



## **Form ADV 2A Appendix 1 Wrap Fee Brochure**

***VestAdvisor Select®*, and *VestStrategist™* Programs  
for legacy HD Vest Advisors**

***Effective March 31, 2020***

SEC File No. 801 - 29892  
Avantax Advisory Services, Inc.

This Form ADV 2A, Appendix 1 Wrap Fee Brochure provides information about the qualifications and business practices of Avantax Advisory Services, Inc. ("AAS") which uses the trade name Avantax Advisory Services®. If you have any questions about the contents of this brochure, please contact us at (972) 870-6000. This information has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Avantax Advisory Services is also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Please note that registration as an investment adviser is required by securities laws and does not imply a certain level of skill or training.

You should review this brochure and consider its contents before investing in a program offered by or through AAS.

Avantax Wealth Management<sup>SM</sup> is the holding company for the group of companies providing financial services under the Avantax name. Securities offered through Avantax Investment Services<sup>SM</sup>, Member FINRA, SIPC. Investment advisory services offered through Avantax Advisory Services<sup>SM</sup>. Insurance services offered through Avantax Insurance Agency<sup>SM</sup>. 6333 N. State Highway 161, Fourth Floor, Irving, TX 75038, 972-870-6000

## Item 2: Summary of Material Changes

Specific changes that appear in this Form ADV since our October 2019 version include:

- Assets under management numbers were updated to reflect 12/31/2019 data. See page 5.
- The Restricted Equity Awards program has been updated and will reward the top financial professionals for their achievements across all products and programs. It is no longer based solely on net new assets to the advisory programs. See page 28.
- The Bank Deposit Sweep Program disclosures were updated for clarification. These start on page 20.
- The Educational Partners list was updated and includes new firms that have joined the program. See page 18.
- Additional clarification was provided regarding rebalancing in turbulent markets. See page 9.
- Goals based models within the *VestAdvisor Select* Program are closed to new investors.
- Mr. Landry's title and supervisor have been updated to reflect his new position as Director, Portfolio Management Group. Details are in the Appendix 3 Brochure Supplement.

### Item 3 Table of Contents

Item 2: Summary of Material Changes .....	1
Item 4 Services, Fees and Compensation .....	3
Avantax Advisory Services .....	3
Assets Under Management .....	3
<i>VestAdvisor Select</i> Program Services .....	3
<i>VestStrategist</i> ™ Program Services .....	4
Offerings within <i>VestStrategist</i> Program .....	4
Program Services .....	6
Rebalancing.....	7
Quarterly Performance Reports.....	7
Advisory Fees .....	8
Asset Selection and Evaluation .....	12
<i>VestStrategist</i> Money Manager Selection and Evaluation .....	12
Approved Securities .....	13
Assets that Transfer In .....	13
Early Redemption Fees .....	13
Compensation to AAS .....	13
Additional Compensation .....	13
Compensation on Approved Securities.....	13
Margin Interest .....	14
Revenue Sharing (National Financial Services) .....	14
Fidelity Money Market Sweep Funds.....	15
Asset-Based Fees .....	15
<i>VestAdvisor Select</i> .....	15
<i>VestAdvisor Strategist</i> .....	15
Revenue Sharing Arrangements (Educational Partners) .....	15
Trading Expense Reimbursement (Educational Partners) .....	16
Non-Purpose Loans.....	17
Bank Deposit Sweep Program.....	17
Account Exceptions.....	18
Bank Deposit Sweep Program Conflicts .....	19
Credit Interest for Non-Sweep Cash Balances .....	19
Fidelity Core Money Market Sweep Funds .....	19
Interest on Cash Debits.....	19
Transfer Cost Credits.....	19
Additional Compensation to Advisors .....	19
Client Consent.....	19
Item 5 Account Requirements and Types of Clients ..	20
Item 6 Portfolio Manager Selection and Evaluation ..	20
Other Fee-based Programs Offered by AAS.....	20
Risks of Loss and Other Risks of Investing.....	21
Item 7 Client Information Provided to Portfolio Managers.....	24
Item 8 Client Contact with Portfolio Manager .....	24
Item 9 Additional Information.....	24
Conflicts of Interest .....	25
Bank Deposit Sweep Program Conflicts .....	27
IRA Annual Maintenance Fees .....	27
Strategic Alliance Program .....	28
Appendix 1 Schedule of Fees .....	31
Appendix 2 Important Definitions and Investor Resources .....	32
Appendix 3 Brochure Supplement .....	34
Appendix 4 Suitability of Fee-Based Programs .....	35

## Item 4 Services, Fees and Compensation

Pursuant to SEC Rule 204-3 promulgated under the Investment Advisers Act of 1940, as amended (“Advisers Act”), Avantax Advisory Services, Inc. presents this Form ADV 2A, Appendix 1 Wrap Brochure (“Wrap Brochure”) which provides the required Form ADV Part 2A disclosures. The programs described in this Wrap Brochure are for legacy HD Vest clients and Advisors.

### Avantax Advisory Services

Avantax Advisory Services, Inc. (“AAS” or “Avantax Advisory Services”) was established in 1987 and was formerly known as HD Vest Advisory Services, Inc. AAS is a wholly-owned subsidiary of Avantax Wealth Management, Inc. and an indirect subsidiary of Blucora, Inc., a publicly traded company (Nasdaq: BCOR). AAS is registered with the U.S. Securities and Exchange Commission (“SEC”) as an investment adviser and was created to offer ongoing consultative investment management services through investment advisory programs.

AAS is an affiliate of Avantax Investment Services, Inc. (“AIS” or “Avantax Investment Services”), formerly known as HD Vest Investment Securities, Inc., a broker-dealer registered with the SEC and a FINRA member firm. AIS generally provides brokerage, custody and execution services through a clearing arrangement with National Financial Services LLC (“NFS”), a non-affiliated firm, member NYSE, SIPC and a Fidelity Investments® Company. Your Advisor may be affiliated with both AAS and AIS for the purpose of offering you a broader range of financial services.

In early 2019, Blucora acquired 1st Global, Inc. and its affiliated firms including 1st Global Advisors, Inc., an SEC registered investment adviser, and 1st Global Capital Corp., a broker-dealer registered with the SEC and a FINRA member firm. 1st Global Capital Corp. merged into HD Vest Investment Securities, Inc. and 1st Global Advisors merged into HD Vest Advisory Services. Effective upon the merger of the broker-dealers and investment advisers, the firms now operate under the Avantax name as described throughout this Disclosure Brochure.

References to “the Firm” used throughout this Disclosure Brochure refer to AAS, AIS and affiliates.

Depending on factors such as your Advisor’s licensing there are restrictions in the programs and types of investments that can be offered to you. In addition, an Advisor can elect not to offer certain programs based on subjective and objective factors including their investment philosophy or individual professional preferences. AAS’s and its Advisors’ investment advice is tailored to clients’ individual needs and limitations may be placed on trading restrictions requested by clients.

### Assets Under Management

As of December 31, 2019, AAS managed \$16,378,452,956 of Client assets on a discretionary basis (62,288 accounts) and \$9,319,748,684 of Client assets on a non-discretionary basis (32,112 accounts) for a total of \$25,698,201,640 in assets under management and 94,400 accounts in its various advisory programs.

### VestAdvisor Select Program Services

*VestAdvisor Select* is a discretionary wrap fee program offering investment advice, trading, custodial services and reporting under one all-inclusive Program Fee. The Program is offered by AAS and made available by our selected platform manager, Envestnet Asset Management Inc. (“Envestnet”), an unaffiliated investment adviser registered under the Advisers Act. You will be required to open a brokerage account with NFS to participate in the *VestAdvisor Select* Program, and all trades will be referred to AIS, our affiliated broker-dealer under common ownership, for execution and confirmation. A conflict of interest exists since AIS will receive compensation on some transactions and on some of the assets in the selected program.

AAS, through its Portfolio Management Group will serve as the sole portfolio manager for your *VestAdvisor Select* Account. AAS, its Director, Portfolio Management Group (PMG) and the PMG team (together the “Select Portfolio Manager”) will evaluate quantitative and qualitative aspects of the universe of mutual funds and ETFs during their due diligence process. For *VestAdvisor Select*, Envestnet has entered into a licensing agreement with AAS, whereby Envestnet performs administrative and trade order implementation duties pursuant to the direction of the Select Portfolio Manager.

The Program offers the Select Portfolio Manager the ability to purchase mutual funds, exchange-traded funds or products (“ETFs”) and other investments, otherwise called “Approved Securities”, for your *VestAdvisor Select* Account. It is designed for individuals and businesses with investment accounts with at least \$25,000 or more of Approved Securities, although exceptions to the minimum qualifications may be made at the sole discretion of AAS. The *VestAdvisor Select* Program is designed to help you pursue your investment goals and needs as communicated to your Advisor.

### ***VestStrategist™* Program Services**

*VestStrategist™* is a discretionary wrap fee program offering investment advice, trading, custodial services and reporting under one all-inclusive Program Fee. *VestStrategist* is offered by AAS and made available by our selected platform manager, Envestnet Asset Management Inc. (“Envestnet”), an unaffiliated investment adviser registered under the Advisers Act. You will be required to open a brokerage account with NFS to participate in *VestStrategist*, and all trades will be referred to AIS, our affiliated broker-dealer under common ownership, for execution and confirmation. A conflict of interest exists since AIS will receive compensation on some transactions and on some of the assets in the program.

*VestStrategist* offers clients access to actively managed investment portfolios from a selection of independent asset managers (each a “Sub-Manager”) from a variety of disciplines. Unlike a mutual fund, where the funds are commingled, a unified managed account (“UMA”) is a portfolio of individually owned securities built based upon the model portfolios of the Sub-Managers as allocated by the Client and Advisor based upon the Client’s investing preferences. Envestnet retains the Sub-Managers for portfolio management services in connection with the UMA program through separate agreements between Envestnet and the Sub-Manager on terms and conditions that Envestnet deems appropriate. Envestnet oversees execution of trades. Sub-Managers have minimum account sizes for these model portfolios that vary but are usually between \$40,000 and \$500,000.

In *VestStrategist*, the Sub-Managers chosen by Client and your Advisor have discretion over their allocation of assets within the Account. Advisor and AAS do not have trading discretion over the Account but will have the discretionary authority to change allocations to selected Sub-Managers and hire or fire Sub-Managers with verbal authorization from the Client. Changes to allocations between Sub-Managers as well as changes in Sub-Managers selected for the Client’s Account must remain within the Client’s stated risk tolerance on the Statement of Investment Selection (“SIS”). Advisors will not have access to all Sub-Managers available in the various offerings on Envestnet, and some Advisors will have more limited offerings than others at AAS’s choice.

### **Offerings within *VestStrategist* Program**

**Client-Directed Unified Managed Account (“UMA”).** Client is offered a single portfolio that accesses multiple Sub-Managers, representing various asset classes and investment strategies, that is customized after consultation with your Advisor. This investment strategy delivers the benefits of combining traditional separately managed accounts, mutual funds, and ETFs in a single diversified portfolio. The Advisor provides Client with recommendations regarding the appropriate asset allocation and the underlying investment vehicles or Investment Strategies to meet the Client’s objectives, but for the initial account opening, the Client is directing the selection of Investment Strategy and Sub-Manager. Modifications to the allocations between Sub-Managers and /or changes in Sub-Managers selected for the Client’s Account must still remain within the Client’s stated risk tolerance on the SIS. Envestnet provides overlay management services for UMA accounts and implements trade orders based on the directions of the investment strategies contained in the UMA portfolio. The UMA model approach allows your Advisor and Client to customize the models as allowed by Envestnet’s trading platform. This allows your Advisor to optimize withdrawals and to do tax harvesting. Fixed income UMA models must be held in a separate account and not combined with equity accounts. This is a trading platform restriction.

**Separately Managed Account Program (“SMA”).** The Separately Managed Account program provides individual investors with direct access to global investment managers, many of whom were once available exclusively to large institutional investors. With a separately managed account, clients enjoy direct ownership of the securities in the portfolio. This allows for greater flexibility, more control, and possible tax advantages over other investment vehicles. The SMA solution is ideal for clients seeking a long-term, customized approach to investment planning. For clients selecting the SMA program, the Client is offered access to an actively managed investment portfolio chosen from a roster of independent asset managers (each a “Sub-Manager”) from a variety of disciplines. Unlike a mutual fund, where the funds are commingled, a separately managed account is a portfolio of individually owned securities

that can be tailored to fit the Client's investing preferences. Envestnet retains the Sub-Managers for portfolio management services in connection with the SMA program through separate agreements entered into between Envestnet and the Sub-Manager on terms and conditions that Envestnet deems appropriate. For certain Sub-Managers, Envestnet has entered into a licensing agreement with the Sub-Manager, whereby Envestnet performs administrative and/or trade order implementation duties pursuant to the direction of the Sub-Manager.

**Fund Strategist Portfolios ("FSP").** Third-Party Fund Strategist Portfolios offer individual investors actively managed portfolios made available on the Envestnet platform. Portfolios consist solely of mutual funds or ETFs or combine both types of funds to pursue different investment strategies and asset class exposures. Pursuant to a licensing agreement entered into with the asset manager, Envestnet provides overlay management of the portfolios and performs administrative and trade order implementations duties pursuant to the direction of the asset manager.

Many of the asset managers in the SMA program and the Third-Party Fund Strategist Program described above are accessed using investment models ("Third-Party Models"), whereby the asset manager, acting as a "Model Provider," constructs an asset allocation and selects the underlying investments for each portfolio. Envestnet performs overlay management of the Third-Party Models by implementing trade orders, periodically updating and rebalancing Third-Party Models pursuant to the direction of the Model Provider. Envestnet may, from time to time, replace existing Model Providers or hire others to create Third-Party Models and cannot guarantee the continued availability of Third-Party Models created by Model Providers.

In managing the Third-Party Models, certain Model Providers may pursue an investment strategy that utilizes underlying mutual funds or exchange-traded funds advised by the Model Provider or its affiliate(s) ("Proprietary Funds"). In such situations, the Model Provider or its affiliate(s) may receive fees from the Proprietary Funds for serving as investment adviser or other service provider to the Proprietary Fund (as detailed in the Proprietary Fund's prospectus). These fees will be in addition to the management fees that a Model Provider receives for its ongoing management of the Third-Party Models and creates a financial incentive for the Model Provider to utilize Proprietary Funds. Clients should discuss any questions with or request further information from their Advisor concerning the use of Proprietary Funds in Third-Party Models or the conflict of interest this creates.

