

# Ladenburg Thalmann Asset Management Inc.

## *Architect Wrap Fee Program Brochure*

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**This wrap fee program brochure provides information about the qualifications and business practices of Ladenburg Thalmann Asset Management Inc. If you have any questions about the contents of this brochure, please contact us at (800) 995-5267 or [lamp@ladenburg.com](mailto:lamp@ladenburg.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Ladenburg Thalmann Asset Management Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

03/13/2020

## Item 2 – Summary of Material Changes

This section provides a summary of material changes that were made to this brochure since the amendment on March 29<sup>th</sup>, 2019. Ladenburg Thalmann Asset Management Inc. (“LTAM”) may make interim changes to this brochure throughout the year. Each brochure must be filed with the SEC and can be viewed at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Material Changes:

- Ownership Changes- Ladenburg Thalmann Financial Services, Inc. is now a wholly-owned subsidiary of Advisor Group Holdings, Inc which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners LLC.
- Item 9 – Additional Information: Other Financial Industry Activities and Affiliations: This section was amended to disclose new related persons that are operationally separate from LTAM, but under common control of parent company Advisor Group Holdings, Inc.

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## Item 4 – Services, Fees and Compensation

### ***Investment Advisory Services***

Each client has a financial adviser, who is an advisory representative of Ladenburg Thalmann Asset Management (“LTAM”). The financial adviser is generally also a broker-dealer representative of Ladenburg Thalmann & Co. Inc. Clients who wish to participate in the Architect Program (“Architect”) will enter into an Architect agreement with LTAM.

Clients inform their financial advisers of the investment objectives, risk tolerance, and investment time horizon, and any investment policies, guidelines, or reasonable restrictions applicable to the assets they designate for investment through the Architect Program. Based on the information provided, the financial adviser recommends securities to the client and assists the client in purchasing, selling, or otherwise trading securities or other investments. Such securities may include, but are not limited to, equities, bonds, options, government securities, exchange-traded funds, and mutual funds. Neither LTAM nor its financial adviser will have any discretionary authority over the account and will purchase or sell securities only as authorized by the client.

### ***Execution of Trades***

Clients generally authorize and direct LTAM to execute trades for the account in Architect through Ladenburg Thalmann & Co. Inc., a broker-dealer affiliated with LTAM. Assets in the Architect program are also not generally aggregated by LTAM. In accordance with applicable law and regulation, broker-dealers may execute principal trades for the account(s). In addition, the broker-dealer has the authority to effect “agency-cross” transactions (i.e. transactions for which a broker-dealer acts as broker for both the client and the counterparty to the transaction) for the account(s) in accordance with applicable law and regulations. In both a principal and agency-cross trade, the affiliate broker-dealer of LTAM may receive compensation from the other party for such transaction and, thus, LTAM may have a potentially conflicting division of loyalties and responsibilities. Client may revoke authorization to effect agency cross transactions at any time by written notice to LTAM. LTAM has policies and procedures to address such conflicts of interest.

### ***Custody***

LTAM does not maintain physical possession of any client assets. All client assets are held by an independent qualified custodian, which may be a broker-dealer, bank or trust company. Clients will receive account statements from the broker-dealer, bank or other qualified custodian holding the clients’ assets. Clients should carefully review those statements. Clients who also receive account reviews from LTAM should compare them to the account statements they receive from the qualified custodian. The account statements received from the qualified custodian are the official statement of clients’ accounts. Any account information provided by LTAM is for informational purposes only. LTAM may have standing letters of authorization granting it first-party asset movement authority on its clients’ accounts at certain of LTAM’s qualified custodians. LTAM provides the qualifying Custodian the client’s authorization in writing. The qualifying Custodian has a record that the client has identified the accounts for which the transfer is being effected as belonging to the client (both sending and receiving accounts). LTAM’s authority to transfer client assets between clients’ accounts at the same qualified custodian or between another independent qualified custodian, (which may be a broker-dealer, bank or trust company) in which both have access to the sending and receiving account numbers and client account name(s) are deemed to be first party asset movement and does not constitute custody.

