



2700 Post Oak Blvd, Suite 1700
Houston, TX 77056
713-965-9510

Form ADV, Part 2A, Appendix 1
Sunbelt RD Wrap Fee Program Brochure

March 15, 2020

This Wrap Fee Program Brochure provides information about the qualifications and business practices of Sunbelt Securities, Inc. ("Sunbelt"). If you have any questions about the contents of this Wrap Fee Program Brochure, please contact us at 713-965-9510. The information in this Wrap Fee Program Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Sunbelt Securities, Inc. is a Registered Investment Adviser. Registration as an Investment Adviser does not imply any level of skill or training.

Additional information about Sunbelt Securities, Inc. and its Investment Adviser Representatives is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The purpose of this page is to provide a summary of material changes.

There have been no material changes since our last annual update dated March 31, 2019.

Item 3 – Table of Contents

Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Services, Fees and Compensation.....	4
A. Services	4
B. Fees	5
C. General Wrap Fee Program Disclosures.....	7
Item 5 – Account Requirements and Types of Clients	7
Item 6 – Portfolio Manager Selection and Evaluation	7
A. Program Description.....	7
B. Performance-Based Fees.....	8
C. Methods of Analysis and Investment Strategies	8
D. Risk of Loss	9
E. Voting Client Securities	11
Item 7 – Client Information Provided to Portfolio Managers	11
Item 8 – Client Contact with Portfolio Managers.....	12
Item 9 – Additional Information	12
A. Disciplinary Information	12
B. Other Financial Industry Activities and Affiliations	12
C. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading.....	14
D. Review of Accounts	15
E. Client Referrals and Other Compensation	15
F. Financial Information	15

Item 4 – Services, Fees and Compensation

Sunbelt Securities, Inc. (“Sunbelt”) was formed in 1995 as a corporation organized under the laws of the State of Texas. Sunbelt is not a publicly traded corporation, and no one owns 25% or more of the company.

Sunbelt is registered as a broker/dealer and as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Sunbelt is a member of the Financial Industry Regulatory Authority (“FINRA”), the Municipal Securities Rulemaking Board (“MSRB”) and the Securities Investor Protection Corporation (“SIPC”). Registered Persons affiliated with Sunbelt Securities, Inc. recommend certain securities for which they receive a commission, markup or markdown. Registered Persons, affiliated with Sunbelt Securities, Inc., who offer various advisory services for which they receive a fee are called Investment Advisory Representatives (“IARs”). For purposes of this document, Sunbelt Securities, Inc. (“Sunbelt”) refers to its registration as a Registered Investment Adviser. The advisory services offered through Sunbelt Securities, Inc. are described in this Wrap Fee Program Brochure.

There are risks associated with any investment or advisory service. There are no guarantees of the success of any particular investment or strategy and it is possible that some or all of the principal could be lost. Past performance is not a guarantee of future performance; Clients invest at their own risk.

Tax implications are a critical component of any investment strategy. Therefore, depending on the strategy that a Client chooses to implement, it is possible that any trading activity could result in a taxable event and lower investment return. Investments may have tax or legal consequences, so Clients should contact their own tax professionals and attorneys to help answer questions about specific situations or needs.

When investing in mutual funds, variable annuities and alternative investments, Clients are strongly encouraged to review the applicable prospectus. Mutual funds, variable annuities and certain variable annuity riders may impose certain restrictions on the frequency, timing and dollar amount of transactions and may impose penalty fees based upon short-term trading patterns. These restrictions may impact the services provided by the IAR or a Third-party Money Manager/Sub-Advisor.

As of December 31st, 2019, the total amount of assets managed by Sunbelt’s IARs on a discretionary basis is \$603,972,709 and \$0 on a non-discretionary basis. Discretion means that an IAR does not need prior permission to conduct transactions or render advisory services in Client accounts.

A. Services

Sunbelt offers and sponsors various types of advisory services and programs and makes these services and programs available to clients directly and also through unaffiliated, third-party investment advisers. This Wrap Fee Program Brochure provides a description of the Sunbelt RD Wrap Fee Program (“Sunbelt RD”). For more information about Sunbelt’s other advisory services and programs other than Sunbelt RD, please contact Sunbelt or your IAR for a copy of a similar brochure that describes such service or program.