**Portfolio Overlay.** Envestnet also provides Third-Party Model overlay services. The tax overlay and management services seek to consider tax implications that may detract from the Client's after-tax returns. The Socially Responsible Investing overlay screens integrate Environmental, Social and Governance ("ESG") factors into the Client's investments. If selected, there will likely be an additional cost beyond the Program Fee for this service.

**Tax-Overlay Management Services.** If selected by the Client and Advisor, Envestnet will also provide tax overlay management services to an account or sleeve. Often these accounts will also receive overlay portfolio management services as described above. The end goal of tax overlay management services is to improve the after-tax return for the client while staying as consistent as possible with the risk/return characteristics provided by the model portfolios. Tax overlay management service are available only to U.S. clients. Neither Envestnet nor AAS provide general tax planning advice or services. If selected, there will likely be an additional cost beyond the Program Fee for this service.

**Opening an Account.** To participate in the Program, your Advisor will gather information regarding your financial situation and assist you in completing the SIS which will include questions about your risk tolerance and investment objectives (your "Client Profile"). The Agreement is part of the SIS and supplements this Wrap Fee Brochure. The Wrap Fee Brochure and SIS (including the Agreement) are collectively referred to as "Related Documents". The Brokerage Client Agreement, the Avantax Disclosures Packet and the Schedule of Fees are collectively referred to as the "Brokerage Agreement" and set forth the terms under which brokerage services are provided to you as part of your Agreement. (A partial list of the fees most applicable to Program Accounts is included in Appendix 1.)

Programs are discretionary in nature, and the Agreement includes the applicable discretionary trading authorization giving AAS, your Advisor, Envestnet and/or Sub-Manager the required authorization, as applicable. Programs are not designed for client-directed trading, and if this is your preference, other options should be considered.

Avantax, Sub-Manager (if applicable), Envestnet and your Advisor rely on the information you provide to Advisor in your Client Profile, and accordingly it is important that you keep that information current. You have an ongoing obligation to notify your Advisor if there are any changes to your financial situation or the information provided in the Client Profile. You must also inform your Advisor if there is other information not reflected on the SIS that is

relevant to assessing your financial situation, investment objectives or risk tolerance (for example, anticipated large expenditures in the future or short-term cash needs). Your Advisor will update your Client Profile with AAS, Sub-Manager, NFS and Envestnet, as applicable.

### **Program Services**

Avantax, Advisor, Sub-Manager and Envestnet provide certain services to Program Accounts. These services listed below are not an exhaustive list.

Provided by Advisor:

- Educate clients on the features of a fee-based investment management strategy
- Gather data to be used in the preparation and implementation of the investment portfolio
- Assist clients with the completion of the SIS
- Present the selected Model Program based on the information you provided
- Complete required paperwork

Answer questions regarding your Account or the Program

- Deliver Quarterly Performance Reports
- Review your investment objectives, trading activity, and Model Program selection
- Review and make adjustments to allocations between Sub-Managers as needed
- Review and make changes to selected Sub-Managers as needed
- Meet with Client at least annually
- Evaluate the ongoing suitability of the Account

Provided by AAS for all Program Accounts:

- Open Account upon receipt of paperwork
- Provide Quarterly Performance Reports to Advisor
- Calculate and collect the Program Fee
- Facilitate disbursement requests and performing administrative and middle office functions
- Maintain registrations of AAS and Advisors with the SEC and state securities regulators
- Prepare and update required registration forms, disclosure forms and this Wrap Fee Brochure
- Supervise investment activities of Advisors conducted through AAS
- Arrange for execution of trades and custody of assets in your Account

Provided by AAS for *Vest Advisor Select* Accounts:

- Develop and maintain Model Portfolios
- Review Client requests for Reasonable Restrictions
- Rebalance and trade as needed in Account
- Due diligence on Approved Securities and maintenance of Approved Securities list
- Evaluation of asset managers and investment vehicles on behalf of AAS

Provided by Sub-Manager for *VestStrategist* Accounts:

- Create the model portfolios
- Due diligence on selected securities
- Review of Client requests for trading restrictions
- Vote proxies for Accounts in Program (unless specifically requested by Client that authority remains with Client)
- Update models as appropriate

Provided by Envestnet for *VestStrategist* Accounts:

- Monitor individual asset manager's performance and management for "Approved" investment strategies
- Provide access to automated tools that assist in the review of Client accounts to ensure adherence to policy guidelines and asset allocation
- Provide recommendations for account rebalancing, if necessary
- Provide online reporting of Client account's performance and progress
- Fully integrate back office support systems to AAS, including interfacing with AAS's Custodian for trade order placement
- Perform billing calculations

- Trade and rebalance as needed
- Review and acceptance of new accounts
- Provide performance reporting

Provided by Envestnet for *VestAdvisor Select* Accounts:

- Provide access to automated tools that assist in the review of Client accounts to ensure adherence to policy guidelines and asset allocation
- Provide recommendations for account rebalancing, if necessary
- Provide online reporting of Client account's performance and progress
- Fully integrate back office support systems to AAS, including interfacing with AAS's Custodian for trade order placement
- Perform billing calculations
- Vote proxies for Accounts in *VestAdvisor Select* Program (unless specifically requested by Client that authority remains with Client)
- Facilitate disbursement requests and performing administrative and middle office functions
- Provide performance reporting

AAS will, in its sole discretion, delegate or contract with third parties for the performance of all or a portion of the services provided to clients participating under Programs, including without limitation the authority to determine the securities to be purchased, held and sold for client accounts, calculation of performance history, preparation of quarterly performance reports, billing calculations, and the implementation of securities trading decisions, to one or more affiliated or unaffiliated third parties.

### **Rebalancing**

Programs offer rebalancing and reviews will occur at least annually. *VestAdvisor Select* Accounts will be reviewed for rebalancing each quarter while *VestStrategist* Accounts are rebalanced based on Sub-Manager's philosophy. In addition, Envestnet will rebalance *VestAdvisor Select* Accounts if market fluctuations, withdrawals or additional deposits cause your Account to deviate more than a pre-determined amount set by AAS for the model linked to your Account. AAS will have the option of rebalancing to the model or making other adjustments as needed. Rebalancing will often not occur more than once per year (and sometimes not even then) for *VestAdvisor Select* Accounts. For *VestStrategist*, see Sub-Manager's Wrap Fee Brochure.

During turbulent markets or at the onset of other economic conditions, rebalancing may be suspended so that practical considerations are taken into account. For example, continuous rebalancing to chase what is essentially a moving target may simply increase the transaction costs and/or taxable consequences in your account without meaningful benefit. The accounts will only be suspended from rebalancing on a temporary basis and will be monitored to ensure they remain within the chosen risk profile. We may also adjust the asset class or security level drift parameters temporarily to account for extreme market volatility.

### **Quarterly Performance Reports**

AAS will provide Quarterly Performance Reports ("QPRs") for your Program Accounts to your Advisor who will then make them available to you. Individual or Related Accounts with a total market value equal to or less than \$500 will not receive a QPR. Some clients may elect electronic delivery of their QPRs through an electronic client portal, currently eMoney Advisor. Notify your Advisor if you have not yet enrolled and would like to do so. The pricing and performance figures included in the QPR are believed to be accurate but are not guaranteed.

Performance calculations are reported using a time-weighted rate of return, a method of calculating portfolio performance. Returns shown are after fees are deducted (*i.e.*, net of fees) and include the impact of dividends or capital gains in the calculations. Regarding fixed income, an accrual accounting method is used for billing and performance reporting for interest payments that have been accrued but not yet paid within the period. Regarding mutual funds and equities, a cash accounting method is used for billing and performance reporting, and therefore does not reflect dividends that have been declared but not yet paid within the period. These methods differ only in the timing of when transactions (*i.e.*, dividends and interest payments) are credited to your Account. The timing difference may result in an increase or decrease in the performance of your Account or the amount billed to your Account.



In addition to the QPRs, the Custodian delivers monthly statements to the address of record for every month there is trading activity or quarterly statements (together “Account Statements”) if there is no monthly activity. You should compare the information in the QPR with the information in the account statement provided by the Custodian. There may be a difference in the values represented as a result of the different billing methods indicated above. The Custodian’s Account Statement is the official record of the holdings and value of investments held in the Account. Securities listed as “unbillable” (see definition in Billing Section) will not appear on the QPR but will show on Account Statements received from the Custodian. *VestAdvisor Select* and *VestStrategist* will send confirms on a quarterly basis rather than as transactions occur.

Quarterly Performance Reports, NFS Account statements and trade confirmations are provided to keep you informed of your Account performance and activity and to ensure that the Account is being handled in accordance with your instructions. *You should review all reports and statements on a timely basis and notify AAS immediately if you believe that any investment or activity in the Account was not authorized or is inconsistent with your instructions. Please contact your Advisor or AAS if you do not receive your Quarterly Performance Reports or your Account statements. Transactions that are not challenged within ten (10) calendar days of confirmation will be deemed accurate. Also notify AAS immediately if you receive a statement at any time from your Advisor that does not match the QPRs or Account Statements.*

QPRs will be provided by Envestnet. Performance is calculated using the Modified Dietz method and not the previous Time-Weighted Rate of Return method. This will show a slight variance in the performance calculations. If your accounts were opened prior to January 1, 2019, you will see differences (in most cases) of the group performance numbers shown on your QPR statements. This is caused by the difference in calculation methodology and the transfer of historical information to Envestnet. It is not an error. With the transfer of historical data to Envestnet, all inflows and outflows are calculated as if they occurred at mid-month, regardless of the actual transaction date. This does not affect calculations at the account level or transactions that occurred after January 1, 2019. It only affects performance history provided at the group level for transactions that occurred before January 1, 2019.

If you enrolled in eMoney Advisor, go to <https://wealth.emaplan.com/hdvest/SignIn?hdvest> for access to your account statements.

### Advisory Fees

You pay an annual Program Fee for participation in the Program. The Program Fee is negotiable subject to the maximum annual fee listed in the table below. AAS and your Advisor price their services based on the total compensation they expect to receive from the Account, including revenue sharing from certain product sponsors, NFS and our Educational Partners (as defined below). Clients should make sure that they fully understand the services provided by AAS and your Advisor and all fees and compensation associated with the Account. The Program Fee is agreed upon between you and your Advisor and is documented in your SIS.

The Program Fee is automatically deducted from your Account, but it will be identified on your NFS account statement. The Program Fee is charged only one quarter in advance, therefore, there is no long-term commitment or contractual obligation to continue in the Programs. The Program Fee you pay includes your custodial and safekeeping fees, investment advice, reporting and the execution of trades in your Account. Since execution costs are included in the Programs, you do not pay separate ticket charges.

The Advisor recommending the Program receives compensation as a result of your participation in the Program. The amount of this compensation may be more or less than what your Advisor would receive if you participated in other available AAS Advisory Programs or paid separately for investment advice, brokerage and other services. ***The Advisor has a financial incentive to recommend VestAdvisor over other Programs and services (see also “Conflicts of Interest”).***

For *VestAdvisor Select*, the Program Fee is a tiered or incremental fee-based on the amount of Billable Securities you have in the Program and Related Accounts. The following table represents the *maximum* Program Fee per tier. The *VestAdvisor Select* Program Fee Schedule shown below is effective for new Accounts opened on or after 9/24/2018.

### ***VestAdvisor Select Program Fees***

Portfolio Increments	Maximum Annual Fee Per Tier
\$0 - 100,000	2.30%
\$100,001 - 250,000	2.00%
\$250,001 – 500,000	2.00%
\$500,001 – 1,000,000	1.75%
\$1,000,001 – 2,000,000	1.50%
\$2,000,001 – 5,000,000	1.25%
Above \$5,000,000	1.00%

### ***VestStrategist Program Fees***

Portfolio Increments	Maximum Annual Fee
\$0 – 500,000	2.75%
\$500,001 – 1,000,000	2.50%
Above \$1,000,000	2.00%

The range of fees charged for *VestStrategist* includes the range of fees charged by the Sub-Managers as well as for the services provided by Envestnet. The fees charged by the Sub-Manager vary based on the Sub-Manager or third-party strategist selected.

The Program Fee is a tiered or incremental fee-based on the amount of billable securities invested in the Program (including Related Accounts). As an example, if your *VestAdvisor Select* Account has a Billing Value of \$250,000, you will pay a maximum of 2.30% of the first \$100,000 (or \$2,300) and a maximum of 2.00% on the remaining \$150,000 (or \$3,000) for a total maximum *annual* Program Fee of \$5,300 (or 2.12%). This will be billed quarterly in advance as explained in more detail below.

The Programs include account management, certain brokerage services, reporting, custody and administrative services. In addition to the Program Fee, AAS and its affiliates will indirectly earn compensation from other sources, including fees and revenue sharing paid by NFS, Educational Partners, or sponsors of other Approved Securities held in the Account. The Program Fee is used to offset the costs of the Program and to compensate AAS and your Advisor. A portion of the Program Fee is used to cover expenses associated with trading in the Account, custody of assets, platform fees to Envestnet and the other services described in this Wrap Fee Brochure. The Program Fee does not include certain dealer markups or markdowns on odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic), certain transaction fees or any other fees required by law.

**Billing.** The initial Program Fee (“Inception Fee”) is calculated as of the date the Account Value reaches the Program’s or Sub-Manager’s minimum amount. The Inception Fee is prorated for the balance of the calendar quarter.