### ***Fees and Compensation***

Each account in Architect will generally be charged an asset-based fee ("Wrap Fee") on a quarterly basis. The Wrap Fee will be calculated based on the value of the Architect assets in the account. The rate or rates used to calculate the Wrap Fee are subject to negotiation between the financial adviser and each client. The actual fee rates paid by the client will be set forth in the client's Architect agreement. The maximum annual Wrap Fee rates for accounts at National Financial Services ("NFS") are:

<b>Value of Account Assets</b>	<b>Maximum Annual Program Fee Rate</b>
Up to \$100,000	3.00%
\$100,001 – \$250,000	2.75%
\$250,001 – \$500,000	2.50%
\$500,001 – \$1,000,000	2.25%
Over \$1,000,001	2.00%

The Wrap Fee rate may be either a flat annual fee rate (maximum rate of 3.00%) or will be a blended fee using two or more of the rate tiers set forth above. The blended rate is calculated by charging a lower rate on the assets above the designated tiers. The Wrap Fee will generally be charged in advance. However, certain clients may be charged in arrears. Certain clients may also be charged monthly rather than quarterly. Whether the Wrap Fee is charged in advance or in arrears, or quarterly or monthly, is set forth in the client's Architect agreement.

Either party at any time upon written notice may terminate the Architect agreement and a *pro rata* portion of any Wrap Fee paid by the client in advance will be remitted to the client based on the number of days left in the quarter following receipt of the notice of termination by LTAM. When the Wrap Fee is paid in arrears, a *pro rata* portion of the Wrap Fee will be due by the client based on the number of days elapsed during in the quarter prior to receipt of the notice of termination.

The Wrap Fee covers the advisory services provided by the financial adviser, program administrative services provided by LTAM, transaction charges and commissions in connection with execution of transactions through Ladenburg Thalmann & Co. Inc. ("LTCO"), and custodial services (unless otherwise agreed between the custodian and the client). LTAM also shares a portion of the Wrap Fee with the LTAM financial adviser. LTCO will also receive a portion of the Wrap Fee for the execution of transactions and generally pays part of its compensation to the custodian.

Architect may cost a client more or less than purchasing such service separately depending on the frequency of trading in the Architect accounts, commissions charged at other broker-dealers for similar products, fees charged for like services by other advisers and broker-dealers and other factors.

The Wrap Fee does not cover:

- Brokerage commissions or other charges resulting from transactions not effected through LTCO;
- "Mark-ups" and "mark-downs" or "dealer spreads" that broker-dealers, including affiliates of LTAM, may receive when acting as principal in certain transactions;
- Short term redemption fees that may be charged in connection with certain funds (see below);
- Any additional custodial services contracted for directly by the client with the custodian;
- Certain costs or charges that may be imported by LTCO or the custodian, including costs associated with exchanging foreign currencies, odd-lot differentials, IRA fees, transfer taxes, exchange fees,

wire transfer fees, postage fees, and other fees or taxes required by law.

Certain securities, such as over-the-counter stocks and fixed income securities are traded primarily in "dealer" markets. In such markets, securities are directly purchased from, or sold to, a financial institution acting as a dealer, or "principal." Dealers executing principal trades typically include a "mark-up," "mark-down," and/or spread in the net price at which transactions are executed. When LTCO executes a transaction for a security traded in the dealer markets, LTCO either will execute the transaction as agent through a dealer unaffiliated with LTCO, or as principal in accordance with applicable law. Clients in the Program will not pay commissions or separate transaction charges to LTCO in connection with these transactions, however, the client will bear the cost (including any mark-up, mark-down, and/or spread) imposed by the dealer as part of the price of the security. Thus, the dealer will receive compensation in connection with most principal trades. LTAM has a conflict of interest in using LTCO to execute principal transactions because LTCO will receive compensation in connection with the trade as dealer, which is in addition to the Program Fee. For more information about how this conflict of interest is addressed, see the *Additional Information* section below.

