset classes, countries or regions, or industries or groups of industries that underperform other management styles. In addition, a strategy's risk profile with respect to particular asset classes, countries and regions, and industries may change at any time based on the sub-adviser's allocation decisions.

### **Disciplinary Information**

TFA is both a broker-dealer and a Registered Investment Adviser. In the last ten years, we have had 11 disciplinary events that are material to your evaluation of us. Three of these events involve charges brought by the Securities and Exchange Commission ("SEC"). Four of the events involve charges brought by our self-regulatory organization, Financial Industry Regulatory Authority, Inc. ("FINRA") formerly known as the National Association of Securities Dealers. Five of the events involve charges brought by state regulatory agencies.

### **SEC Proceedings**

- On March 11, 2019, the Securities and Exchange Commission ("SEC") signed an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order") relating to TFA's disclosure of its mutual fund share class selection practices and the 12b-1 fees TFA and its associated persons received. Specifically, the SEC alleged that TFA failed to adequately disclose in its Form ADV or elsewhere the conflicts of interest related to a) its receipt of 12b-1 fees and/or b) its selection of mutual funds share classes that pay such fees. TFA self-reported this matter to the SEC pursuant to the SEC Division of Enforcement's Share Class Selection Disclosure Initiative.

TFA has settled this matter with the SEC. TFA agreed to a censure, to pay disgorgement of \$5,364,292.04 plus \$658,780.64 in interest, and to cease and desist from violating certain securities laws and regulations. The disgorgement and interest will be paid to a Distribution Fund ("Fund") for eventual distribution to investors who purchased or held 12b-1 fee paying share class mutual funds in advisory accounts when a lower-cost share class of the same fund was available to the client. The Order states that these investors are to receive from the Fund the 12b-1 fees attributable to the investor during

the relevant period, plus interest, subject to a *de minimis* threshold.

The foregoing is only a brief summary of the Order. A copy of the Order is available on the SEC's website at <https://www.sec.gov>.

- On August 27, 2018, the Securities and Exchange Commission ("SEC") instituted a settled public administrative Cease-and-Desist proceeding naming TFA and certain of its affiliates ("Order"). As to TFA, the Order relates to, among other things, errors in certain models used by TFA in its Transamerica I-Series® and Transamerica® ONE programs. The Order also states that the parties failed to make appropriate disclosures regarding these matters. In addition, the Order states that the parties failed to have adequate policies and procedures. The models at issue in the case were managed by an affiliate, AEGON USA Investment Management, LLC ("AUIM") and by F-Squared Investments, Inc. ("F-Squared"). The models managed by AUIM were the Global Tactical Allocation – Conservative, Global Tactical Allocation– Balanced, Global Tactical Allocation – Growth, Tactical Fixed Income, Global Tactical Income and Global Tactical Rotation models. The models managed by F-Squared were the AlphaSector Rotation Index, AlphaSector Premium Index and World Allocator Premium Index. These strategies are no longer offered by TFA and neither AUIM nor F-Squared currently provide model management services to TFA. The strategies developed by AUIM and F-Squared were offered by TFA in the Transamerica I-Series® and Transamerica® ONE programs between 2011 and 2015.

TFA has settled this matter with the SEC. TFA agreed to a censure, to pay a penalty of \$800,000, to pay disgorgement of \$1.7 million plus \$258,162 in pre-judgment interest, and to cease and desist from violating certain securities laws and regulations. The disgorgement, interest and penalties have been paid to a Fair Fund ("Fund") for eventual distribution to affected investors who purchased or held an interest in the AUIM and F-Squared strategies in the Transamerica I-Series® and Transamerica® ONE programs from July 2011 through June 2015. The Order states that these investors are to receive from the Fund an amount related to the pro rata fees and commissions paid by them during that period, plus interest, subject to a *de minimis* threshold.

In accepting the settlement, the SEC considered the substantial cooperation and the remedial efforts of TFA and its named affiliates. In the Order, the SEC acknowledged that, after the start of the SEC staff's investigation but before the settlement, TFA and the named affiliates had voluntarily retained a compliance consultant to conduct a comprehensive independent review of certain compliance policies and procedures, internal controls and related procedures, and that the consultant's written findings had



been received and proposed changes implemented. The SEC also acknowledged that, in advance of receiving recommendations from the independent compliance consultant, TFA and its affiliates had already begun making revisions and improvements to their compliance policies and procedures. The SEC also considered that TFA and its affiliates have retained the independent compliance consultant for further reviews.

The settlement does not impose any restrictions on the business of TFA.

The foregoing is only a brief summary of the Order. A copy of the Order is available on the SEC's website at <https://www.sec.gov>.