Subsequently the Program Fee is billed in advance on a quarterly basis and is calculated based on the balance of the billable securities in the Account as calculated on the last business day of the prior calendar quarter. The Program Fee will not be adjusted during the quarter for changes in value (appreciation or depreciation) of the securities held in the Account. However, the Account will be charged or refunded a supplemental prorated Program Fee on a monthly basis if there are significant net additions or net withdrawals in the Account during the month. Any additions or withdrawals have a prorated fee applied for the days remaining within the quarter and all additions and withdrawals are netted daily. This prorated adjustment will only occur if the net addition or withdrawal is at least \$10,000. A prorated Program Fee will be assessed in the month following the net addition or net withdrawal. This is often referred to as “Flow Billing.” This is based on Account additions and withdrawals and is not aggregated for “Related Accounts” as defined below. Securities that transfer into the Account that are considered “Unapproved” (i.e., not an AAS Approved Security) will be included in the Program Fee calculation for approximately 30 days after receipt in the Account. At or near 30 days, these “Unapproved Securities” will be marked as “Unbillable” and will no longer be included in Program Fee calculations or Quarterly Performance Reports. Flow Billing was not effective for any Account in any Program until 10/1/2018.

For the purposes of calculating the Program Fee, the value of the Account is calculated as the sum of the long and short market value of all Billable Securities held in the Account, plus accrued interest, as of the last business day of the prior quarter. For mutual funds, we will use the fund's net asset value, as computed by the mutual fund company. The Custodian prices Approved Securities based on information we believe to be reliable. If any prices are unavailable or believed to be unreliable, we will determine prices in good faith to reflect our understanding of fair market value.

Related Accounts can be linked together upon Client request to reduce the Program Fee. To be eligible for linking, you must affirmatively notify AAS of the Accounts that are to be linked and provide AAS written information on any forms designated by AAS for this purpose. Related Accounts are accepted by AAS in AAS's sole discretion. Each Related Account should individually and separately meet the respective advisory Program requirements but should have an account balance of at least \$5,000. Exceptions can be made in the sole discretion of AAS. Together the Related Accounts must meet the Program minimum of \$25,000 (for *VestAdvisor Select*) or as specified by the Sub-Manager for *VestStrategist*. Individual or Related Accounts that fall below the minimums are generally subject to termination from the Program at AAS's sole discretion.

**Fee Negotiations and Waivers.** Fees and account minimums are negotiable at the sole discretion of AAS or the Sub-Manager. Employees of AAS and its affiliates are eligible to participate in either Program at a reduced Program Fee.

**Program Fee:** The annual fee paid quarterly by the client includes the amount paid by AAS to Envestnet for performance reporting, fee calculation and processing, and clearing firm fees (i.e., the Platform Fee). Please review Envestnet's Brochure for more information relating to the Platform Fee. The Program Fee is stated in your SIS and is agreed upon by you and your Advisor at account opening. The Program Fee varies by Program with a maximum of 2.75% for *VestStrategist* and 2.30% for *VestAdvisor Select*.

**Sub-Manager's Fee:** The portion of the Program Fee that is paid to sub-managers and third-party providers. Please review Envestnet's Brochure for additional information.

**AAS's Fee:** The portion of the Program Fee retained by AAS for our services. This is calculated in the following manner:

Program Fee (charged to the client as stated in the SIS)  
**Less** the Administration Fee (paid to AAS)  
**Less** the Platform Fee (paid to Envestnet)  
**Less** the Sub-Manager's Fee (paid to sub-manager and third-party providers, if applicable)  
= The remaining portion of the Program Fee is run through the AAS payout grid and split between AAS and your Advisor

The Administration Fee varies between 0 and 48 basis points for most advisory programs. For *VestStrategist* accounts, the Administration Fee ranges from 29 to 47 basis points. The payout grid pays between 6% and 50% of the Gross Fee to AAS with the remainder going to your Advisor.

Generally, the more assets your Advisor has under management, the lower the Administration Fee kept by AAS. Accordingly, your Advisor has an incentive to recommend advisory programs offered by AAS, which is a conflict of interest. AAS's fee is also affected by the advisory Program you and your Advisor have selected and the fees charged by the Sub-Manager for your account.

**Advisor's Fee:** The amount of the Program Fee payable to your Advisor for the advice and other services they provide relating to the Program.

#### **Miscellaneous Fee Information**

The Client Fee does not include certain fees and charges related to account services provided by the custodian as disclosed in Schedule A. The Client Fee also does not include "expense ratios" for ETFs. Specific information on the expense ratios for the ETFs may be found in the respective prospectus. Please note that a short-term redemption

fee of \$7.95 will be charged to the client for any sales that occur within 30 days of the original purchase of the ETF. AAS does not share in this fee.

**Other Information Regarding Fees.** You have the option of purchasing the investments we recommend through other firms, brokers or agents that are not affiliated with AAS. If you purchased investments through a brokerage account at NFS within one year of transferring them to an advisory account, the amount of commission you paid that exceeds an advisory fee will be refunded directly to your account. If the purchase was within thirty (30) days of transferring to an advisory account, the full amount of the commission you paid will be refunded directly to your advisory account.

When fees are calculated, certain assets are excluded from the market value of the Account. These are called “Unbillable Assets” and will not be included in the “billable” Market Value. Unbillable Assets are generally securities that are not considered approved for the Program or that your Advisor and Client have agreed should be held only and not included in Account rebalancing and management of Account. Your Advisor does not provide investment advice with respect to Unbillable Assets. Cash and cash equivalents are included in the Program Fee calculations unless invested in AAS’s selection of a cash reserve fund that is not included in billing or reporting. Cash reserve funds that are excluded from billing are not an option for the *VestAdvisor Select* or *VestStrategist* programs. This is a conflict of interest that Clients should consider before selecting one of these programs.

When fees are calculated in advance there are no fee adjustments for: (i) appreciation or depreciation in the value of assets during the quarter; (ii) adjustments to the asset allocation or rebalancing when assets are invested in a single portfolio that accesses multiple asset managers and Funds, such as a UMA strategy; or (iii) the replacement of a Model Manager. This calculation process means that Client may have paid a greater or lesser Program Fee for that quarter had the intra-quarter reallocations and/or replacement of Model Managers been in place at the time of the quarterly billing calculation. These transactions are not included in flow billing as described elsewhere.

**Termination of Agreement.** Clients who want to terminate their Agreement should notify their Advisor or AAS verbally or in writing. Program Fees are paid in advance; therefore, AAS will provide a pro rata refund of unearned, prepaid fees if the contract is terminated prior to the end of the quarter. You will incur any gain or loss in your Account for any period it was invested. AAS reserves the right to terminate the advisory relationship if the market value of Approved Securities in the Account falls below the Program Minimum. At the end of the quarter, AAS will review and terminate Accounts that no longer meet the Program Minimum at their sole discretion.

If you terminate the Agreement, the Account will be converted to a Retail Account for which you are obligated to pay commissions for each future transaction. In a Retail Account, you are generally subject to an annual maintenance fee imposed by the Custodian. If you elect to close your Retail Account, you will generally be assessed a termination fee imposed by the Custodian. Please refer to the Avantax Disclosures Packet for a description of brokerage fees. This document is provided by the Custodian upon Account opening.

Upon moving to a Retail Account, you may be required to convert advisory mutual fund share classes to a retail share class. Retail share classes are typically more expensive than allowable share classes in an advisory account, largely because they charge 12b-1 fees. If your advisory account converts to a Retail Account, generally AAS’s affiliate, AIS, and your Advisor, if appropriately FINRA licensed, will receive a portion of the 12b-1 fees going forward. Please see the fund’s prospectus and consult your Advisor for additional details. Instructions to terminate Accounts in *VestAdvisor Select* or *VestStrategist* will be closed as soon as reasonably practicable once notification is received by AAS.

**Wrap Fee Programs.** Wrap fee programs include your trading and execution costs in the annual Program Fee you pay, along with the portfolio manager’s fee, advice from AAS, custody and safekeeping costs and performance reporting. You do not pay separately for these services. As with any fee-based program, these may be more or less expensive than if you paid separately for the various services and you should consider this when determining if a wrap fee program is best for your particular circumstances.

**Reasonable Restrictions.** Our investment advice is tailored to clients’ individual needs and limitations may be placed on trading restrictions requested by clients. You may request restrictions to your Account in consultation with your Advisor at any time during the management of the Account. Either AAS or the Sub-Manager has the option to decline or terminate the Account if your elected restrictions are too prohibitive and AAS or Sub-Manager do not feel

the Account can be managed within the Program. Restrictions, even those considered reasonable, will affect your Account performance and can mean the performance in the Account is not the same (or close to) the performance of other similarly managed Accounts.

**Comparing Costs.** Depending upon the amount of the Program Fee, the level of assets and trading activity in the Account, the value of custodial and other services provided, and other factors, the Program Fee can exceed the aggregate cost of these services if they were obtained separately. Accordingly, the Program Fee is more or less expensive than if you selected separate brokerage services, without the additional Program services provided. You should consider the importance and value to you of these additional Program services when comparing various options for obtaining advice, reporting and execution services. You should also consider the amount of anticipated trading activity when selecting among Programs and assessing the overall cost. If there are prolonged periods of inactivity or an asset allocation with significant cash or cash equivalents, the Program Fee will usually result in higher overall expenses than if commissions were paid separately for each transaction outside your Advisory Program. There will be times when an account is deemed ineligible for an advisory program. At that time, the account will be moved to a retail account, and Program fees will no longer be charged to the client. You have the option of purchasing the investments we recommend through other firms, brokers or agents that are not affiliated with AAS.

**Account Fees and Charges not Covered by Program Fee.** Transaction, clearing and custodial fees are assessed by NFS as noted in the Schedule of Additional Fees in Appendix 1. All ticket charges are paid from your Program Fee (and not charged to you separately) but other charges on the Schedule of Fees are applicable to you in certain circumstances. These transaction fees are separate from the Program Fee and other internal mutual fund and ETF fees outlined previously. Avantax will not pay flat ticket charges as outlined on Schedule 1. Some sponsors charge Avantax a percentage of the total transaction instead of a flat fee ticket charge and for other accounts we pay an asset-based charge in lieu of the flat fee ticket charge. (See Asset-Based Ticket Charges below.) For these transactions, Avantax can pay more or less than the ticket charge shown on Appendix 1. There are also mutual funds that participate in the NTF Program as outlined elsewhere in this Brochure that do not charge Avantax ticket charges (asset-based or flat amounts). These create a conflict of interest and could influence the selection of investments chosen by AAS for your *VestAdvisor Select* account.

### **Asset Selection and Evaluation**

Accounts are managed by AAS (*VestAdvisor Select*) and by Sub-Manager (*VestStrategist*) with discretion consistent with your investment objective as set forth in the Client Profile. Please refer to Sub-Manager's Wrap Fee Brochure for additional details on their evaluation and selection of assets. Ticket charges are not charged separately to Client in the Wrap Programs outlined in this Brochure.

As more fully described in the "Revenue Sharing" section, our affiliate, AIS has agreements with Educational Partners to provide AIS with payments to help defray the educational, training, recordkeeping and other costs associated with bringing these products to Clients. Educational Partners may invite Advisors and AAS portfolio management staff to attend due diligence conferences to meet portfolio managers, portfolio analysts, and other key staff in order to learn about their products, investment processes and portfolio management techniques. Educational Partners generally pay all expenses associated with travel, lodging and business meals for attendees. Educational Partners also contribute toward and participate in our Firm conferences.

### ***VestStrategist* Money Manager Selection and Evaluation**

The Portfolio Management Group of AAS, under the supervision of the AAS' Investment Oversight Committee, vets and approves the managers available under the *VestStrategist* program.

AAS has contracted with PMC, an outside vendor, to provide Sub-Manager due diligence in addition to the due diligence done by AAS. AAS also relies on unaffiliated sources to access research, due diligence and market insights in areas of capital markets assumptions, asset allocation and money manager or strategist due diligence. In performing due diligence on the Sub-Managers, the Portfolio Management Group uses data and information from PMC. Among the types of data reviewed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Other information that may be reviewed include the Sub-Manager's Form ADV Part 2A and portfolio holdings reports that help demonstrate a Sub-Manager's securities selection process.

## **Approved Securities**

AAS maintains a list of approved mutual funds and ETFs (“Approved Securities”) for the *VestAdvisor Select* Program. The list changes periodically and AAS has sole discretion to add or remove a mutual fund or ETF from this list. You should consult with your Advisor if you have questions regarding the Approved Securities in your Account. Unapproved Securities cannot be held in a *VestAdvisor Select* Account and will be sold upon receipt. The Portfolio Management Group determines which Approved Securities can be held in *VestAdvisor Select* Accounts and can revise or amend the list at any time as it deems appropriate. Only Approved Securities are chosen for the various models used in the *VestAdvisor Select* program, and your Advisor cannot substitute or include other Approved Securities in the model(s) you and your Advisor have chosen. VestStrategist selections will vary by Sub-Manager (see their Wrap Fee Brochure).

Securities offered through AAS and the various Sub-Managers are *not* guaranteed by the FDIC or any other governmental agency and may lose value. However, the bank deposit sweep alternative is FDIC insured up to applicable limits. Please see the Cash Sweep Disclosure Statement for additional detail.

## **Assets that Transfer In**

Assets that transfer into your Account that are not considered “program assets” will be sold, unless they are kept as “unbillable” as described elsewhere. These non-program assets do not meet the asset selection and evaluation criteria as described above and as determined by Envestnet or the Sub-Manager. The securities may incur contingent-deferred sales charges or other expenses and fees that are not included in the Program Fee but will be charged to the Client. Neither AAS nor your Advisor share in these fees.

## **Early Redemption Fees**

Some mutual funds and ETFs impose fees for assets that are held less than a specified time period as stated in their prospectus. These are also known as “early redemption fees”, “market timing fees” or “short-term trading fees” and are determined by the sponsor. Fees vary by company and are outlined in the prospectus. If imposed, these fees are paid by the Client and are in addition to the Program Fee. The early redemption fees are not shared with AAS or your Advisor. These early redemption fees will reduce the return on your investment.

## **Compensation to AAS**

### **Additional Compensation**

AAS endeavors to provide our advisory programs to Clients at a cost that is reasonable in relation to the services provided. In evaluating an investment in any of our advisory programs, you should be aware that AAS and its affiliates earn compensation from a number of sources related to your Account in addition to the Program Fee. The choice of Approved Securities affects the compensation AAS, its affiliates and Advisors earn as a result of your investments and thus poses various conflicts of interest. This section of the Disclosure Brochure is intended to describe significant conflicts of interest you should consider in making an investment decision. You should refer to the “Fees and Compensation” section for additional information on the compensation AAS, its affiliates and Advisors receive. If you have any questions about compensation or conflicts of interest, please contact your Advisor.