In addition to the Wrap Fee, each mutual fund or exchange-traded fund ("ETF") in which a client may invest also bears its own investment advisory fees and other expenses. Mutual funds may be available directly from the funds pursuant to the terms of their prospectuses and without paying the Wrap Fee and ETFs may be available outside of the Program without paying the Wrap Fee, subject to applicable commissions and/or transaction charges. Further, to the extent that cash used for investment through Architect comes from redemptions of the client's mutual fund or other investments outside of Architect, there may be tax consequences or additional cost from sales charges previously paid and redemption fees incurred. Such redemption fees would be in addition to the Wrap Fee on those assets.

Other forms of compensation that LTCO, LTAM's financial advisers acting in their capacity as LTCO registered representatives, and/or LTAM's other affiliated broker-dealers may earn in connection with the sale of investment products recommended to clients by LTAM are described in the *Other Financial Industry Activities and Affiliations* section below.

## Item 5 – Account Requirements and Types of Clients

The minimum amount of assets required to open an account in the Architect Program is \$50,000. LTAM may waive these minimums under certain circumstances. Should the market value of an account fall below the stated minimum, LTAM will have the right to require that additional monies be deposited to bring the account value up to the required minimum, or close the account.

The following types of clients may participate in Architect: individuals, including high net worth individuals, including small business owners, pension and profit sharing plans, trusts, estates and charitable organizations, corporations or other business entities, Taft-Hartley plans, and not for profit entities.

## Item 6 – Portfolio Manager Selection and Evaluation

LTAM advisers are the only portfolio managers available through Architect.

### ***Individual Needs of Clients and Restrictions***

LTAM advisers tailor their advisory services to the individual needs of the client in the Architect program. Clients inform their adviser of their investment objectives, risk tolerance, and investment time horizon and give their adviser any applicable investment policies, guidelines, or reasonable restrictions. Clients may impose reasonable restrictions on the investments in their accounts, including designating

particular securities or types of securities that should not be purchased for an account. Any restrictions imposed by a client may cause the adviser to make different recommendations than he or she would in the absence of such restrictions. Thus, the account may not perform as well.

### ***Other Types of Accounts***

LTAM provides advice through other programs and services, which include other Wrap Fee programs. These programs and services are described in different disclosure documents which are available upon request. These programs and services generally may not be managed using the same securities, strategies and funds used in Architect.

### ***No Performance-based Fees***

Neither LTAM nor any of its supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client.

### ***Methods of Analysis, Investment Strategies and Risk***

Advisers base recommendations that they make in Architect using various types of investment strategies.

The main sources of information advisers may use include financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filing with the SEC and company press releases. The investment strategies used to manage accounts may include long term purchases, short term purchases, selling securities within 30 days, short sales, margin transactions, and option writing. LTAM advisers may have access to third party vendors that provide support services in portfolio design and strategy implementation. Examples of third party sources used to assist in managing assets are S&P Research, Independent Research, Bloomberg, Morningstar Workstation, various ETF & fund screeners, economic news services, statistical ratings organizations and asset allocation software or proposal systems. Our firm may use these tools along with an investor profile or questionnaires to recommend a portfolio or a selection of securities that will assist a client to achieve their objectives and risk tolerances.

Each investment style, strategy, and investment entails varying degrees of risk. There can be no assurance that a particular investment or strategy will be successful or that clients will not suffer losses. Results generated by for each account will differ, and the investment advice provided to an individual will differ from client to client. Investment performance is not guaranteed, and the adviser's past performance with respect to a client's account or other accounts does not predict future performance. The investment strategies used to manage accounts may include long term purchases, short term purchases, selling securities within 30 days, short sales, margin transactions, and option writing.

**Margin risk:** Leverage increases a portfolio's risk as price swings are amplified in a margin account and clients can lose more funds than deposited if value of securities decline.