- On April 3, 2014, the Securities and Exchange Commission ("SEC") signed an Order Instituting Administrative and Cease-and-Desist Proceedings relating to the aggregation of advisory accounts for billing purposes in the Capital, Sterling, and Advantage Programs by Transamerica Financial Advisors, Inc. ("TFA"). TFA agreed to a censure, a fine of \$553,624, and to retain the services of an independent consultant to conduct a review of our policies and procedures. TFA also undertook remedial efforts by providing refunds and credits to accounts of clients and former clients who were overcharged fees. This matter pertained to the firm failing to apply advisory fee discounts to certain retail clients in several of its advisory fee programs contrary to its disclosures to clients and its policies and procedures.
- On November 22, 2010, the firm entered into an Order with the Securities and Exchange Commission. Without admitting or denying the allegations, TFA agreed to pay a fine of \$200,000 and to retain the services of an outside vendor to provide suitability training to each of the firm's registered representatives for a two-year period. This matter pertains to the SEC alleging that the firm did not provide adequate supervision to representatives in a California-based office from the beginning of 2006 through May 2007. The SEC also believed that certain registered representatives of that office made unsuitable securities recommendations to clients during that time.

### **FINRA Proceedings**

- On December 21, 2010, FINRA accepted our Letter of Acceptance, Waiver and Consent in which TFA proposed a settlement of alleged NASD rule violations. TFA agreed to a fine of \$50,000. TFA further agreed to review the adequacy of our policies, systems and procedures for determining whether new products are securities and to provide a written description of the policies, systems and procedures and certification to FINRA.
- On January 20, 2015, FINRA accepted our Letter of Acceptance, Waiver and Consent in which TFA proposed a settlement of alleged FINRA rule violations. TFA agreed to a

censure and fine of \$50,000. This matter pertained to an inaccurate Form U5 and inaccurate and misleading Amended Form U5 filed by the firm relating to the termination of a registered representative.

- On July 27, 2015, FINRA accepted our Letter of Acceptance, Waiver, and Consent in which TFA proposed a settlement of alleged FINRA rule violations. TFA agreed to a censure and fine of \$85,000 and paid restitution to impacted Clients in the amount of \$51,066.08 (plus interest). This matter pertained to the broker-dealer failing to identify and apply volume discounts to certain Clients' eligible purchases of non-traded real estate investment trusts (REITs) and business development companies (BDCs), resulting in customers paying excessive sales charges of approximately \$51,000. Also, the broker-dealer failed to establish, maintain, and enforce a supervisory system and written supervisory procedures with respect to the sale of non-traded REITs and BDCs.

### **State Proceedings**

- On April 15, 2010, TFA entered into a Consent Order with the State of Nevada Securities Division. TFA agreed to pay the State \$15,000 for the cost of its investigation into a matter which the firm reported to the State. Also, restitution in the amount of \$382,200 was paid by the firm as a result of a former registered representative selling unregistered securities, without the firm's knowledge, to six individuals.
- On May 17, 2010, TFA agreed to pay an administrative penalty in the amount of \$25,000 to the Arizona Corporation Commission and TFA was required to undertake remedial measures as directed by the State for a period of three years. TFA also paid restitution in the amount of \$828,501. This matter pertained to the sale of unapproved products by former registered representatives of the firm.
- On August 2, 2011, TFA entered into a Consent Order with the State of Florida Office of Financial Regulation. Without admitting or denying the allegations, TFA agreed to pay an administrative fine of \$50,000. The State of Florida found that TFA failed to reasonably supervise a former representative in violation of Section 517.161(1) (H) Florida Statutes and Rule 69W-600.013(1)(H)1 Florida Administrative Code.

### **Other Financial Industry Activities and Affiliations**

TFA is also a broker-dealer. In general, TFA's Advisors, management team, and most of TFA's Investment Committee members are Registered Representatives of TFA's broker-dealer. The majority of TFA's Advisors are also affiliated with World Financial Group Inc., a financial services marketing company that is affiliated with TFA.

TFA is a member of the Transamerica Group of companies. These companies include investment companies that offer mutual funds and fixed and variable insurance products. Many of these products can be purchased by the various TPMMs or Model Managers available in TFA's programs. Based on TFA's affiliation with various investment companies and variable insurance companies, a conflict of interest exists due to the compensation paid to TFA by these companies and compensation gained by our affiliates through fees and expenses charged to you on their products. This compensation is in addition to the advisory fees you pay to TFA. TFA resolves this conflict by monitoring the appropriateness of the recommendations made to you by TFA's Advisors on all products you purchase including those products issued by TFA's affiliates.