In all circumstances, AAS manages our conflicts of interest through written disclosure to you and enforcement of supervisory policies and procedures reasonably designed to ensure that we and your Advisor make recommendations in your best interest regardless of the possible incentives (monetary or non-monetary) to AAS or your Advisor.

### **Compensation on Approved Securities**

The *VestAdvisor Select* Program uses Approved Securities comprised primarily of mutual funds and exchange-traded funds (“ETFs”). Certain model portfolios within *VestAdvisor Select* may also use hedge funds, private equity, structured investments, and other investment types selected for inclusion in the Program. Allowable securities are purchased with no sales commissions, but Clients will pay their proportionate share of ongoing mutual fund, ETF and money market management and administrative fees. AAS will disclose an investment’s expenses upon request and these fees are also disclosed in the applicable product prospectus. Clients who transfer securities into the Program bear the expense of any contingent or deferred sales loads incurred upon selling the product. You should refer to the “Bank Deposit Sweep Program” section for more information on sweep investments.

Within the *VestAdvisor Select* Program, securities chosen for the various models will be no-load, load-waived, advisory, institutional or hybrid-institutional share class mutual funds or exchange-traded funds. Although there are no sales commissions, some funds pay a marketing, distribution or client service fee to AIS. 12b-1 fees are paid out of fund assets, and thus they increase the expenses you pay as a fund shareholder. You do not pay these fees directly; they are deducted from the total assets in the fund and reduce your investment returns and create a conflict of interest for AAS and your Advisor. The amount of the 12b-1 fee is determined by the mutual fund company and is disclosed in the mutual fund's prospectus. Funds that pay a 12b-1 fee are allowed in *VestAdvisor Select* portfolios only if there is no share class offered by the fund that does not pay a 12b-1 fee. Any 12b-1 fees received by the Custodian are refunded back to the Account. Often, allowable securities (including advisory share class mutual funds) pay a separate shareholder service fee, which is paid out of fund assets. Some 12b-1 fees include shareholder service fees. AIS accepts and retains shareholder service fees paid by Allowable Securities for some accounts. The shareholder service fees are paid based on the assets held in the fund (including your investment) and are capped at an annual fee of 0.25%. AAS or its affiliates do receive shareholder service fees on Fidelity Money Market Sweep Funds, including qualified retirement plans. These are paid to us at 50-65 bps (0.50 – 0.65%) of the Capital Reserve class and 25 bps (0.25%) of the Daily Money class.

AAS and your Advisor take into consideration shareholder service fees and payments from Educational Partners when establishing the Program Fees associated with the *VestAdvisor Select* Program. Information about shareholder service fees is contained in the prospectus of the individual mutual funds. You should contact your Advisor with questions about the fees or how they affect the investments, or the compensation earned by AIS, AAS and your Advisor. At times, 12b-1 fees are not easily identifiable and may be overlooked but AAS makes all possible attempts to rebate these back to client accounts.

Some fund companies offer advisory share classes designed for fee-based investment advisory products. The availability of advisory share classes is determined by the fund company. In general, what differentiates advisory shares from traditional mutual fund shares is that advisory shares have reduced or eliminated the 12b-1 fees paid to firms that sell the fund, and in some cases also have lower ongoing expenses. Accordingly, advisory share classes generally have lower costs associated with them, and AAS and its affiliates earn less compensation from advisory shares as compared with other share classes of the same fund. Advisory share classes pay shareholder service fees, which AAS and/or AIS have the option to accept and retain. This is a conflict of interest.

AAS and its affiliates earn revenue sharing for certain non-discretionary retirement accounts and discretionary and non-discretionary non-retirement accounts in these wrap programs which is a conflict of interest. The amount paid ranges from 4 to 13 basis points (or 0.04% to 0.13%). It is not shared with Advisors. Neither AAS nor its affiliates or its Advisors earn revenue sharing on discretionary or non-discretionary ERISA accounts or on discretionary IRA accounts in its Advisory programs. These additional fees are considered a conflict of interest and increase the fees you pay, which can negatively affect your return. 12b-1 fees, separate from revenue sharing, are not retained by AAS or its affiliates on any advisory accounts.

On the Schedule of Fees, Appendix 1, the fees listed include markups or amounts in addition to charges imposed by the Custodian, which Avantax uses to defray other costs associated with its business or that are retained by Avantax.

### **Margin Interest**

The use of margin is prohibited in the *VestAdvisor Select* Programs. Please see the Sub-Manager's Disclosure Brochure for details regarding margin in *VestStrategist* Program Accounts. If a client triggers a margin debt through check writing capabilities on the account, the margin debit balance will not be excluded from the fee calculations.

### **Revenue Sharing (National Financial Services)**

AAS uses NFS as its clearing and custody firm for substantially all of our managed accounts. Avantax's business relationship with NFS provides it with considerable revenue sharing benefits. In particular, Avantax receives substantial monthly revenue-sharing payments from NFS based on client assets held by AAS in the Bank Deposit Sweep Program. Additional details are outlined below.

This program creates a conflict of interest for Avantax and will have a negative influence on the returns you earn on these mutual funds because the revenue sharing fees are paid indirectly by you and increase the internal fees you

pay for these mutual funds. Not all mutual funds participate in these programs and you may request that your Advisor select mutual funds that do not pay us revenue sharing. These fees are not shared with your Advisor. It is always expected, and it is the goal of AAS, that all investment selections are based on your best interest, and not whether they are a source of additional revenue to AAS or its affiliates. Clients do not pay transaction fees (i.e., ticket charges) in the *VestAdvisor Select* or *VestStrategist* programs.

### **Fidelity Money Market Sweep Funds**

The Firm receives distribution fees on Fidelity Money Market Sweep Funds, including those in qualified retirement plans. We receive 5 basis points on the first \$1 billion in assets (or up to \$750,000) in the Capital Reserve and Daily Money Class. If we reach the next tier, our payout changes to 7 basis points for assets above \$1 billion.

### **Asset-Based Fees**

#### ***VestAdvisor Select***

For *VestAdvisor Select*, Avantax pays asset-based fees based on the aggregate dollar amount in the Program based on average daily balances instead of a flat ticket charge per transaction. Accounts within a household are not aggregated when calculating this charge. There is an annual trade threshold of 60 for accounts in the *VestAdvisor Select* Program. The rate paid by Avantax varies from 0.60 basis points to 0.72 basis points with no minimum annual account fee.

#### ***VestAdvisor Strategist***

For *VestStrategist*, Avantax pays asset based fees based on the aggregate dollar amount in the Program based on average daily balances. Accounts within a household are not aggregated when calculating this charge. There is an annual trade threshold of 1000 for accounts in the *VestStrategist* Program. The rate varies from 0 basis points to 11 basis points with a minimum annual account fee of \$400.

Fidelity Advisor Mutual Funds and Non-Fidelity Load and No-Load Mutual Funds are included in the calculations of the asset-based charges outlined above. The asset based fees do not apply to all chargeable assets in the applicable program with the following assets excluded: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash & Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets. These could affect the mutual funds selected for inclusion in the *VestAdvisor Select* models.

Clients should be aware that mutual funds available through the NTF Program often contain higher internal expenses than mutual funds that do not participate in the NTF Program. This will have a negative effect on your investment return. Not all share classes are available to all clients.

### **Revenue Sharing Arrangements (Educational Partners)**

Within the universe of mutual funds and ETFs used in *VestAdvisor Select* a select group of companies ("Educational Partners") have agreements with AIS to provide payments to help defray the educational, training, recordkeeping and other costs associated with offering these products to Clients. These payments, which are in addition to the fees and expenses disclosed in the fund prospectus fee table, are calculated as a percentage of assets under management, a percentage of initial sales, or a combination of assets and sales. The amount paid by Educational Partners can be up to 13 basis points (0.13%) annually for assets held with the partner and up to 25 basis points (0.25%) on sales. For example, for every \$10,000 investment, Avantax receives a one-time \$25 payment and/or a \$13 annual payment during each period the assets remain invested. AIS also receives additional lump sum payments from Educational Partners, which in total are significant in amount.

AAS is likely to recommend and add Approved Securities offered by Educational Partners to our Approved Securities list. Although the revenue sharing payments received from Educational Partners are not shared with your Advisor and are not directly tied to the expenses applied to your Account, a conflict of interest exists for AAS in the selection and recommendation of Approved Securities sponsored by Educational Partners. This conflict is mitigated by internal procedures and oversight of the Portfolio Management Group's security selections for the *VestAdvisor Select* models.

In addition, Advisors separately receive reimbursement for marketing expenses, client functions and attendance at due diligence, training and education meetings sponsored by AAS, AIS or the product sponsors. The reimbursement is paid by the product sponsors. For more information, you should ask your Advisor which product sponsors, if any, provided expense reimbursement or additional compensation to your Advisor. Direct and indirect expenses born by investors will have a negative impact on the return generated in the account.



In return for these payments, these Educational Partners receive opportunities for enhanced access to AAS's Advisors through the distribution of sales literature, newsletters and training materials accessible through Avantax intranet pages. Educational Partners pay AIS amounts that are in addition to the sales charges and expenses disclosed in the fee tables found in the product prospectus. Although these payments are not shared with your Advisor and are not directly tied to the expenses applied to your Account, a conflict of interest exists in the recommendation of Approved Securities sponsored by Educational Partners since the use of these products results in additional compensation for AIS and has a negative impact on your investment's return.

The following Educational Partners made additional payments to Avantax during the past year, although not every partner listed sells products that can be held in advisory accounts:

<b>Mutual Fund / ETF Sponsors</b>	<b>Annuity / Insurance Carriers</b>	<b>Alternatives / Direct Participation Sponsors</b>	<b>Other Business Partners</b>
AM Funds	AXA	AEI	AAM
Columbia	AIG	APX Energy	AEI
Davis	Athene	Blackstone	Allegiance
Delaware	Allianz	CNL Securities	BOK Financial
Deutsche	Brighthouse	FS Investments	First Trust
Dreyfus	Lincoln	Hines Securities	
Franklin Templeton	Nationwide	Inland Securities	
Invesco	Protective	Jones Lang LaSalle	
John Hancock	Saybrus	Mewbourne	
Hartford	Transamerica	Penn Square	
Legg Mason	Sammons	SmartStop	
MFS	Global Atlantic	Waveland	
Pioneer	New York Life		
Prudential (PGIM)	Integrity		
Sammons	Jackson National		
Virtus	Symetra		
Wisdom Tree			

\*Note that not all sponsors listed consider assets in advisory programs as a criteria for payments.

AAS and/or its affiliates collect revenue in the manner outlined above from many of the securities in which you invest. The additional compensation received varies by product sponsor, and sometimes by security within the same product sponsor. As a result, AAS has a financial incentive to recommend one security over a similarly situated security due to the compensation we receive from one over another. This also results in an increase in your costs due to the recommendation of a more expensive security. AAS intends to make all recommendations independent of such financial considerations and based solely on our obligations to consider your objectives and needs. These direct and indirect payments from our Educational Partners are in addition to the quarterly Program Fee you pay and are imbedded in the security's pricing. In the case of ERISA Accounts, the payments described above that are paid to AAS or an affiliate will be waived or credited to your Account. These payments create a conflict of interest and have a negative impact on your investment's return.

Educational Partners' funds can also be selected by the Sub-Manager in *VestStrategist*, and payments will still be received by AAS. However, AAS has no decision-making authority over which securities the Sub-Manager chooses.

#### **Trading Expense Reimbursement (Educational Partners)**

Certain fund companies that offer ETFs and/or mutual funds purchased by AAS in *VestAdvisor Select* reimburse AAS for the fees NFS charges in connection with these trading costs and the mailing of trade confirmations and prospectuses. AAS receives no markup on these cost reimbursements. While this reimbursement helps AAS maintain the price of *VestAdvisor Select*, it also creates a conflict of interest because AAS may be incented to select the products offered by these fund companies rather than those offered by companies that do not reimburse these fees.

## Non-Purpose Loans

As a service to eligible customers, AIS provides access to a securities-backed non-purpose lending program (“NPL Program”) offered by Goldman Sachs Bank USA (the “Bank”). Customers are not required to participate in the NPL Program, but if you choose to do so, you should be aware of the possible risks. A non-purpose loan allows borrowers to use the securities in their brokerage or advisory accounts as collateral for an extension of credit, the proceeds of which cannot be used for purchasing or trading securities. The customer’s accounts must meet certain requirements, such as a minimum market value of assets in the account, before the Bank will approve the non-purpose loan. The requirements and approval or denial of credit is controlled by the Bank and Avantax is not a decision-maker.

Avantax has certain conflicts of interest in offering this service to customers:

**Referral Fees.** As part of this Program, the Bank compensates AIS in the form of a Referral Fee, which is equal to 50 basis points (0.50%) of the average principal amount of all outstanding Program loans that AIS customers have through the program. This Referral Fee is paid from the interest you pay on your Program loans and, if AIS were to agree to receive a lower Referral Fee, our customers’ interest rate would decline by that same amount and you would pay less. Were customers to take a loan from a different institution outside of this NPL Program, AIS would not receive a Referral Fee. Accordingly, the Referral Fee creates a conflict of interest between us and you. AIS does not share any portion of the Referral Fee with your Advisor.

**Program Loans Secured by Investment Advisory Accounts.** When a customer takes a loan secured by securities in their advisory account, the securities remain in the advisory account, which means that AAS continues to receive advisory fees based on the full value of the securities that are eligible for billing purposes, with no reduction or offset for the value of securities that secure the loan. In contrast, if the customer were to liquidate the securities rather than borrow against them, AAS would no longer receive advisory fees based on the value of those securities and AIS would not receive a Referral Fee on the loan amount. Therefore, the payment of a Referral Fee and the lack of any reduction or offset against the total billable assets in the customer’s investment advisory account incentivizes AIS and AAS to make this program available to customers. Furthermore, it is a conflict of interest for AAS and AIS to recommend that customers take a loan under this program rather than liquidate securities in their investment account.