**Options risks:** An option holder runs the risk of losing the entire amount paid for the option in a relatively short period of time. This risk reflects the nature of an option as a wasting asset which becomes worthless when it expires. An option holder who neither sells their option in the secondary market nor exercises it prior to its expiration will necessarily lose their entire investment in the option. An option writer may be assigned an exercise at any time during the period the option is exercisable.

Starting with the day it is purchased, an American-style option is subject to being exercised by the option holder at any time until the option expires. This means that the option writer is subject to being assigned an exercise at any time after they have written the option, until the option expires or until they have closed out their option position in a closing transaction. By contrast, the writer of an European-style or capped

option is subject to assignment only when the option is exercisable or, in the case of a capped option, when the automatic exercise value of the underlying interest hits the cap price. For more information regarding the risks of options, please read the 'Characteristics and Risks of Standardized Options' brochure, which can be found at [www.optionsclearing.com](http://www.optionsclearing.com).

### ***Voting Client Securities***

With respect to the Architect program, unless LTAM and the client otherwise agree in writing, LTAM is expressly precluded from taking any action or rendering any advice with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held in the account. The client expressly retains the authority and responsibility with respect to voting proxies for the account(s) or will delegate discretion with respect to voting such proxies to a third party. If LTAM receives any proxy materials that pertain to securities held in the account, LTAM will forward the materials to person designated by the client.

## **Item 7 – Client Information Provided to LTAM**

As described in *Services, Fees and Compensation* above, clients inform their adviser of their investment objectives, risk tolerance, and investment time horizon and give their adviser any applicable investment policies, guidelines, or reasonable restrictions.

Clients may impose restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account.

A client also may request that LTAM make recommendations for the client's account in accordance with client-specified investment guidelines or policies or otherwise implement a strategy in the client's account in a manner that may differ from that in which LTAM would otherwise have recommended.

The client must promptly inform their assigned adviser of material changes in their financial circumstances or investment objectives. The adviser will periodically discuss, at least once a year, whether the management of the account continues to reflect the investment objectives and financial requirements of the client.

## **Item 8 – Client Contact with LTAM**

Clients are encouraged to contact their adviser directly.

## **Item 9 – Additional Information**

### ***Disciplinary Information***

On August 25, 2016, pursuant to an offer of settlement by LTAM and as part of an enforcement sweep of 13 investment advisers, the SEC entered an order against LTAM (the "Order") making findings -- which LTAM neither admitted nor denied -- and imposing sanctions consisting of a cease-and-desist order and a civil money penalty. The Order indicates that LTAM violated Section 206(4) of the Investment Advisers Act of 1940 ("Advisers Act") and rule 206(4)-1(a)(5) thereunder by incorporating into certain advertisements for the Alpha Sector strategies offered through an LTAM wrap-fee program some inaccurate performance information provided by F-Squared Investments, Inc. ("F-Squared"), without having a reasonable basis to conclude that the information was true. The Order also indicates that LTAM violated the Advisers Act's recordkeeping provisions by failing to maintain records to substantiate the advertised performance information supplied by F-Squared. The Order acknowledges that LTAM's wrap-fee brochure disclosed that LTAM did not verify performance information supplied by third-party managers used in the wrap-fee program.



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

Ladenburg Thalmann Asset Management Inc. (“LTAM”) is an investment advisory firm and has been in business since October 29<sup>th</sup>, 1982. LTAM is a wholly owned subsidiary of Ladenburg Thalmann Financial Services Inc. (“LTFS”). In turn, LTFS is a wholly-owned subsidiary of Advisor Group Holdings, Inc. (AGHI), which is owned primarily by a consortium of investors through RCP Artemis Co-Invest, L.P., an investment fund affiliated with Reverence Capital Partners LLC. The consortium of investors includes RCP Genpar Holdco LLC, RCP Genpar L.P., RCP Opp Fund II GP, L.P., and The Berliniski Family 2016 Trust.

Ladenburg Thalmann Financial Services, Inc. (“LTFS”) owns 100% of both LTAM and Ladenburg Thalmann & Co. Inc. (“LTCO”), a registered broker-dealer. As explained in the Fees and Compensation section above, LTCO may execute trades on behalf of clients who receive advisory services from LTAM. LTCO receives compensation for these brokerage services, which it shares with LTAM financial advisors who are also registered broker-dealer representatives of LTCO.