Sunbelt RD is a wrap program designed to provide investment advisory services to the Client by a Sunbelt IAR through an executed Investment Advisory Agreement - Wrap (“Agreement”) and to assist in the determination of an asset allocation utilizing selected securities designed to meet the Client’s individual investment needs and goals. Generally, the Client must invest a minimum of \$25,000.00 to open a Sunbelt RD account, however this requirement can be waived at the discretion of Sunbelt.

A wrap pricing structure allows the Client to pay an inclusive fee for account management, brokerage, and clearance. Clients should consider that, depending upon the level of the wrap fee charges, the amount of portfolio activity in their accounts, the value of services that are provided under the investment program, and

other factors, the wrap fee may or may not exceed the aggregate cost of services if they were to be provided separately. Generally, wrap programs are relatively less expensive for actively traded accounts; however, they may result in higher overall costs to the Client in accounts that experience infrequent trading activity.

Through Sunbelt RD, Sunbelt's IARs provide discretionary portfolio management services where the investment advice provided is tailored to meet the needs and investment objectives of the Client. At the inception of the relationship, the IAR will gather relevant information from the Client such as the Client's risk tolerance, investment objectives and other relevant information and will recommend an initial portfolio to the Client.

Pursuant to a grant of discretionary authority, subject to any written guidelines or restrictions the Client may set, the IAR executes transactions without further approval from the Client. Once the portfolio is constructed, the IAR monitors the account on a continuous basis and re-balances the portfolio as changes in market conditions and Client circumstances may require.

B. Fees

- IARs are compensated for their advisory services by charging an advisory fee ("Fee") expressed to Clients as a percentage of the value of the assets in the Clients' account. The annual Fee for Sunbelt RD is negotiable at the discretion of Sunbelt depending upon a number of factors including, but not limited to, the amount of the assets under management, the nature and extent of account relationships between Sunbelt and its affiliates with the Client, the type and complexity of services requested, and other factors that the IAR deems relevant. The Fee is 2.50% of the Client's assets under management. The Fee will apply to the entire balance of the account.
- The Fee is based on the asset value of Client's account on the last day of the previous month charged in advance and is normally deducted on a monthly basis directly from the Client's account.
- In addition to the advisory fees, Clients will be charged all annual maintenance fees, custodial fees and termination fees within a Sunbelt RD account, including but not limited to, the following pricing schedule established by National Financial Services, LLC ("NFS"). Unless otherwise stated, all charges listed below are on a "per event" basis and do not include any markup on the charges from NFS:

Administrative Fees

Annual IRA Maintenance Fee.....	\$35.00/account/year
IRA Transfer Fee / Closing Fee	\$125.00
Transfer Out Account ("TOA") Deliveries / ACAT Exit Fee	\$100.00*
Legal Transfers	\$150.00
Legal Returns	\$75.00
Transfer and Ship (DRS-Eligible).....	\$15.00
Transfer and Ship (Non-DRS-Eligible)	\$500.00
Trade and Margin Extensions	\$12.00
Mailgrams	\$5.00
Physical Reorganizations	\$150.00
Legal Returns	\$75.00
Bounced Check Fees	\$25.00*
Stop Payments.....	\$25.00*
Annual Custody Fee (Only applies to Inactive Accounts) ..	\$50.00/account/year
Wire Transfer	\$25.00*
Foreign Securities Transfer.....	Pass through Fees
Safekeeping.....	\$15.00/certificate/month
Restricted Stock Transactions (Full Service).....	\$150.00
Restricted Stock Transactions (Sell without Approval).....	\$40.00
Mutual Fund Surcharge for Funds not in Fidelity Partner Program	\$10.00

*Sunbelt adds a markup to the fees charged by NFS

Cash Management

Standard Brokerage (includes ACH & Bill Pay)	\$10.00/year
Check Writing	\$5.00/year
Visa Debit Card.....	\$5.00/year
Brokerage Portfolio (unlimited use of features).....	\$100.00/year
Metal Card Upgrade.....	\$10.00/year

Alternative Investments include, but are not limited to, limited partnerships (non-exchange), non-traded Real Estate Investment Trusts (“REITS”) and private equity or debt.