## Bank Deposit Sweep Program

The cash balance in your Program Account(s) will be automatically deposited or “swept” into a core account investment vehicle. AAS currently offers one core account investment vehicle: the FDIC Insured Bank Deposit Sweep Program (BDSP or Sweep Program). The balance in your Program Deposit Account(s) will be included in the calculation of your Program Fee.

AAS has a conflict of interest with respect to the sweep program because AIS, our affiliate, receives fees under the Sweep Program based on the amount of cash swept into your core account investment vehicle. These fees are in addition to the Program Fee, which increases your cost of investing, and the money earned by Avantax. Because Avantax receives substantial fees from our clients’ participation in the sweep program, AIS has a conflict of interest in offering sweep programs to you.

## FDIC Insured Bank Deposit Sweep Program

The Standard Bank Deposit Sweep Program (“Standard Bank Sweep Program”) is a core account investment vehicle option, which if either selected by default or affirmatively elected, will be used to hold your cash balance before it is invested. The cash balance in your advisory account(s) will be automatically deposited or “swept” into interest-bearing FDIC insurance eligible Program Deposit Accounts at one or more FDIC-insured financial institutions (“Program Bank”).

If you do not wish to participate in the BDSP, we generally will not be able to maintain your account.

The maximum amount of FDIC insurance coverage for your deposits is \$2.5 million (for an individual account) and \$5 million (for a joint account) at each Program Bank. If your deposits exceed these amounts in the Sweep Program, your assets will be held in multiple Program Banks. If you have other assets in the Program Bank, but outside of the Sweep Program, you must monitor the totals to ensure they do not exceed these maximum amounts. You will receive additional disclosures when you establish your account at a Program Bank, and we encourage you to read them carefully.

Your cash balances will be eligible for FDIC insurance once deposited into a Program Deposit Account held by a Program Bank. Your cash balance while held by NFS and/or AAS is not FDIC insured, but is covered by the Securities Investor Protection Corporation (the "SIPC"). Please visit [fdic.gov/deposit/deposits/index.html](https://fdic.gov/deposit/deposits/index.html) for additional information on FDIC insurance. For additional information on SIPC coverage, please visit [sipc.org](https://sipc.org). Funds deposited in FDIC programs are not eligible for SIPC coverage and conversely, funds covered by SIPC are not also covered by FDIC insurance.

The Sweep Program creates financial benefits for Avantax and NFS. Avantax will receive a fee based on the amount of cash in the Program Deposit Account from each Program Bank in connection with the Standard Bank Sweep Program. We do not share this fee with your Advisor, but we do pay a fee to NFS to participate in the program. The portion shared with NFS includes recordkeeping and other administrative fees. The fee we receive is in addition to the Program Fee and therefore increases your cost of investing.

The revenue generated by the Standard Bank Sweep Program may be greater than revenues generated by cash sweep options at other brokerage firms and may be greater than other core account investment vehicles currently available to you or possible core account investment vehicles options that you have used in the past or may consider using in the future. Please see the Cash Sweep Disclosure Statement located at [avantaxwealthmanagement.com/legal/cash-sweep-program](https://avantaxwealthmanagement.com/legal/cash-sweep-program) for more information or you may ask your Advisor for a copy. This disclosure document contains current interest rates, the distinctions between the BDSP Program versions for natural persons and entities, a list of Program Banks, the way funds are allocated to Program Banks, and account eligibility information. Please read it carefully.

The rates of return under this option vary over time. Current rates can be obtained from your Advisor or by visiting [avantaxwealthmanagement.com/legal/cash-sweep-program](https://avantaxwealthmanagement.com/legal/cash-sweep-program). There is no guarantee that the yield under this program will remain higher than others over any given period. The rate of return on any sweep option is usually significantly lower than that of similar investments offered outside the Sweep Program.

Avantax will receive a monthly revenue share that varies and is based on the Targeted Federal Funds Rate (TFF). As interest rates increase, our portion increases. Our percent ranges from 13 to 50 basis points (0.13% to 0.50%) but will increase again when the TFF Rate is 1% or higher. This amount is inclusive of any interest to be passed through to Customer Accounts. The share shall be calculated against average daily Program assets on deposit at all Depository Institutions for the given calendar month and is tied to the TFF Rate. We do not share this revenue with your Advisor.

#### **Account Exceptions**

The Money Market Mutual Fund Sweep Program is available for 401(k) accounts only and utilizes the Fidelity Government Cash Reserves Fund (FDRXX). ERISA qualified plan accounts are excluded from the Bank Deposit Sweep Program, as are discretionary managed SEP-IRA and Simple IRA accounts.

While you must use the BDSP, you may work with your Advisor to purchase other investments with your BDSP balances. These investments can be other cash alternatives, such as money market funds, or other non-cash investments as allowed under the advisory program you have chosen. Any advisory program managed by a third-party money manager or those where Avantax serves as the Portfolio Manager generally has restrictions on investment selections that can be made by you. This information is outlined throughout the applicable Disclosure Brochure. You should ask your Advisor if you have questions about this.

### **Bank Deposit Sweep Program Conflicts**

The yields in the Bank Deposit Sweep Program (BDSP) are significantly less than you can earn through products designed to provide higher yields for your cash balances. In exchange for this lower interest rate, your BDSP balances are eligible for FDIC insurance designed to protect you against the loss of your insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the U.S. government. Investment products such as money market funds pay a much higher rate of interest in many cases but are subject to market fluctuations and possible losses and are not FDIC insured. You may be subject to additional costs and delays in accessing your money market funds or other cash equivalent investments should you decide to invest in other investments and opt-out of the BDSP. You will also need to work closely with your Advisor to ensure your cash is invested since it will not automatically “sweep” to your chosen investments if invested outside of the BDSP. All fees earned by Avantax in the Sweep Program create a conflict of interest.

The BDSP has been and will be more profitable to us than other available sweep options, and Avantax retains much more of the interest you earn on BDSP balances than we will pay out to you. The revenue received by Avantax from the BDSP is significant and helps pay for the programs and services we offer to you. Avantax and/or NFS will also earn interest from the temporary investment of cash balances before they are deposited with the Program Banks, and Avantax and NFS will not share this interest with you.

### **Credit Interest for Non-Sweep Cash Balances**

For Accounts not electing a sweep option, Avantax will be eligible for credit interest on cash balances. NFS will credit Avantax with 50% of the National Financial Credit Rate less any amounts credited to Customer Accounts. Avantax and/or NFS will earn interest from this temporary investment of cash balances before they are deposited in the Sweep Program with the Program Banks, and Avantax and NFS will not share this.

### **Fidelity Core Money Market Sweep Funds**

Avantax receives distribution fees on Fidelity Money Market Sweep Funds, including those in qualified retirement plans. We receive 5 basis points on the first \$1 billion in assets (or up to \$750,000) in the Capital Reserve and Daily Money Class. If we reach the next tier, our payout changes to 7 basis points for assets above \$1 billion. Once we receive \$750,000 in this category, the schedule changes.

### **Interest on Cash Debits**

Avantax can choose to markup the interest charged on all cash debits in our Programs which would increase the amount of revenue we receive. This is a conflict of interest and will have a negative impact on the returns on these assets because your costs will increase as a result of the markup.

### **Transfer Cost Credits**

NFS will reimburse AIS a portion of the transfer of accounts' fees and other costs and expenses which customers or AIS could incur in connection with the transfer of eligible accounts to NFS. The Transfer Cost Credit is \$20/account. Eligible accounts are IRA accounts held directly with a mutual fund company. This creates a conflict of interest as the transfer credit may be more than the costs and expenses born by AIS. The Transfer Cost Credit is not shared with clients or Advisors.

### **Additional Compensation to Advisors**

Your Advisor can be incentivized to join and remain affiliated with Avantax. These incentives can include compensation arrangements such as bonuses and/or business transition loans in the form of a promissory note. Your Advisor may use this payment to help pay for expenses incurred during the transition of his or her book of business to Avantax. Receiving this compensation is a conflict of interest as it provides your Advisor an incentive to join and remain affiliated with Avantax based solely on this compensation and not on our ability to meet the needs of your Advisor and his or her clients.

### **Client Consent**

By entering into the SIS, Client consents to AIS, AAS and your Advisor retaining their respective share of any other fees or payments that are made to AAS or AIS in connection with the use of specific Approved Securities. These fees

include but are not limited to sweep fees, networking fees and revenue sharing paid by Educational Partners and other product sponsors and are disclosed in detail throughout this Wrap Fee Brochure.

## **Item 5 Account Requirements and Types of Clients**

*VestAdvisor Select* accounts are designed for individuals, pension and profit-sharing plans, charitable organizations, corporations or other businesses with investment portfolios valued at \$25,000 or more, although exceptions can be made in the sole discretion of AAS. Sub-Managers will have account minimums for the model portfolios that generally vary between \$40,000 and \$500,000.

AAS does not design its programs for municipal or other government entities as these are prohibited account types under our policies.

## **Item 6 Portfolio Manager Selection and Evaluation**

AAS does not choose the *VestAdvisor Select* or *VestStrategist* Program on a discretionary basis for clients. The Advisor and Client discuss the expectations and objectives of the Client and various options are reviewed. The amount of money invested into the Program may be all or a small percentage of the Client's investable assets. The Client chooses to invest in a Program based on their preferences and the importance of having a Portfolio Manager manage and monitor the Account. Other advisory programs offered by AAS have the availability of different portfolio managers, levels of investing complexity, investment styles, costs and securities selections. Your Advisor is available to provide additional detail on these programs.

In *VestStrategist*, the Sub-Managers chosen by the Client and Advisor have discretion over their allocation of assets within the Account. Your Advisor and AAS do not have trading discretion over the Account but will have the discretionary authority to change allocations to selected Sub-Managers and hire or fire Sub-Managers with verbal authorization from the Client. Changes to allocations between Sub-Managers as well changes in Sub-Managers selected for the Client's Account must still remain within the Client's stated risk tolerance on the SIS. Advisors will not have access to all Sub-Managers available in the various offerings on Envestnet, and some Advisors will have more limited offerings than others at AAS's choice.

### **Other Fee-based Programs Offered by AAS**

For additional information about these programs, please ask your Advisor. These programs are:

- *VestAccess™*: A digital managed program investing only in low-cost mutual funds and exchange-traded funds for accounts with balances as low as \$5,000.
- *VestAdvisor®*: A program with management provided by your Advisor in a wide variety of investments including stocks, bonds, mutual funds, and other allowable securities. The account minimum is \$25,000.

**Investment Process.** AAS will invest *VestAdvisor Select* Accounts according to a set of asset allocation portfolios ("Models") based on the investment and risk profile selected by Client and Advisor. The Program is limited to discretionary investments based on the Client's investment objectives and risk profile. Client will have the ability to discuss the investment advice received in connection with the Program with your Advisor. Your Advisor does not have the ability to trade in your *VestAdvisor Select* or *VestStrategist* Account. Securities chosen for the various models will be no-load, load-waived, advisory, institutional or hybrid-institutional share class mutual funds or exchange-traded funds.

**Portfolio Manager Performance.** AAS has a conflict of interest with the *VestAdvisor Select* Program since we are the Portfolio Manager as well as the Program Sponsor. This creates a financial incentive for AAS to leave Accounts in the Program even if its performance is lagging other similar programs offered by other unaffiliated portfolio managers. At all times, AAS strives to put Clients' interests ahead of our own and failing to monitor our (and your) performance in the Program is not in your best interest or ours. The Firm has a corporate governance structure in place to oversee the performance of our Director, Portfolio Management Group and thus the decisions made in *VestAdvisor Select* Accounts. You and your Advisor also have the option of moving your Account to another Program or to a retail (non-managed) account at any time and any prepaid, unearned Program Fees will be promptly refunded. Performance numbers are provided to you and your Advisor via Quarterly Performance Reports ("QPRs"). AAS calculates the performance for *VestAdvisor Select* accounts. Controls are in place to prevent manipulation of these performance numbers and to provide Clients with an "unedited" version of the QPR data. Currently QPRs are

provided by Black Diamond, Inc. and by Envestnet, depending on which Program Client has invested in. The selection of AAS as Portfolio Manager for *VestAdvisor Select* does not go through the same selection process unaffiliated managers undergo. AAS regularly reviews the performance information of Sub-Managers or other products available through *VestStrategist* but it does not verify the performance calculations provided by the Sub-Manager. Performance information for Sub-Managers is made available from third-party sources, and in some cases, directly from the Sub-Manager.

**Performance-Based Fees.** AAS does not charge performance-based fees or engage in side-by-side management of accounts. AAS does not share in any performance-based fees that may be charged by Sub-Managers. See Sub-Manager's Wrap Fee Brochure for additional details and to see if any selected Sub-Managers charge performance-based fees.

**Methods of Analysis and Investment Strategies.** AAS uses various methods of analysis and investment strategies when formulating investment advice. In the *VestAdvisor Select* Program AAS will be responsible for making investment recommendations and will implement these without your prior approval. When developing recommendations for you, your Advisor compares your financial goals with your investment risk tolerance and the risk and potential of a specific product.

Sources for research by AAS include Morningstar, product sponsor materials, corporate press releases and annual reports, SEC filings, corporate rating services, prospectuses and financial industry periodicals as well as additional information published or provided by AAS or independent third parties. All sources are believed to be reliable. Sub-Managers may use other sources for their research. You should carefully read your Sub-Manager's Wrap Fee Brochure for additional details, if applicable.

Your Advisor will often recommend long-term strategies, such as dollar-cost averaging, reinvestment of dividends or other proceeds on investments, and asset allocation. Recommendations can also be made to help you realize capital gains or losses on securities or investment products that you own. Before implementing the recommendations made by your Advisor, you should carefully consider the implications of purchasing investment products or services, and you will want to seek further advice from your lawyer and/or accountant, particularly in connection with estate planning or tax issues.

**Tailoring Services for Individual Clients.** None of the Programs outlined in this Brochure provide you with a comprehensive financial or investment plan but the services provided are tailored to your specific investment goals and risk tolerance, based on the information you provided in your Client Profile. Client does not have the ability to customize securities or trade in Account although withdrawals can be made at any time.