Other companies that are owned by LTFS and thus affiliated with LTAM are:

Ladenburg Thalmann Financial Services, Inc. (LTFS)	100% owned by AGHI
Ladenburg Thalmann & Co. Inc. (LTCO)	100% owned by LTFS
Triad Advisors, LLC	100% owned by LTFS
Triad Hybrid Solutions, LLC	100% owned by LTFS
Investacorp, Inc.	100% owned by LTFS
Investacorp Advisory Services	100% owned by LTFS
Premier Trust, Inc.	100% owned by LTFS
Securities America Financial Corporation (SAFC)	100% owned by LTFS
Securities America, Inc.	100% owned by SAFC
Securities America Advisors, Inc.	100% owned by SAFC
Arbor Point Advisors, LLC	Majority owner SAFC
KMS Financial Services, Inc.	100% owned by LTFS
Securities Service Network, LLC. (SSN)	100% owned by LTFS
SSN Advisory, Inc.	100% owned by LTFS
Highland Capital Brokerage Insurance Company	100% owned by LTFS
Valor Insurance Agency, Inc.	100% owned by LTFS

LTAM also has related persons, as they are under common control of LTFS’s parent company, AGHI. LTAM’s affiliates below and your Advisory Representative cannot conduct or recommend business through these related persons, these relationships do not create a material conflict of interest. The following chart details the related persons, which are wholly owned subsidiaries of Advisor Group, Inc. (AGI), which is a wholly owned subsidiary of Advisor Group Holdings, Inc.

Advisor Group, Inc. (AGI)	100% owned by AGHI
Royal Alliance Associates, Inc. (RAA)	100% owned by AGI
Financial Service Corporate (FS Corp)	100% owned by AGI
FSC Securities, Corporation (FSC)	100% owned by FS Corp
SagePoint Financial Inc (SPF)	100% owned by AGI
Woodbury Financial Services, Inc (WFS)	100% owned by AGI
Vision2020 Wealth Management Corp.	100% owned by AGI

Certain principal executive officers of LTAM may be employees, officers, or directors of affiliates listed above. These permitted additional responsibilities could be viewed as creating a conflict of interest in that the time and effort of the directors, officers, principals and employees of LTAM because they will not be devoted exclusively to the business of LTAM and may have conflicts of interest due to their loyalties to the different entities.

Certain of LTAM's principal executive officers, members of the LTAM investment committee and other individuals who determine investment advice given to clients are registered representatives of LTCO.

LTAM financial advisors may recommend that clients invest in the Alternative Strategies Fund and Ladenburg Funds for which LTAM acts as investment adviser, and LTCO acts as distributor. Transactions for the funds are generally executed through LTCO. For more information see the prospectus.

These recommendations create a conflict of interest because LTAM and LTCO generally receive more compensation in connection with the purchase of these investments than they do in connection with the purchase of other investments.

Certain of LTAM's principal executive officers, members of the LTAM investment committee and other individuals who determine investment advice given to clients are registered representatives of LTCO.

LTAM financial advisers may recommend Premier Trust to provide trust and administrative services. Premier Trust provides full disclosure with respect to its trust and administrative services and related costs.

As explained above, LTCO acts as a dealer with respect to certain securities, and as such, may execute transactions for LTAM clients as principal. As a dealer, LTCO may receive a "mark-up," "mark-down," and/or spread in the net price at which principal transactions are executed. This compensation is in addition to other compensation that client pays to LTAM and its affiliates. Thus, LTAM has a conflict of interest in recommending or deciding to execute trades through LTCO on a principal basis. LTAM addresses this conflict of interest in the following ways. After receiving disclosures about a specific principal transaction with LTCO, clients have the opportunity to reject the transaction before it is completed, to the extent required by applicable law. In addition, LTAM has policies and procedures in place to assure that clients receive best execution with respect to principal trades, regardless of whether the trade is executed by LTCO or an unaffiliated dealer.