Alternative Investments

Annual Custody and Valuation – Non-Registered	\$125.00/CUSIP
Annual Custody and Valuation – Registered	\$35.00/CUSIP

(Annual Custody and Valuation fees shall be capped at \$500 per account per year).

Other Charges

Interest on all cash account delinquencies (Cash Due Interest) in a Client account will be charged directly to the Client account at then current rate.

Transfer Agent Servicing fees will be passed through to the Client and can vary based upon the transfer agent and position.

- SEC fees will be assessed on liquidations at the effective SEC rate and are also the responsibility of the Client.
- In the event that a Sunbelt RD account is cancelled, the advisory fee will be pro-rated for the month in which the agreement was cancelled. The pro-rated amount will be based upon the number of days remaining in the month after cancellation. The Fee for that number of days will be returned to the Client’s account, minus any custodial and termination fees that were not paid earlier in the month.
- Advisory fees due for Sunbelt RD accounts must be paid monthly in advance.
- Sunbelt does not allow mutual fund shares that pay commissions, upfront or as a trail to be purchased or otherwise held in a Sunbelt RD account. In the event that such a share class is inadvertently purchased or delivered into a Sunbelt RD account, the shares class is automatically converted by NFS and any commissions inadvertently received are credited back to the client’s account.
- Neither Sunbelt nor the IAR receives compensation from the sale of securities or other investment products, including but not limited to, investment company securities, variable products or other assets purchased within advisory accounts. These products may have additional internal expenses such as custodial fees, account maintenance fees and/or a portion of fund manager fees that the Client will pay indirectly through the cost of the fund or investment. These expenses are in addition to any advisory fee and result in increased costs to the Client.
- Clients have the option to purchase investments recommended by Sunbelt’s IARs through other persons who are not affiliated with Sunbelt.
- IAR’s advisory fees will be paid directly to Sunbelt by way of National Financial Services, LLC, the qualified custodian holding the Client’s funds and securities. Advisory fees will be assessed pro rata based upon the number of days remaining in the month in the event the account Agreement is entered into at any time other than the first day of the month.
- If assets are deposited in a Sunbelt RD account after the beginning of the month and are equal to or more than \$10,000, the advisory fee chargeable with respect to such assets as of the calculation date will be pro-rated based on the number of days during the month the assets were held in the Sunbelt RD account. If assets are withdrawn in a Sunbelt RD account after the beginning of the month, the Client will not receive a pro-rated rebate of advisory fees paid, unless the Sunbelt RD account is closed.

C. General Wrap Fee Program Disclosures

- The benefits under a Wrap Fee Program depend, in part, upon the size of a Client's account and the number of transactions likely to be generated in the account. For example, wrap fee accounts may not be suitable for accounts with little activity.
- Participating in a Wrap Fee Program may cost more or less than the cost of purchasing investment advice, brokerage and other services separately.
- Sunbelt and the IAR receive compensation as a result of the Client's participation in a Wrap Fee Program.
- The IAR may have a financial incentive to recommend Wrap Fee Programs over other programs and services, as the amount of compensation may be more than what the IAR would receive if the Client participated in other programs or paid separately for investment advice, brokerage and other services.

Item 5 – Account Requirements and Types of Clients

Generally, the Client must invest a minimum of \$25,000.00 to open a Sunbelt RD account, however this requirement can be waived at the discretion of Sunbelt. Prior to opening Sunbelt RD account, Clients must complete a Sunbelt Brokerage Application and any additional account documentation, contracts and/or agreements. All types of advisory programs offered through Sunbelt may require that Clients maintain these minimum investment amounts after the account opening in order to continue receiving the services chosen by the Client.

Sunbelt, through its IARs, offers investment advisory services to retail, entity and institutional Clients.

Item 6 – Portfolio Manager Selection and Evaluation

Sunbelt does not have an investment committee. Instead, each IAR develops his/her own portfolio strategy(ies) to offer to his/her Clients. There are no Portfolio Managers employed by Sunbelt to manage Sunbelt RD accounts. All IARs managing Client accounts through Sunbelt RD are deemed Portfolio Managers. This presents conflicts of interest as noted under the "Fees" section of Item 4 above.