#### **Risks of Loss and Other Risks of Investing**

**Asset Allocation and Diversification.** The performance of Accounts is dependent on the allocation of securities among various asset classes and the selection of underlying investments. There is a risk that decisions regarding asset allocation and the selection of investments will cause an Account's performance to lag relevant benchmarks or result in losses. While allocations to multiple asset classes can reduce risk, risk cannot be completely eliminated with diversification. Asset allocation and diversification do not guarantee a profit or protect against loss.

**Cybersecurity Risk.** With the increased use of technology to conduct business, corporate and personal technology are susceptible to information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and arise from external or internal sources. Cyberattacks include but are not limited to gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment or systems; or causing operational disruption. Cyberattacks are also carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting AAS, its affiliates or Advisors, or any other service providers (including, but not limited to accountants, custodians, transfer agents, and financial intermediaries used by a fund or an account) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to calculate net asset value ("NAV"), impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which an Account invests,

counterparties with which an entity engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers), and other parties.

**Investing in Mutual Funds and ETFs.** Clients bear all the risks of the investment strategies employed by the mutual funds and ETFs held in their Accounts, including the risk that a mutual fund or ETF will not meet their investment objectives. For the specific risks associated with a mutual fund or ETF, please see its prospectus.

**Exchange-Traded Funds.** An ETF is a security that trades on an exchange and may seek to track an index, commodity, or a basket of assets like an index fund. Some ETFs are actively managed and do not seek to track a certain index or basket of assets. ETFs can trade at a premium or discount to their NAV and are affected by the market fluctuations of their underlying investments. They also have unique risks depending on their structure and underlying investments.

**Risks Relating to Underlying Funds.** In addition, the underlying mutual funds held within Accounts are subject to the following specific risks, although not every risk is applicable to every Fund:

- **Quantitative Investing.** Securities selected in mutual funds using quantitative analysis can perform differently from the market as a whole as a result of the factors used in the analysis, the weight placed on each factor, changes to the factors' behavior over time, market volatility, or the quantitative model's assumption about market behavior.
- **Stocks.** Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. In addition, stock investments are subject to risk related to market capitalization as well as company-specific risk.
- **Foreign Exposure.** Foreign securities are subject to interest rate, currency exchange rate, economic, regulatory, and political risks, all of which generally are greater in emerging markets. These risks are particularly significant for mutual funds that focus on a single country or region or emerging markets. Foreign markets are often 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 can also be extremely volatile.
- **Bonds.** In general, the bond market is volatile, and fixed-income securities carry interest rate risk. As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer term bonds. The ability of an issuer of a bond to repay principal prior to a security's maturity can cause greater price volatility if interest rates change, and if a bond is prepaid, a bond fund may have to invest the proceeds in securities with lower yields. Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. In addition, investments in certain bond structures can be less liquid than other investments, which would make them more difficult to trade effectively.
- **Credit Risk.** Changes in the 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.
- **Derivatives.** Some mutual funds selected may contain derivatives, such as swaps and exchange-traded futures. Generally speaking, a derivative is a financial contract whose value is based on the value of a reference asset. Investments in derivatives subject these mutual funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Some derivatives involve leverage and provide investment exposure in an amount exceeding the initial investment. As a result, the use of derivatives causes these mutual funds to be more volatile, because leverage tends to exaggerate the effect of any increase or decrease in the value of a fund's portfolio securities.
- **Municipal Bonds.** The municipal market can be affected by adverse tax, legislative, or political changes and the financial condition of the issuers of municipal securities. Municipal funds normally seek to earn income and pay dividends that are expected to be exempt from federal income tax. If a fund investor is a resident in the state of issuance of the bonds held by the fund, interest dividends are sometimes exempt from state and local income taxes. Income exempt from regular federal income tax (including distributions from tax-exempt,

municipal, and money market funds) may be subject to state, local, or federal alternative minimum tax. Certain Funds normally seek to invest only in municipal securities generating income exempt from both federal income taxes and the federal alternative minimum tax; however, outcomes cannot be guaranteed, and the Funds sometimes generate income subject to these taxes. For federal tax purposes, a fund's distributions of gains attributable to a fund's sale of municipal or other bonds are generally taxable as either ordinary income or long-term capital gains. Redemptions, including exchanges, can result in a capital gain or loss for federal and/or state income tax purposes. Tax code changes could impact the municipal bond market. Tax laws are subject to change, and the preferential tax treatment of municipal bond interest income may be removed or phased out for investors at certain income levels.

- **Legislative and Regulatory Risk.** Investments in your Account may be adversely affected by new (or revised) laws or regulations. Changes to laws or regulations can impact the securities markets as a whole, specific industries and individual issuers of securities. The impact of these changes is not always known for some time.

**Master Limited Partnerships (MLPs).** A publicly traded limited partnership that combines the tax benefits of a partnership with the liquidity of a public company. There are tax advantages and disadvantages to an MLP investment for both its limited and general partners. All profits and losses are passed through to the limited partners and quarterly distributions are treated as a return of capital.

**Risks of Relying on Information and Data Provided by Others.** Analysis methods often rely on the assumption that the companies whose funds and securities are recommended for purchase and sale, the rating agencies that review such funds and securities, and other available sources of information about such funds and securities, are providing accurate, reliable and unbiased data and information. AAS cannot guarantee that analyses and recommendations will not be compromised by or free from any inaccurate, incomplete, or misleading data and information provided by such other third parties.

**Long-Term Purchases Risk.** Recommendations are generally made with the intent that clients purchase investments with the intention of holding them for one year or longer. This recommendation is often because AAS or the Sub-Manager believes the investments to be undervalued at the time of purchase and/or because AAS or Sub-Manager chooses to recommend exposure to a particular asset class over time, regardless of the current projection for such class. A risk of a long-term investment strategy is that by holding an investment for a longer period of time, the client is not be able to take advantage of potential short-term gains. Moreover, if the analysis is incorrect, an investment can decline sharply in value before it is sold.

**Volatility and Correlation Risks.** Clients should be aware that the asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes exhibit similar price changes in similar directions, which can adversely affect Client and become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns or probability projections do not reflect actual future performance.

Clients should understand that investing in any security involves a risk of loss of both income and principal. There can be no assurance that any investment advice, strategies or recommendations will be successful or that Client's investment objective will be achieved.

**Trade Errors.** AAS endeavors to identify and correct trade errors as soon as possible. When a trade error has been identified by the Firm, Envestnet, the Sub-Manager, Advisor or the Client, the Firm, Envestnet, or the Sub-Manager will correct the error promptly with the goal of restoring the account back to the same condition that would have resulted if the error had not occurred. Losses associated with trade errors that are not caused by the Client will be borne by AAS or the responsible party. Under some circumstances, our correction of an error could result in a gain. If the error correction results in a gain, AAS will retain the gain. For purposes of determining the gain or loss, related transactions will be corrected in the aggregate so that profits offset associated losses; a Client cannot elect to ratify only those portions of a related transaction that are profitable. All trade errors will be reviewed at least quarterly by a designated employee in the Compliance Department.

**Policies and Procedures Relating to Voting Client Securities.** Client acknowledges and agrees that Envestnet, in its role as overlay manager for *VestAdvisor Select*, will be responsible for voting proxies with respect to securities held in the Account. Envestnet has developed appropriate principles, policies and procedures to ensure that such proxies



are voted in the best interests of Clients. Client can rescind this authorization by providing written instructions to AAS appointing either Client or another Third-Party authorized to act on behalf of Client with respect to proxies. Envestnet has developed. Upon request, Clients can receive a copy of Envestnet's proxy voting procedures by contacting your Advisor.

With respect to the securities, held or formerly held in the Account, or the issuer thereof, which become the subject of a legal proceedings, including bankruptcy or class action, Client directs AAS to forward information related to such legal proceedings directly to Client. AAS, with respect to the securities held or formerly held in the Account, or the issuer thereof, which become the subject of a legal proceedings, will not be obligated to render any advice or take any action with respect to legal proceedings. AAS's sole obligation will be to forward such information within a reasonable period of time to Client.

For *VestStrategist* accounts, please refer to the Sub-Manager's Form ADV for details related to client proxies. Avantax will not vote or provide guidance on how to vote proxies.

**Inaccurate Client Profile.** AAS shall not bear any responsibility for investment management decisions or other actions taken on the basis of any incomplete, misleading or incorrect information relating to any Client Profile. Envestnet is expressly authorized to rely on any direction from AAS and Sub-Manager to manage Account in accordance with the investment strategy selected by Client.

### **Item 7 Client Information Provided to Portfolio Managers**

Securities for your Account are recommended or selected based on your Client Profile and other information you provide to your Advisor. As updated, information is provided to Envestnet, Sub-Manager and others as applicable.

### **Item 8 Client Contact with Portfolio Manager**

Clients typically will have no direct contact with the Sub-Manager or Select Portfolio Manager. Instead, clients' primary contact with the Sub-Manager or Select Portfolio Manager will be through your Advisor.

### **Item 9 Additional Information**

**Disciplinary Information.** In the past 10 years, AAS has not been involved in any material disciplinary events as an investment adviser. To obtain information about AAS's disciplinary history, or to verify AAS has not been involved in any material disciplinary event, you may visit: [adviserinfo.sec.gov](http://adviserinfo.sec.gov). For information on any broker-dealer related disciplinary events of AIS or NFS you may visit: [brokercheck.finra.org](http://brokercheck.finra.org).

**Other Financial Industry Activities and Affiliations.** AAS is an investment advisory firm registered with the SEC that provides advisory and other financial services to individuals, pension and profit-sharing plans, charitable organizations, corporations or other businesses. Companies affiliated with and/or under the same control with AAS include Avantax Wealth Management, Inc., the parent company of AAS, AIS and Avantax Insurance Agency, LLC ("AIA"). AAS may recommend that Clients use AIS or AIA to implement various investment and financial strategies. Avantax Investment Services is a registered broker-dealer and member of FINRA and SIPC, that provides brokerage services to AAS Clients.

Your Advisor is, in most cases, an independent contractor of AAS solely for the purpose of providing investment advisory services as described in this Wrap Fee Brochure. In addition to the investment advisory services provided through AAS or securities sold through AIS, your Advisor often provide legal, tax, accounting, audit, payroll or other products or services that are not affiliated with AAS. AAS does not endorse or supervise any of your Advisor's activities conducted outside of AAS. These other activities are often material to their business focus. The responsibilities of AAS and its affiliates relate specifically to offering approved securities and investment advisory services. Some of these outside services present a conflict of interest with services provided by AAS or its affiliates. To the extent that is the case, by entering into the Agreement you acknowledge and agree that you have considered any such conflicts and have decided to proceed despite their existence. Please ask your Advisor and refer to their Form ADV Part 2B (Brochure Supplement) for more detailed information.

**Any securities investments recommended by your Advisor must be made through AAS or its affiliates, and all checks related to any Program account must be made out to "National Financial Services LLC". You should immediately contact the AAS Advisory Compliance Department at (800) 821- 8254 if you are asked by your**

**Advisor to make any investments outside of AAS or its affiliates or if you are asked to make an investment payment to your Advisor's outside business or any other Third-Party.**

## **Conflicts of Interest**

AAS endeavors to provide all Programs to Clients at a cost that is reasonable in relation to the services provided. In evaluating whether to choose *VestAdvisor Select*, you should be aware that AAS and its affiliates earn compensation from a number of sources related to your Account (as disclosed elsewhere in this Wrap Fee Brochure) in addition to the Program Fee. The choice of Approved Securities affects the compensation AAS, its affiliates and Advisors earn as a result of your investments and thus poses various conflicts of interest. This section of the Wrap Fee Brochure is intended to describe significant conflicts of interest you should consider in making an investment decision. You should refer to the "Fees and Compensation" section for additional information on the compensation AAS and Advisors receive. If you have any questions about compensation or conflicts of interest, please contact your Advisor. Other conflicts of interest are called out in other sections of this Wrap Brochure.

In all circumstances, AAS manages the conflict of interest through written disclosure to you and enforcement of supervisory policies and procedures reasonably designed to ensure that we and your Advisor make recommendations in your best interest regardless of the possible incentives to AAS or your Advisor.

**Qualified Plan Rollovers.** If you are rolling over assets from an employer-sponsored Qualified Retirement Plan ("QRP"), such as a 401(k), to an Individual Retirement Account ("IRA") with us, you should carefully evaluate all choices which are typically available. These four options include: leaving your assets in your former employer's plan (if permitted), rolling over the assets to your new employer's plan (if permitted), rolling your assets to an IRA with us or another firm, or cashing out the account value. You should consider the following factors, among others, in deciding whether to keep assets in a QRP, roll over to an IRA or cash out: investment options, fees and expenses, the ability to make penalty-free withdrawals and differences in creditor protection. Of these options, AAS will only earn compensation if you open an IRA account with us. In addition, the costs of maintaining and investing assets in an IRA with us will generally involve higher costs than keeping the assets in your current QRP. While we typically offer a broader range of investment options and services than an employer-sponsored QRP, there are no guarantees that the additional investment options will outperform your employer-sponsored QRP. See the Transfer Cost Credit Program for additional conflicts of interest.

**Privacy Policy.** AAS will not sell Client information to other companies for marketing purposes. AAS employs reasonable security standards and safeguards to protect our Client's personal information and prevent fraud. In addition, AAS will continue to protect our Client's privacy even if they cease being our Client. For more information, please read our Privacy Statement on [avantaxwealthmanagement.com](http://avantaxwealthmanagement.com) or refer to the Avantax Disclosures Packet you will receive at Account opening.

**Code of Ethics.** AAS clients are entitled to expect high ethical standards of conduct in all of their dealings with us. AAS strives to foster a culture that supports our ability to meet our Clients' expectations. To assist us in minimizing potential conflicts of interest and prevent inappropriate activity, we have developed a Code of Ethics ("COE"). The COE defines "Access Persons" and describes standards of conduct, personal securities transactions, securities covered by the COE, insider trading, conflicts of interests and confidentiality. If you are a Client or prospective Client and would like to receive a copy of the current AAS Code of Ethics, please contact your Advisor. Alternatively, you can send a written request to Avantax Advisory Services, Advisory Compliance, P.O. Box 142829, Irving, TX 75014 or call (800) 821-8254.