TFA has contracts with third-party money managers and Model Managers (collectively referred to as "Managers") who are also investment advisors that offer fee-based advisory programs. These Managers may or may not be affiliated with TFA.

#### **Broker/Dealers under Common Control with AEGON N.V.**

The following FINRA registered broker-dealers are under common control with TFA. TFA and each of these other broker-dealers are indirect, wholly-owned subsidiaries of AEGON N.V.

- Transamerica Investors Securities Corporation
- Transamerica Capital, Inc.

Transamerica Capital, Inc. is the principal underwriter for variable annuity and life insurance products offered by our affiliated insurance companies. TFA has a selling agreement with this broker-dealer that compensates us for selling these products. This firm is also a wholesale distributor of Transamerica products. Such compensation creates a conflict of interest for TFA and its Advisors. TFA resolves this conflict by monitoring the appropriateness of the recommendations made to you by TFA Advisors on all products you purchase including those products issued by our affiliates.

#### **Investment Companies under Common Control with AEGON N.V.**

TFA has an agreement to sell mutual funds of one of our related investment companies, Transamerica Funds. Through TFA's affiliated insurance companies, we have the ability to offer insurance products which may contain shares of the Transamerica Series Trust and/or Transamerica Partners Funds, both affiliated investment companies. TFA receives compensation from these sales. Such compensation creates a conflict of interest for TFA and its Advisors. TFA resolves this conflict by monitoring the appropriateness of the recommendations made to you by TFA Advisors on all products you purchase including those products issued by our affiliates.

### **Registered Investment Advisers under Common Control with AEGON N.V.**

The following SEC Registered Investment Advisers are under common control with TFA. TFA and each of these advisory firms are indirect, wholly-owned subsidiaries of AEGON N.V.

- Transamerica Asset Management, Inc. (“TAM”);
- AEGON USA Investment Management, LLC (“AUIM”);
- Transamerica Retirement Advisors, Inc. (“TRA”);

### **Insurance Companies or Agencies under Common Control with AEGON N.V.**

TFA has material relationships or arrangements with a select group of product sponsors (“Sponsoring Companies”), some of which are affiliated insurance companies/agencies. In certain cases some of TFA’s officers may be personally affiliated with our affiliated insurance companies/agencies. In addition, due to TFA’s registration as a broker/dealer, TFA does receive additional compensation in the form of revenue sharing payments when you purchase products through these insurance companies/agencies. A summary of TFA’s Revenue Sharing and current Sponsoring Company compensation arrangements can be found at the Home Page of TFA’s website at [www.tfaconnect.com](http://www.tfaconnect.com) under Revenue Sharing. Such revenue sharing payments create a conflict of interest for TFA and its Advisors. TFA resolves this conflict by monitoring the appropriateness of the recommendations made to you by TFA Advisors on all products you purchase including those products issued by our affiliates.

The following is a list of TFA’s affiliated insurance companies/agencies with which TFA conducts business:

- Transamerica Premier Life Insurance Company
- InterSecurities Insurance Agency, Inc.
- Transamerica Life Insurance Company
- Transamerica Financial Life Insurance Company
- World Financial Group Insurance Agency, Inc. (DBA World Financial Insurance Agency, Inc. in California)
- World Financial Group Insurance Agency of Hawaii, Inc.
- World Financial Group Insurance Agency of Massachusetts, Inc.
- World Financial Group Insurance Agency of Wyoming, Inc.
- WFG Insurance Agency of Puerto Rico, Inc.

Your Advisor may be able to offer you insurance products through his or her affiliation with one or more of these agencies. When you purchase insurance products through your

Advisor and our Affiliated Agencies, your Advisor and TFA's Affiliated Agencies will receive commission compensation.

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

TFA has adopted a Code of Ethics and an Insider Trading Policy ("Code"). This Code is designed to ensure that TFA meets our fiduciary obligation to you and our prospective clients, that we conduct our advisory services with the highest level of ethical standards, and that we instill a culture of compliance within our firm.

Our Code is comprehensive and is distributed to each home office employee and Advisor (collectively "Access Persons") at the time of hire, and acknowledged annually thereafter. TFA also supplements the Code with annual training and ongoing monitoring of the activity of Access Persons.

TFA's Code includes the following requirements for TFA Access Persons:

- Maintain the principles of honesty, integrity, professionalism and comply with federal and state securities laws;
- Follow all policies and procedures contained in our manuals, bulletins, and supervisory directives and cooperate with any investigation or inquiries;
- Maintain the privacy and confidentiality of information provided by our clients;
- Refrain from:
  - insider trading
  - accepting gifts and entertainment that exceed our policy standards
  - participating in any initial public offerings
  - executing a personal transaction in a security for which the Access Person already has a pending buy or sell order for a client.
- Report all gifts and business entertainment;
- Pre-clear personal securities transactions;
- Report on a quarterly basis all personal securities transactions;
- Annually review and certify compliance with our Code.