A. Program Description

Sunbelt RD is a wrap program designed to provide investment advisory services to the Client by a Sunbelt IAR through an account Agreement and to assist in the determination of an asset allocation utilizing selected securities designed to meet the Client's individual investment needs and goals. Generally, the Client must invest \$25,000.00 minimum to open a Sunbelt RD account, however this requirement can be waived at the discretion of Sunbelt.

Each IAR tailors the advisory services within Sunbelt RD accounts to the individual needs of his/her Clients by obtaining information regarding the Clients' individual objectives, goals and risk tolerance, and developing an investment strategy, or selecting a portfolio designed to work toward the particular Client's needs. The Client may impose restrictions on investing in certain types of securities by informing the IAR of their wishes.

Wrap pricing structure allows the Client to pay an inclusive fee for account management, brokerage, and clearance. A portion of the fee is paid to the IAR and to Sunbelt for the respective services of each. Clients should consider that, depending upon the level of the wrap fee charges, the amount of portfolio activity in their accounts, the value of services that are provided under the investment program and other factors, the wrap fee may exceed the aggregate cost of services if they were to be provided separately. Although wrap

programs are often less expensive for actively traded accounts than non-wrap programs, wrap programs often result in higher overall costs to the Client whose accounts experience infrequent trading activity.

B. Performance-Based Fees

Advisory fees that are based upon a share of capital gains or capital appreciation of assets of an advisory Client are commonly referred to as “performance-based fees.” Sunbelt does not collect, nor does it permit its IARs to accept, performance-based fees.

C. Methods of Analysis and Investment Strategies

Sunbelt IARs use various methods of analysis and investment strategies. Methods and strategies will vary based on the Sunbelt IAR providing advice. Models and strategies used by one IAR may be different than strategies used by other IARs. Some Sunbelt IARs may use just one method or strategy while other IARs may rely on multiple. Sunbelt does not require or mandate a particular investment strategy be implemented by its IARs. Sunbelt periodically reviews each IAR’s activities and client portfolios.

Further, Sunbelt has no requirements for using a particular analysis method and Sunbelt IARs are provided flexibility (subject to Sunbelt’s supervision and compliance requirements) when developing their investment strategies. Each IAR affiliated with Sunbelt selects from a variety of sources from which they obtain information and data concerning securities, which they use to formulate their individual investment strategies. Clients are advised to become familiar with the sources of information used by their IAR and to ask any questions that they may have regarding those information sources. Prior to investing Clients should ensure that they understand and agree with the method(s) of analysis and investment strategy(ies) used by their IAR.

The following sections provide brief descriptions of some (not all) of the more common methods of analysis that are used by Sunbelt IARs:

- **Fundamental.** Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, trying to determine a company’s or security’s true value by looking at all aspects of the business, including both tangible factors (e.g., machinery buildings, land, etc.) and intangible factors (e.g., patents, trademarks, “brand” names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security’s current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).
- **Technical.** This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security’s intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.
- **Charting.** Charting is the set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.
- **Cyclical.** This method of analysis focuses on the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. The stock price of a cyclical company will often rise just before an economic upturn begins and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

Prior to investing, Clients should ensure that they understand and agree with the method(s) of analysis used by their IAR.

The following sections provide brief descriptions of some (not all) of the more common methods of investment strategies that are used by Sunbelt IARs:

- Long Term Purchases. Investments held at least a year.
- Short Term Purchases. Investments sold within a year.
- Short Sales. A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.
- Margin Transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm.
- Option Writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.
- Tactical Asset Allocation. Allows for a range of percentages in each asset class (such as stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.
- Strategic Asset Allocation. Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the Client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.
- Market Timing Services. Some Sunbelt IARs may provide a market timing service as a, or as part of, an investment strategy. In general, market timing is a strategy where the Sunbelt IAR will try to identify the best times to be in the market and when to get out. This service is designed to take advantage of stock market fluctuations by being invested based on the anticipated market direction. Clients should be aware that this strategy is considered an aggressive, higher-risk investment strategy.
- Modern Portfolio Theory. Proposes that investing in a predetermined asset mix derived from the efficient frontier (dictated to achieve a specific Client objective within a certain risk tolerance) and rebalancing with discipline, the portfolio is diversified across the various asset classes to mitigate unnecessary risk. This also provides for a portfolio that can operate without reliance on market timing and security selection; however, as with all equity investments positive returns are not guaranteed. In conjunction to investing in a diversified portfolio, each portfolio is constructed to meet specific parameters set forth in the individual Client’s investment needs and goals. These parameters can include, but are not limited to, tax efficiency, concentrated stock positions and management history.