AAS recommends or effects transactions in securities in which an AAS director, officer, employee or other Advisor may also invest directly or indirectly. This poses a conflict of interest to the extent that transactions in such securities on behalf of AAS Clients may advantage such related persons. AAS will not purchase securities of Blucora, Inc., the indirect owner of AAS, in Program Accounts. AAS monitors equity trading activity in Client accounts to ensure that Advisors' trades are not placed ahead of Client trades which may result in your Advisor receiving a better price.

## **Restricted Equity Awards to Certain Advisors.**

Avantax's parent company Blucora will award \$5.5 million in equity grants of its publicly traded stock (Nasdaq: BCOR) to Avantax firms with the top gross dealer concession (GDC) during the performance period of January 1,

2020 – December 31, 2020; and, allocations on an individual advisor basis based on percentage of year-over-year total increase in GDC. This equity compensation is a conflict of interest as it provides your Advisor an incentive to recommend products and services which will increase his/her revenue on an individual and/or firm basis. However, Avantax monitors all financial product and service recommendations made by our Advisors for client suitability, and the equity awards are based on total GDC across all product lines so that no one particular financial product or service is incentivized over another.

**Monitoring Accounts.** Accounts and transactions are reviewed for adherence to criteria and guidelines on security selection, concentration, diversification and other restrictions that may apply. These reviews are performed by compliance and sales supervision personnel who provide these services to AAS and its affiliates, including AIS. The compliance and sales supervision personnel are assisted by various data processing exception reports. They do not review every individual transaction.

**Brokerage Practices.** Client orders for over-the-counter equities and listed equity securities are routed to other execution venues by NFS as appropriate, with best execution being the highest priority. A number of factors are considered when determining where to send Client orders, including execution speed and price, price improvement opportunities, the availability of efficient and reliable order-handling systems, the level of service provided, and the cost of executing orders. NFS strives to execute all held orders at prices equal to or better than the displayed national best bid/offer price, up to the displayed size, at the time of execution. Not-held orders are worked for best price by the trading desk. NFS may utilize non-affiliated Third-Party Authorized Participants (“APs”) when transacting large blocks of ETFs. APs are typically large institutions like market makers or specialists who can create ETFs by trading the underlying securities.

Even though AIS is permitted by contract and by law to do so, as a matter of policy we do not execute principal trades or agency cross transactions. AAS does not, under normal circumstances, allow Clients to direct brokerage to other firms or custodians. Investing in either Program requires the use of NFS as custodian.

**National Financial Services LLC, a Fidelity Investments company.** As custodian of your brokerage account, NFS, at the direction of AAS, is responsible for:

- The execution, clearance, and settlement of securities transactions
- Preparing and sending transaction confirmations and periodic statements of your account
- The custody (or safekeeping), receipt, and delivery of funds and securities
- The extension of margin credit upon approval

As a registered broker-dealer, NFS is subject to the rules and regulations of the SEC, FINRA, and other exchanges of which NFS is a member, and the MSRB. NFS is also a member of the New York Stock Exchange (“NYSE”) and SIPC.

As described elsewhere in this Brochure, AIS’s clearing relationship with NFS also provides certain material financial benefits, the most significant of which are:

- Fees on cash swept into the Sweep Program (ERISA accounts are excluded)
- Annual payments to Avantax to offset certain technology costs
- Fees associated with the transfer onto NFS’s clearing platform of certain mutual funds held directly with the fund sponsors
- Compensation to defray the costs of Avantax’s transition to NFS’s clearing platform, and
- Correspondent credits payable through 2028

Other benefits we receive from NFS include:

- Credit interest for non-sweep cash balances
- Short sale interest is shared with Avantax
- Revenue share on Fidelity Core Money Market Sweep Funds
- A portion of the interest you pay on cash debits is paid to us, if we choose to markup the interest amount charged by NFS

In addition, AIS received monetary benefits to offset the costs of transferring to the NFS clearing platform. These are significant in value and were designed to offset fees incurred during the conversion to NFS as well as to offset customer account charges that you would not have incurred but for the conversion. Although such conversion expense reimbursement is common in the industry, there is no guarantee that Avantax could have received identical reimbursement had it selected a different clearing firm, other than NFS. Therefore, its selection and retention of NFS as its clearing firm creates a conflict of interest.

### **Bank Deposit Sweep Program Conflicts**

The yields in the Bank Deposit Sweep Program (BDSP) are significantly less than you can earn through products designed to provide higher yields for your cash balances. In exchange for this lower interest rate, your cash is eligible for FDIC (Federal Deposit Insurance Corporation) insurance designed to protect you against the loss of your insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the U.S. government. Investment products such as money market funds pay a much higher rate of interest in many cases but are subject to market fluctuations and possible losses. You may also be subject to additional costs and delays in accessing your money market funds or other cash equivalent investments should you decide to opt-out of the BDSP. You will also need to work closely with your Advisor to ensure your cash is invested since it will not automatically “sweep” to your chosen investments if outside of the BDSP. Avantax does not receive any revenue share from the BDSP for discretionary managed SEP-IRA or non-prototype Simple IRA accounts. ERISA accounts are also prohibited from participating in the BDSP program.

### **IRA Annual Maintenance Fees**

Managed accounts will not pay an IRA annual maintenance fee. The fee charged by NFS is paid by Avantax.

**Best Execution.** For both equity and fixed income securities, Avantax regularly reviews transactions for quality of execution, and takes action, as appropriate, for Client price improvement and to fulfill our best execution obligations. AAS and its affiliates have a Best Execution Committee that reviews trading activity and the vendors and systems we use to process transactions, among other things. Client orders are treated with the same priority and procedural flow as non-advisory brokerage customer trades. AAS does not have soft dollar arrangements with its custodians.

AAS chooses to use NFS based on several important factors, including the fact that NFS and AIS have an agreement currently in place. Other factors are outlined below. The commissions to us and NFS may be higher or lower than those obtainable from other broker-dealers in return for the products and services offered. While we consider our rates competitive, they are not necessarily the lowest possible commission rates available for your account transactions. Not all investment advisors require their clients to use a specific custodian.

Through the relationship with NFS, we receive economic and non-economic benefits which are taken into account as we evaluate best execution. These benefits include, but are not necessarily limited to:

- A dedicated service group and a Relationship Manager for Avantax accounts on the NFS platform
- Receipt of duplicate confirmations and bundled duplicate statements, Online Access for Clients to access their account information
- Availability of third-party research and technology
- Access to a trading desk and capital markets
- Access to operational and platform solutions that are integrated with NFS’ offerings
- Trading and custodial experience
- The ability to have advisory fees for AAS Sponsored Programs directly debited from Client accounts (in accordance with federal and state requirements)
- Electronic download of trades, balances and position information and
- Access to an electronic communications network for Client order entry and account information.

**Trade Allocation Policies.** The ability to enter aggregate or bunched trades on the Envestnet platform allows for AAS and the Sub-Managers to utilize the average price feature. This allows an average price for Accounts included in the bunched trade if the entire order does not fill at one price. Average pricing will only occur for trades in the same security entered at the same time and for the same Program or Sub-Manager and only for stocks and ETFs. It is possible that there will be two or more aggregate trades for the same security for the same Program on the same

day, i.e., one bunched trade is entered in the morning and one or more are entered later that same day. AAS will not generally do an average price calculation across multiple aggregate trades.

Bunched or aggregated trades are entered with specific details for the Client Accounts included in the trade and upcoming allocation of shares (i.e., the number of shares allocated to each Account that is included in the bunched trade) so your Advisor is not in a position to change the allocation based on execution. In the majority of cases, the complete order will execute at one time eliminating the need for an average price (i.e., the entire order will execute at the same price). If, however, the order does require multiple fills, the price of the different executions will be “averaged” and allocated as originally submitted. If the order does not execute in its entirety, the shares will be allocated on a pro rata basis based on the original aggregated trade. There will be occasions where the pro rata allocation is increased or decreased to avoid holding odd lot or small numbers of shares, especially for smaller accounts. This allocation is determined in good faith in an attempt to be fair and equitable.

**Trade Confirmations and Account Statements.** To ensure that you remain informed about your Account, NFS delivers trade confirmations and statements to you at least quarterly. You should promptly review all account statements and transaction confirmations to ensure that your Account is being handled in accordance with your instructions, and immediately inform AAS in writing of any discrepancies. If you have questions or need additional information regarding your Account, please contact your Advisor.

#### **Client Referrals and Other Compensation Strategic Alliance Program**

AAS and/or our Advisors may receive client referrals from outside solicitors (usually attorneys, CPAs or other professionals). The Strategic Alliance Program is a referral program designed to compensate outside professionals or firms, such as attorneys, accountants, or other broker/dealers and investment advisers, for referring your advisory business to Avantax and your Advisor. These professionals or firms are known as “solicitors.” If your advisory account is referred by a solicitor to AAS or your Advisor, AAS will pay a portion of the advisory fee earned by your Advisor to the solicitor, typically for as long as you maintain an advisory relationship with us, to compensate the solicitor for the referral. AAS will not charge a client who is referred to AAS by a solicitor any amount for the cost of obtaining the client that is in addition to the fee normally charged by AAS for its investment advisory services. The amount of this compensation, however, may be more than what the solicitor would receive if the client participated in our other programs or paid separately for investment advice, brokerage, and other services. The solicitor, therefore, has a financial incentive to recommend one or more of AAS’s wrap fee programs over other programs or services, including non-advisory programs and services, that may be available to the client for which the solicitor would not receive referral compensation. Such solicitation arrangements are disclosed to clients at the time of the solicitation via execution of a Solicitor Disclosure Statement or similar document that outlines the nature and amount of the compensation we pay to the solicitor and whether the solicitor is affiliated with or related to Avantax. Solicitors are required to provide prospective clients with a current copy of AAS’s Form ADV Part 2 no later than the date on which the client enters an advisory relationship with AAS and your Advisor.

Although they do not presently have such a relationship, AAS and AIS may in the future have a referral relationship with one or more unaffiliated banks or credit unions (together “Institutions”) that allows for the payment of compensation to these Institutions. The compensation they receive is based on the advisory fee that you pay. If you are introduced to us through one of these arrangements, you will receive a separate written disclosure statement indicating that a referral fee is being paid to the Institution along with the amount of the referral fee. The Institution receives a pre-determined percentage of the fees earned by your Advisor, and you are not charged an additional amount to offset the referral fee paid to the Institution.

**Financial Information.** AAS has no financial condition that will impair our ability to meet our contractual commitments to you nor do we require prepayment of fees more than 6 months in advance.

**Tax Information.** AAS does not provide tax or legal advice to Client in relation to the Program or any other investment strategy we offer. Securities that transfer into your Account which are not considered Allowable Securities will be sold without regard to the tax consequences or tax basis for non-qualified accounts. Client should discuss the potential ramifications with their tax or legal professional before allowing the securities to be transferred to the Account.

**Custody.** For certain accounts, AAS is deemed to have custody of your Account assets even though they are maintained at NFS, a qualified custodian. NFS sends account statements to you as outlined previously in this Wrap Fee Brochure, which list your account holdings and account values. In the event of any discrepancy between your quarterly performance reports and your NFS statements, you should rely on the statement from NFS. You should also rely on the NFS statements for the cost basis related to your account holdings.

## **Independent Registered Investment Advisers**

Some of our Advisors are also owners or Advisors of their own or other's registered investment advisory firms. The clients to whom they offer our advisory services are frequently the same to whom they offer financial planning services. These financial planning services, separate from our Method 10® Seasonal Planning program, are offered for compensation. This compensation is paid to the independent Registered Investment Adviser and Avantax receives no portion of this compensation. You are not obligated to use any of these individuals to provide financial planning services.

## **Accounting Firms**

Our advisors may be separately licensed as accountants and may offer accounting services to advisory clients for compensation. This compensation is paid to the accounting firm. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals to provide accounting services.

## **Attorneys**

Our advisors may be separately licensed as attorneys and, as such, may offer to provide legal advice for compensation. This compensation is paid to the law firm. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals to provide legal services.

## **Insurance Products**

Some of our Advisors are agents and/or brokers of various insurance companies. Some individuals are able to effect insurance recommendations if you elect to have insurance recommendations implemented. These individuals receive compensation for insurance and/or annuity implementation. This compensation is paid to the agent. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals for insurance product purchases.

Avantax is related through common ownership to Avantax Insurance Services, Inc. and Mike Pagano, General Agent. Avantax Insurance Services, Inc. is a licensed insurance agency and may receive commissions in connection with the sale of fixed insurance products by Advisors who are licensed to sell these products. Avantax Insurance Services, Inc., in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for marketing, training and education, and distribution support.

## **Pension Consultants**

Our advisors may offer pension consulting services to advisory clients for compensation. This compensation is paid to the individual providing the pension consulting services or an organization employing that individual. Avantax receives no portion of this compensation. You are not obligated to use any of these individuals for pension consulting services.

## **Brokerage Practices**

### **General**

AAS renders investment advice to the majority of our platform advisory clients on a discretionary basis, pursuant to written authorization granted by you. The majority of our advisory clients must select Avantax Investment Services, an affiliated broker-dealer under common ownership, as the broker-dealer of record for our managed accounts. Avantax maintains a clearing relationship for the execution of client transactions with NFS.

Our affiliated broker-dealer has negotiated competitive pricing and services with NFS for your benefit. NFS offers their broker-dealer clients substantial financial strength and stability of scale, and reliable, state-of-the-art technology.

Our clients do not generally have the option to direct securities brokerage transactions to other broker-dealers or other account custodians. If, however, Avantax were to approve the use of a broker-dealer other than NFS for the execution of securities transactions, you should be aware that Avantax will generally be unable to negotiate commissions or other fees and charges for your account, and Avantax would not be able to combine your transactions with those of other clients purchasing or selling the same securities (batched trades), as discussed further below. As a result, Avantax would be unable to ensure you receive “best execution” with respect to such directed trades. Avantax may also be unable to provide timely monitoring of transaction activity or provide you with quarterly performance reporting.