TFA has also established the following guidelines for TFA Access Persons:

- Our directors, officers and employees are not allowed to buy or sell securities for their personal portfolio(s) unless the information is also available to the investing public. Access Persons are not to place their own interests above yours.
- Any Access Person not complying with these guidelines may be subject to disciplinary action including termination.

You may request a complete copy of our Code by contacting TFA at the address or

telephone number displayed on the cover page of this Disclosure Brochure.

### **Review of Accounts**

Review of accounts will be done at least on an annual basis and will be conducted by the Advisor. Your Advisor will undertake reasonable efforts to contact you to discuss your financial situation and investment objectives to determine whether the account continues to meet your investment needs.

You and your Advisor can access monthly account statements, trade confirmations and performance reports from the FOLIOfn website. E-mail notifications to you and your Advisor will be sent when statements and confirmations are posted to your account. If you wish to receive paper statements, you can request those documents for an additional fee.

TFA urges you to carefully review these reports and compare your custodial statements with your performance reports. The information in your performance reports may vary from your custodial statements due to accounting procedures, reporting dates, or valuation methodologies of certain securities. In the event of any discrepancies, you should rely on the statements you receive from the custodian of your assets.

Annually, the CCO or designee, delivers the firm's Annual Due Diligence Questionnaire to all Model Managers in Transamerica® ONE. RIA Compliance and Investment Research or designee(s), review and score each questionnaire. Scores will be used to determine such things as further requests for documentation; further action; on-site visits; placement of the firm on a watch list. Results of the reviews and scores are reported to the Investment Committee.

### **Client Referrals and Other Compensation**

TFA may, from time to time, enter into Solicitor Agreements with separately-registered investment advisers that may be affiliated or unaffiliated with us. These agreements allow these registered investment advisers to offer our advisory programs on a solicitor's basis, pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940.

On occasion, third persons ("Solicitors") who are not associated with TFA will refer prospective clients to an Advisor who will offer our advisory programs. TFA enters into Referral Agreements with these Solicitors pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940. TFA will compensate the Solicitor directly if you agree to accept our advisory services. A portion of your advisory fee will be paid to this Solicitor. At the time of the referral, your Solicitor will provide you with a compensation statement disclosing the terms of his/her agreement with us.

In certain cases, third-party money managers (“TPMMs”) and other service providers may pay TFA marketing compensation. The amount and terms of this marketing compensation may increase or decrease from time to time. Any additional marketing compensation paid by the TPMMs or other service providers to TFA will not affect your account, the services provided to you, the fee for advisory services that you pay to the TPMM or other service provider, or the compensation paid by TFA to your Advisor. The existence of a marketing compensation agreement with TPMMs or other service providers can create a conflict of interest for your Advisor and TFA. TFA will earn more revenue due to such marketing compensation agreements, and the Advisor may indirectly benefit from this additional revenue through different educational and marketing initiatives conducted by TFA.

Each of the TPMMs or other service providers that have marketing and referral arrangements with TFA may attend, contribute to, or sponsor education and training meetings for our Advisors. A TPMM or other service provider may reimburse TFA for up to 100% of the cost of these meetings. These contributions and reimbursements create a conflict of interest because meeting sponsors have more opportunities to provide Advisors with education on investments, their investment management services, industry trends, and other issues; and because TFA benefits from these contributions and reimbursements.

TFA Advisors are permitted to participate in award and incentive programs sponsored by World Financial Group, Inc. in which they could receive trips, promotions or non-cash compensation based on their sales. These events may influence their decision to recommend a particular product to you for consideration. TFA attempts to mitigate this risk by reviewing business submitted by Advisors for potential concerns.

## **VOTING CLIENT SECURITIES (PROXY VOTING)**

When you open a Transamerica® ONE or Transamerica I-Series® account, you are responsible for directing the manner in which proxies for the securities held in your account are voted. TFA does not vote proxies on behalf of our clients in Transamerica® ONE or Transamerica I-Series®, including those managed by TPMMs. You should refer to the TPMMs’ disclosure documents for a complete description of their proxy voting procedures. These documents will explain whether you will receive proxies or other solicitations directly from the custodian or a transfer agent.

## **Financial Information**

To the best of TFA’s knowledge, we are not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

TFA has not been the subject of a bankruptcy petition at any time, including any time during the past ten years.