Prior to investing, Clients should ensure that they understand and agree with the investment strategy(ies) used by their IAR.

D. Risk of Loss

Investing in securities involves risk of loss of principal that Clients should be prepared to bear. All securities are subject to some level of risk which could cause the value of the Client’s securities to decrease in value, and in some cases, could result in a loss of the Client’s entire investment. Furthermore, Clients must understand that past performance is not indicative of future results. Therefore, current and prospective

Clients should never assume that future performance of any specific investment or investment strategy will be profitable. Further, depending on the different types of investments there may be varying degrees of risk. Clients need to be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, Sunbelt and its IARs cannot represent, guarantee or even imply that our services and methods of analysis can or will predict future results; successfully identify market tops or bottoms; or insulate a Client from losses due to market corrections or declines.

The following are some types of risk that could affect the value of a Client's portfolio:

- **Alternative Investment Risk:** Alternative investments, including private placements, are subject to substantial risks, including the absence of a public market, limited transferability, lack of liquidity, payment of significant fees to the general partner(s) and the potential for total investment loss. The alternative investment's ability to achieve its objectives and to pay its distributions (when applicable) depends on the sponsor's ability to appropriately invest, manage and/or operate the underlying investments within the offering.
- **Business Risk:** Whether because of management or unfortunate circumstances, some businesses will inevitably fail. This is especially true during economic recessions. For example, a company stock may become worthless in the event of a bankruptcy, which would result in a loss of capital to the shareholders.
- **Currency or Exchange Rate Risk:** Foreign securities face the uncertainty that the value of either the foreign currency or the domestic currency will increase or decrease; either of which may cause the value of the Client's portfolio to fluctuate.
- **ETF and Mutual Fund Risk:** When investing in an ETF or a mutual fund, there are additional expenses based on a Client's pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Leveraged and inverse ETFs may not be suitable for all investors and have unique characteristics and risks.
- **Foreign Risk:** Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market or economic developments and can perform differently from the U.S. market. Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability and differing auditing and legal standards.
- **Inflation Risk:** Uncontrolled inflation reduces the buying power of a dollar and may cause uncertainty among individual investors, possibly resulting in corporations backing away from projects which could further reduce the value of corporate equities.
- **Interest Rate Risk:** If the Federal Reserve pushes interest rates higher, the market prices of bonds may be affected. When interest rates rise, the market price of bonds falls.
- **Issuer-Specific Risk.** The value of a specific security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. The value of securities of smaller issuers can be more volatile than that of larger issuers. The value of certain types of securities can be more volatile due to increased sensitivity to adverse issuer, political, regulatory, market or economic developments.
- **Liquidity Risk:** Certain investments lack liquidity or the ability to access their principal quickly, without incurring substantial penalties, or the inability to sell the investment until sometime in the future.
- **Margin Risk:** Margin values could significantly increase if the position goes against the Client.
- **Market Risk:** The risk that changes in the overall market will have an adverse effect on individual securities, regardless of the issuer's circumstances.
- **Opportunity Risk:** Clients or IARs may choose a conservative product to invest in, which could cause

the Client to miss out on market upswings which may have increased the value of securities with higher risk. The opposite is also true; market downturns could cause the Client to lose a significant amount of principal invested in higher risk securities, when their funds could have been invested in lower risk options.