Not all investment advisers who have affiliated broker-dealers require you to use their broker-dealer to execute securities transactions. While our affiliated broker-dealer is able to negotiate competitive pricing with NFS that it believes is beneficial to you, Avantax does receive an economic benefit from using our affiliated broker-dealer for our advisory platform accounts rather than an unaffiliated broker-dealer. For example, Avantax adds our own costs to certain charges applied to your accounts by NFS. Avantax also maintains a core account sweep program with NFS. This program creates financial benefits for Avantax and NFS as described in *Additional Compensation* in Section 5 – Fees and Compensation. This additional compensation received by our affiliated broker-dealer creates a conflict of interest with you. Additionally, even though Avantax monitors the execution quality of our affiliated broker-dealer to ensure you receive the best combination of net price and execution, it is possible that better execution on a given transaction may be obtained from other sources. Execution quality can have an effect on the amount you pay for a given transaction. Favorable execution results in lower costs and unfavorable execution results in higher costs.

Avantax will not participate/vote in class action lawsuits on your behalf.

## Appendix 1 Schedule of Fees

Effective October 28, 2019

### Transaction Charges

Other administrative fees may apply to Brokerage Access/Brokerage Portfolio Accounts (check copies, checkbook orders, ATM fees, additional debit card, bounced check fee, stop payment fee, etc.)

Physical Certificate Issuance <sup>1</sup> /Transfer & Ship Fee .....	\$500.00
Physical Reorg Fee .....	\$150.00
Direct Registration Service (DRS) Transfer and Ship .....	\$15.00
Legal Transfer .....	\$150.00
Legal Return .....	\$75.00
Safekeeping Fee <sup>2</sup> (per certificate per month) .....	\$15.00
Outgoing Express Mail.....	\$15.00
Non-IRA Outgoing Wire Transfer – Domestic .....	\$25.00
IRA Outgoing Wire Transfer – Domestic .....	\$15.00
Bounced/Returned Check deposited to Standard Brokerage Account.....	\$25.00
Bounced/Returned Check issued from Select Access or Premier Access .....	\$15.00
Stop Payment Check issued from Standard Brokerage Account.....	\$25.00
Stop Payment Check issued from Select Access or Premier Access.....	\$10.00
Non-Retirement Outgoing Account Transfer Fee (ACAT) .....	\$95.00
IRA Termination/Liquidation Fee .....	\$125.00
Self-Employed 401(k) (Premiere Select Retirement Plan) Termination/Liquidation .....	\$125.00
Trade/Margin Extension Fee .....	\$15.00
Mailgram Fee.....	\$ 5.00

### Alternative Investment Fees<sup>3</sup>

Sell .....	\$50.00
Annual Custody & Valuation – Registered .....	\$35.00
Annual Custody & Valuation – Non-Registered .....	\$125.00
Alternate Investment Transfer/Re-Registration Fee .....	\$50.00

*Some of the fees listed above include markups or amounts in addition to charges by Avantax's clearing firm (National Financial Services LLC, Member NYSE, SIPC, a Fidelity Investments® Company) which Avantax uses to defray other costs associated with its business or that are retained by Avantax for its own account.*

*Interest on any non-retirement cash account debit balances will accrue beginning on the day that the debit is posted to the account and will be charged to the account at 3.00% above the National Financial Base Lending Rate, NFBLR. Avantax Investment Services may change this fee schedule at any time. In addition to these fees, please note that certain other operational or other fees or charges may apply. If you have any questions regarding the applicability of these fees, please contact your Advisor.*

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<sup>1</sup> Other charges may apply, such as rush delivery fees.

<sup>2</sup> Covers deposit, custody and withdrawal. Only charged on those securities eligible to be held in street name.

<sup>3</sup> Includes, but not limited to, Limited Partnership (non-exchange), Non-Traded REITS, and Private Equity/Debt. The Annual Custody & Valuation fee is charged per position but shall be capped at \$500 per account per year.



## Appendix 2 Important Definitions and Investor Resources

**12b-1 fee** means a marketing and/or distribution fee paid out of the mutual fund assets pursuant to Rule 12b-1 promulgated under the Investment Company Act of 1940.

**Advisor** means the AAS Investment Advisory Representative assigned to your Account.

**Approved Securities** means securities AAS determines are eligible to be included within the quarterly performance calculation and are included in the Program Fee calculation.

**Client Agreement or Agreement** means the written Client Agreement required to participate in an advisory program which governs the terms and conditions of the Program and associated services, as it may be amended from time to time. The Agreement is part of the Account Application and is included with the SIS.

**Educational Partners** means the product sponsors or their affiliates that have an agreement with AIS to provide additional payments to help defray the educational, training, record-keeping and other costs associated with offering products to Clients.

**Flow Billing** means the Account will be charged or refunded a supplemental prorated Program Fee on a monthly basis if there are significant net additions or net withdrawals in the Account during the month. Any additions or withdrawals have a prorated fee applied for the days remaining within the quarter and all additions and withdrawals are netted daily. This prorated adjustment will only occur if the net addition or withdrawal is at least \$10,000. A prorated Program Fee will be assessed in the month following the net addition or net withdrawal. This is effective 10/1/2018.

**Form ADV Part 2A, Appendix I or Wrap Fee Brochure** means this document, which provides important information about the various programs offered by or through AAS and details regarding the Program

**AAS, we, us** or the **Firm** means Avantax Advisory Services, Inc., an investment adviser registered with the SEC, a wholly-owned subsidiary of Avantax Wealth Management, Inc., the holding company for a group of companies providing financial products and services under the Avantax name.

**AIS** means Avantax Investment Services, Inc., a broker-dealer registered with the SEC, and member FINRA and SIPC, and a wholly-owned subsidiary of Avantax Wealth Management, Inc. AIS is an affiliate under common control with AAS and serves as the introducing broker-dealer to NFS with respect to your Account.

**Unapproved Securities** means investments that AAS has determined are not eligible to be included in the quarterly performance calculation and are not included in the Program Fee calculation.

**Discretionary Trading Authorization** means written authorization given by the Client to AAS to execute trades on a discretionary basis without receiving specific permission first.

**National Financial Services LLC, NFS or Custodian** provides clearing, custody, or other brokerage services to AAS clients. NFS is a Member of NYSE and SIPC and is part of Fidelity Clearing & Custody Solutions®.

**Quarterly Performance Report or QPR** means the quarterly report which provides Clients with important information about their investment portfolio and the investment performance of their Account(s).

**Revenue Sharing** means additional compensation earned by Avantax from various sources as described throughout this Brochure. It is separate from the 12b-1s paid by some mutual fund companies.

**Related Accounts** means Accounts grouped together for purposes of qualification, reduced pricing and, where requested, consolidated reporting, of advisory Programs offered by or through AAS.

**SEC** means the U.S. Securities and Exchange Commission (more information available at [www.sec.gov](http://www.sec.gov)).

**SIPC** means the Securities Investor Protection Corporation, a federally mandated, non-profit corporation that administers the federal program that protects brokerage account investors against loss in the event of a broker-dealer member's insolvency and liquidation by replacing missing securities and cash up to a maximum of \$500,000 per Client, including a maximum of \$250,000 on claims for cash. SIPC does not protect against losses from market fluctuations. (More information available at [www.sipc.org](http://www.sipc.org))

**Statement of Investment Selection or SIS** means the questionnaire that collects information about you and your investment objective, risk tolerance and financial situation ("Client Profile") and which is required to open an Account.

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**Investor Resources.** AAS and its affiliates want you to be an informed investor. Below are some resources from the SEC and FINRA that can assist you in choosing an investment professional and making investment decisions. We encourage you to review the information and contact AAS or your Advisor if you have any questions or concerns.

- FDIC website for info on Sweep Program is [fdic.gov/deposit/deposits/index.html](https://www.fdic.gov/deposit/deposits/index.html)
- FINRA website for investors with information on investing as well as alerts about current issues and scams and investment tools and calculators available at [finra.org/investors](https://www.finra.org/investors)
- FINRA BrokerCheck – Check the status of your Advisor, AAS or AIS at [brokercheck.finra.org](https://brokercheck.finra.org)
- SEC website for investors with investor news and alerts; information on basic investment principles and investment products; an “Ask and Check” page with resources to research investments, firms and investment professionals available at [investor.gov](https://www.investor.gov)
- SEC Publication: “Investment Advisers: What You Need to Know Before Choosing One” available at [sec.gov/investor/pubs/invadvisers.htm](https://www.sec.gov/investor/pubs/invadvisers.htm)
- SEC Publication: “Invest Wisely: Advice from Your Securities Industry Regulators” available at [sec.gov/investor/pubs/inws.htm](https://www.sec.gov/investor/pubs/inws.htm)
- SEC Publication: “How Fees and Expenses Affect Your Investment Portfolio” available at [Sec.gov/investor/alerts/ib\\_fees\\_expenses.pdf](https://www.sec.gov/investor/alerts/ib_fees_expenses.pdf)
- SIPC website for additional information on Securities Investors Protection Corporation is [sipc.org](https://www.sipc.org)

## Appendix 3 Brochure Supplement

Martin Landry, CFA®, CFP®, CAIA, CIMA®, CIPM, CTFA, AIF®  
1201 Merit Drive, Suite 1200, Dallas, TX 75251  
(214)265-1201

The following provides additional information about Martin Landry, Director, Portfolio Management Group of Avantax Advisory Services. Additional information is also available on the SEC's website, [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

### Business Experience& Education

#### Avantax Investment Services and Avantax Advisory Services

Director, Portfolio Management Group, Employed by Avantax from 04/2010 to Present

Mr. Landry's undergraduate degree is from Texas A&M University – Commerce where he received a Bachelor of Science degree in communications. He also has his Master of Business Administration degree in management from The University of Texas at Tyler. He has no legal or disciplinary events and is paid a salary and a bonus from Avantax. Mr. Landry was born in 1962.

Mr. Landry oversees the planning, execution and success of the Portfolio Management Group at Avantax, a role that includes implementing the *VestAdvisor Select* advisory program's non-customized model portfolios and due diligence. He reports directly to Robert Jackson, Vice President of Advisory Services for Avantax. Mr. Landry has no other outside business activities to report.

Mr. Landry is also subject to the policies and procedures of Avantax as well as guidelines established for the advisory program. Mr. Landry has additional reporting requirements to the Avantax Advisory Services' Investment Oversight Committee. The Chief Compliance Officer is responsible for administering AAS's policies and procedures for investment advisory activities. The telephone number for your Advisory Compliance Department is 800-821-8254. Mr. Jackson, Mr. Landry's supervisor, may be contacted at (214)265-1201.

For additional information on the professional designations earned by Mr. Landry, please go to [finra.org/investors/professional-designations](http://finra.org/investors/professional-designations).

- Chartered Financial Analyst®, CFA® and CIPM are trademarks owned by CFA Institute.
- Certified Financial Planner Board of Standards, Inc. (CFP Board) owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design), and CFP® (with flame design) in the U.S., which it authorizes use of by individuals who successfully complete CFP Board's initial and ongoing certification requirements.
- CIMA®, CERTIFIED INVESTMENT MANAGEMENT ANALYST®, CIMC®, CPWA®, and CERTIFIED PRIVATE WEALTH ADVISOR® are registered certification marks of Investment Management Consultants Association Inc. doing business as Investments & Wealth Institute.
- The American Bankers Association owns the mark of CTFA.
- The Center for Fiduciary Studies owns the mark of AIF®.

## Appendix 4 Suitability of Fee-Based Programs

Depending on your needs, you can choose different types of accounts, programs, products and levels of services offered through various Avantax companies. These choices have important implications in terms of the legal rights and responsibilities that attach to your relationship with Avantax, the compensation earned by Avantax and Advisors, and the disclosures you receive. You should take these considerations into account when deciding which type of account best suits your individual needs.

With a commission-based brokerage account (or investments made through AIS directly with a product sponsor), AIS has no duty to provide ongoing advice and the primary service you are obtaining is the recommendation and execution of individual securities transactions. Most Advisors with AAS are also registered representatives of AIS. In their role as a registered representative of AIS, any advice provided is solely incidental to the recommended transaction, and neither AIS or its registered representatives have an ongoing obligation to monitor your account after the transaction is executed. AIS also has a more limited obligation to disclose information about conflicts of interest than AAS. AIS is compensated by the sales commission you pay on transactions you execute and other brokerage account fees; you do not pay a separate fee for (nor do you receive) ongoing advice.

The primary service AAS offers is ongoing management of your accounts through our *VestAdvisor*®, *VestAdvisor Select*®, *VestAdvisor*™ and *VestStrategist*™ programs. As an investment adviser, AAS acts as a fiduciary as defined by applicable law and is required to provide additional disclosure (e.g., this Wrap Fee Brochure) which contains information about your account and material conflicts of interest, among other things. Unlike in a brokerage account, AAS clients do not pay sales commissions on individual transactions and instead pay an ongoing fee-based on the value of assets in the Account. In the case of financial planning, Clients will pay either a flat fee or a percentage of assets. (Financial planning services are not on-going.) The compensation earned by AAS is not tied directly to the number or size of transactions in your Account, and Advisors do not have an incentive to recommend transactions to generate additional sales commissions. On the other hand, AAS and your Advisor will earn the Program Fee for the ongoing advice they provide, regardless of whether you execute any transactions. In some advisory programs, you will also pay some or all ticket charges incurred in your account in addition to the program fee.

You should consider the importance and value of ongoing advisory services (including ongoing advice) when comparing various options for obtaining advice, custody and safekeeping, reporting and trade execution. You should also consider your anticipated trading activity when selecting between different types of accounts and assessing your overall cost. If there are prolonged periods of infrequent trading or your portfolio contains significant cash holdings, an advisory account will probably result in higher overall expenses than if commissions were paid separately for each transaction. If you do not need ongoing advice and do not anticipate at least a moderate amount of trading, or if you would rather pay your investment professional based on each transaction you execute, a brokerage account is often the right choice for you. There is no long-term commitment with any program offered by AAS and you can cancel your participation in the Program at any time if your needs or objectives change, or if you do not feel that you are receiving value in exchange for the program fee you are paying.

This information is not intended to address all issues or questions concerning differences between brokerage and advisory accounts. When considering a fee-based program you should understand the different investment solutions that are available to you. For example, you could decide that you want a brokerage account for certain investments and an advisory account for others. You should discuss the different account and service options and ask any questions you need answered before investing. If you have questions about the difference between brokerage and advisory accounts or would like to see our Wrap Fee Brochures on other advisory programs and services offered by AAS, ask your Advisor or contact the Compliance Department at (800) 821-8254.