- **Options Risk:** Holding options for long-term periods could weaken and/or reduce the value of the underlying stock or create the possibility of a worthless position.
- **Portfolio Turnover Risk:** Portfolio turnover refers to the rate at which investments are replaced. The higher the rate, the higher the transaction and brokerage costs associated with the turnover which may reduce the return, if any, unless the securities traded can be bought and sold without corresponding commission costs. Active trading of securities may also increase a Client's realized capital gains or losses, which may affect a Client's tax obligation.
- **Regulatory Risk:** Legislative, regulatory and/or judicial changes that impact businesses can drastically change entire industries.
- **Reinvestment Risk:** Clients may be unable to make additional purchases of a security already in their portfolio at the same rate at which the original purchase was made.
- **Short Sale Risk:** Positions have unlimited capability to increase in value, which in turn increases the Client's risk, as they would be required to purchase the securities at a high rate in order to cover the short sale.
- **Transactional Cost Risk:** The Client may incur significant transactional charges in an actively traded account. Frequent trading can decrease the value of a Client's account due to increased brokerage and transaction costs. In addition, frequent trading may cause taxable events to occur, which could increase the Client's tax burden.

Clients should understand and be willing to accept these and other types of risks before choosing to invest in securities or receive investment advisory services. Prior to investing, Clients should ensure that they have discussed and understand the types of risk(s) associated with the method(s) of analysis and investment strategy(ies) used by their IAR.

E. Voting Client Securities

Sunbelt and its IARs will not take any action or give any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which the Client's assets may be invested. Generally, all proxy materials will be sent directly to the Client. All proxy related materials received directly by Sunbelt or its IARs will be forwarded to the Client for direct action and the Client understands and agrees that the Client retains the right to vote all proxies which are solicited for securities held in the investment advisory account.

Item 7 – Client Information Provided to Portfolio Managers

Because the IAR acts as the Client's portfolio manager through a Sunbelt RD account, at the inception of the relationship, the IAR will gather relevant information from the Client such as the Client's risk tolerance, investment objectives and other information and will maintain updated information as it is supplied by the Client. It is important that Clients notify their IAR quickly when changes to their financial situation, objectives or other personal information occur, so that the IAR may make adjustments to their management of the Client's portfolio, if necessary.

Item 8 – Client Contact with Portfolio Managers

Because the IAR acts as the Client's portfolio manager through a Sunbelt RD account, there are no restrictions placed upon Clients' ability to contact and consult with the manager of their Sunbelt RD account.

Item 9 – Additional Information

A. Disciplinary Information

While Sunbelt is committed to high principles of ethical trade and promotes a culture of compliance, Sunbelt is required to disclose all material facts regarding any legal or disciplinary events that may be material to a Client's evaluation of Sunbelt. Below is a list of those material events:

- On September 16, 2011, the State of Kentucky cited Sunbelt in its capacity as a Registered Investment Adviser for failure to properly register an Investment Adviser Representative, when that Representative was acting in such capacity within the State of Kentucky.
 - On or before November 30, 2011, Sunbelt paid a \$15,770.76 fine to Kentucky.
 - Sunbelt has complied with the Order issued by Kentucky and has devoted the time and resources necessary to ensure continual compliance with Kentucky statutes.

B. Other Financial Industry Activities and Affiliations

Sunbelt is registered as a broker/dealer and as an investment adviser with the U.S. Securities and Exchange Commission ("SEC"). Sunbelt is a member of the Financial Industry Regulatory Authority ("FINRA"), the Municipal Securities Rulemaking Board ("MSRB") and the Securities Investor Protection Corporation ("SIPC").

Below is information that all Clients should be aware of concerning areas of potential conflicts of interest:

i. Broker/Dealers

As stated under Item 4, Sunbelt is dually registered as both a broker/dealer and as a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC"). Clients may purchase securities which result in the payment of commissions through Sunbelt in its capacity as a broker/dealer. If Clients receive continuous asset management services and are charged a fee for assets under management through Sunbelt in its capacity as a registered investment adviser, they will not be charged a commission on these transactions. This creates a conflict of interest and Clients are advised as to the capacity through which individual products or services are offered and the type of payment that will be received.

Clients who receive Financial Planning Services from Sunbelt IARs are not required to purchase securities through Sunbelt. IARs receive commissions, markups or markdowns as Registered Persons in connection with other securities transactions but never for transactions executed for advisory accounts. This ability to charge commissions is a conflict of interest. However, Sunbelt mitigates this conflict by reviewing to ensure that the IARs put their clients' interests ahead of their own.

Clients are under no obligation to purchase products or services recommended by the IAR or through the IAR or otherwise through Sunbelt. Clients are free to implement recommendations through any broker/dealer or investment adviser. If the Client requests that the IAR recommend a broker/dealer, the IAR will recommend Sunbelt; however, the Client is under no obligation to effect transactions through Sunbelt.

National Financial Services, LLC (“NFS”) executes trades, settles securities transactions and custodies Client assets in general securities accounts and investment advisory accounts. The commissions and/or transaction fees charged by Sunbelt and NFS may be higher or lower than those charged by other broker/dealer/custodians. Further, the fees charged by Sunbelt and NFS, or any other designated broker/dealer/custodian, may be exclusive or, and in addition to, Sunbelt investment advisory fees paid to IARs.

ii. Independent Registered Investment Advisers

In addition to or in lieu of their registration as IARs of Sunbelt, certain Registered Persons have chosen to set up and register their own investment adviser entities or become registered with other non-affiliated investment advisers. A Sunbelt IAR may establish or be affiliated with a separate Registered Investment Adviser which is referred to as an Independent Registered Investment Adviser, and a Registered Person who affiliates with such an Independent Registered Investment Adviser is referred to as an Independent IAR. These Independent IARs are dually licensed in states that permit dual licensing and/or registration. An independent IAR may have three different but concurrent roles:

1. As a Registered Person with Sunbelt who may receive commissions for recommending securities;
2. As an IAR of Sunbelt who may receive a fee for rendering advisory services; and
3. As an Independent IAR of an Independent Registered Investment Adviser who may offer services outside of Sunbelt.

However, the Clients are under no obligation to purchase products recommended by their Independent IAR regardless of which capacity the IAR is acting in. These Independent Registered Investment Advisers are not affiliated with Sunbelt although some of their advisors are also IARs with Sunbelt. Clients should be clear which entity the services are being offered through and the IAR should ensure that the appropriate Form ADV Part 2A and/or Wrap Fee Program Brochure(s) has been obtained. It is important to note that the information of Clients using the services of these Independent Registered Investment Advisers will be shared with Sunbelt for the purpose of surveilling transactions in the Clients’ account(s), as is Sunbelt’s regulatory requirement.

iii. Arrangements with Unaffiliated Investment Advisers

Sunbelt has developed several programs, previously described in Items 4 and 5, designed to allow Sunbelt’s IARs to recommend and select unaffiliated investment advisers for Clients. The selected unaffiliated investment advisers will act as either third-party money managers or sub-advisers. Whenever an unaffiliated investment adviser is selected to manage all or a portion of the Client’s assets, the outside investment adviser will be paid a portion of the fees the Client is charged and Sunbelt and its IAR will also receive a portion of the fees the Client is charged. While Sunbelt’s IARs endeavor at all times to put the interests of their Clients first as a part of Sunbelt’s fiduciary duty, Clients should be aware that the receipt of additional compensation itself creates a conflict of interest for the IAR and Sunbelt. This conflict is mitigated by Sunbelt conducting due diligence on these advisers including fee structures prior to approving them to be utilized for its clients as well as on an ongoing basis.

iv. Accountant, Accounting Firm, Lawyer or Law Firm

Some IARs may provide tax, accounting and/or legal services through an accounting firm or law firm, as applicable. IARs providing these types of services do so outside of their affiliation with Sunbelt and the services are not offered through Sunbelt or endorsed by Sunbelt. Clients to whom Sunbelt offers advisory services are informed that they are under no obligation to use the accounting or legal services provided by Sunbelt’s IARs and may use the accountant or legal firm and agent of their choosing.

v. Insurance Companies

Sunbelt's IARs are also licensed life insurance agents with various insurance companies and sell insurance products to advisory Clients. Therefore, the Client's IAR, in the capacity as a licensed life agent, may be able to implement insurance recommendations for advisory Clients electing to receive this service. In this event, Sunbelt's IARs, in their separate capacities as licensed insurance agents, will receive separate commission compensation for insurance and/or annuity sales.

This practice presents a conflict of interest, as IARs have an incentive to recommend insurance products be purchased through the IAR, thus increasing the IAR's compensation. Clients to whom Sunbelt offers advisory services are informed that they are under no obligation to use the insurance services provided by Sunbelt's IARs and may use the insurance firm and agent of their choosing.

C. Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

i. Code of Ethics

Sunbelt has adopted a Code of Ethics ("Code"), the full text of which is available to Clients and prospective Clients upon request. Sunbelt has several goals in adopting this Code. First, Sunbelt desires to comply with all applicable laws and regulations governing its practice. Sunbelt's senior management has set forth guidelines for professional standards, under which all associated persons of Sunbelt are to conduct themselves. Sunbelt has set high standards, the intention of which is to protect Client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith and fair dealing with Clients.

ii. Participation or Interest in Client Transactions

Independent IARs affiliated with Independent Registered Investment Advisers offer services outside of Sunbelt but do not receive commissions for underlying investments whether sold through Sunbelt or through another broker/dealer.

Some IARs of Sunbelt may invest in the same securities that they sell/recommend to Clients. The ability to trade the same securities as their clients presents a conflict of interest, because IARs may be tempted to place their trades before their Clients. IARs are required to act in the best interests of their Clients at all times and IARs are never allowed to trade before a client or clients trading the same security. If the IAR wishes to trade the same day as a client, Sunbelt requires it to be after all client transactions have been executed that day. Sunbelt's process for addressing these conflicts is addressed under the "Personal Trading" section below.

iii. Personal Trading

IARs associated with the Firm buy, sell and/or recommend investment products identical to those purchased, sold or recommended to Clients for their personal account(s). It is the intent of Sunbelt that Clients will receive priority in order executions before the Firm and/or its representatives. As a result, the Firm's policy is to always trade client accounts prior to executing trades in IARs' personal accounts. Under certain circumstances, exceptions may be made to the policies stated above with written approval of the Firm's CCO or designee. Records of these trades, including the reasons for the exceptions, will be maintained with Sunbelt's records. Sunbelt's policy does not apply to certain types of securities, such as obligations of the U.S. Government, and shares in open-end mutual funds. Open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds by IARs do not have an impact on the prices of the fund shares in which Clients invest.

D. Review of Accounts

Each IAR will monitor Client accounts and will conduct a review of accounts periodically. Factors that may stimulate additional reviews include, but are not limited to, significant market corrections, large deposits or withdrawals from an account, substantial changes in the value of a Client's portfolio and a change in the Client's investment objectives or risk tolerance.

In addition to the account reviews conducted by IARs, Sunbelt utilizes the following systems and procedures to supervise Client accounts:

- Sunbelt RD accounts are supervised through electronic and manual transactional review systems for supervisory review.
- Other investment advisory products and services are reviewed through a number of internal reports run by Sunbelt.
- Sunbelt periodically examines all places of business. During this examination a sampling of accounts and/or transactions are reviewed by the auditor.

Any discrepancies identified may trigger additional reviews of Client accounts, during which Sunbelt may request that IARs supply information concerning their Clients' accounts and/or portfolios.

As a reminder, on at least a quarterly basis, Clients receive account statements from the qualified custodian at which their account is held. Clients are strongly advised to carefully review all statements upon receipt and advise their IAR and Sunbelt if there are any discrepancies.

E. Client Referrals and Other Compensation

Sunbelt has entered into solicitor agreements with independent third-party investment advisers, pursuant to which Sunbelt and IARs receive solicitor fees from the third-party investment advisers in return for referral of Clients. The IAR provides the referred Client a disclosure statement regarding the role of Sunbelt and the IAR as a solicitor agent, but the IAR does not enter into an agreement with the Client to provide ongoing investment advice. Instead, the Client engages the third-party investment adviser for advisory services. This practice presents a conflict of interest, as Sunbelt and its IARs are engaged and paid by the third-party investment adviser for the referral. Sunbelt addresses this conflict by conducting due diligence on the advisers to ensure that they are suitable for the clients and the referrals will be in the clients' best interest. Further, Sunbelt will provide the Clients with a disclosure statement explaining the relationship and the solicitor fees of Sunbelt and its IARs.

F. Financial Information

There are no financial conditions that will reasonably impair Sunbelt's ability to meet contractual commitments to its Clients. Sunbelt has never been the subject of a bankruptcy proceeding.