LTAM may also recommend that clients invest in securities issued in an initial public and/or secondary offerings ("new issues") for which LTCO acts as a manager, underwriter and/or a member of the selling group. LTAM has a conflict of interest in recommending these securities for several reasons. First, LTCO receives all or a portion of the gross spread – the difference between the price that the client pays for the security and the price that LTCO purchases the security for -- in connection with such sales. This gross spread is generally 7% but may be higher or lower in connection with certain offerings. LTAM financial advisers generally receive a portion of this compensation as broker-dealer representatives of LTCO. In addition, LTCO has a substantial interest—both financial and with respect to its reputation—in assuring that the offering is successful by having a large number of the securities purchased. Finally, in connection with certain offerings, LTCO has an obligation to purchase and resell a certain number of securities. Thus, because of its affiliation with LTCO, LTAM has incentives to recommend these investments in these offerings for these reasons, rather than based on a client's needs. To address these conflicts, LTAM has policies and procedures in place to make sure that securities in initial public

offerings are recommended only to clients for whom they are suitable given the client's investment objectives and assets. In addition, clients are generally given transaction specific disclosure prior to the client's decision to invest in such securities. Securities acquired in initial public and secondary offerings may be oversubscribed and LTAM has policies and procedures in place for the allocation process.

Please also note that LTAM compensates its financial advisers for the costs of marketing, distribution, business and client development and educational enhancement incurred by the financial adviser for the promotion of LTAM's services. This compensation may be based on assets under management or otherwise advised.

### ***Payments from Third Parties***

In addition to the various types of compensation LTAM's affiliates may earn from clients in connection with effectuating the investment advice LTAM renders to clients, these affiliates may also receive payments from third parties in connection with services rendered to LTAM's clients.

For example, LTCO and other affiliated broker-dealers may receive distribution or service ("trail") fees from the sale of certain unaffiliated mutual funds (including money market funds) pursuant to a 12(b)-1 distribution plan or other such plan as compensation for distribution or administrative services. These fees are distributed from the fund's total assets. LTCO may pay a portion of the distribution fees it earns to LTAM's financial advisers in their capacity as broker-dealer representatives of LTCO. For accounts custodied at NFS, LTCO credits 12b-1 fees received for LTAM financial advisers back to the client accounts. LTAM's affiliated broker-dealers may also participate in revenue-sharing arrangements based on fees paid by mutual funds to participate in No-Transaction-Fee ("NTF") platforms made available by custodians.

In addition, LTCO and other affiliated broker-dealers typically receive compensation in connection with cash held in brokerage accounts. For most accounts, the Bank Deposit Sweep Program (the "BDSP") is the only vehicle available for cash balances (from deposits to the account, securities transactions, dividend and interest payments and other activities) in the account. LTCO will receive a fee in connection with the BDSP based on the value of the cash in the program. This fee will reduce the amount of interest that clients receive in connection with cash held in their accounts. The financial adviser will not receive any portion of the BDSP fee received by LTCO. The Insured Cash Account Program is the core account investment vehicle offered for eligible advisory IRA accounts custodied at National Financial Services. Each month for any advisory IRA using the Insured Cash Account Program as the core account investment vehicle, a level administrative fee applies for the administrative services performed in operating the program. The level account fee is predetermined by formula, as stated in the Insured Cash Account Program Disclosure Document. We cannot earn income in excess of the stated level account fee. The aggregate interest generated by banks participating in the Insured Cash Account Program is used to pay the level account fee for each individual client and to pay any third-party vendor fees. All interest left over after these payments is then credited to client accounts in the Insured Cash Account Program. A detailed explanation of the method for calculating interest and fees is available in the Insured Cash Account Program Disclosure Documents which can be found here:

<http://www.ladenburg.com/bank-deposit-sweep-programs>

LTAM's affiliates may also receive payments called "revenue sharing payments" and/or "marketing allowances" from certain product sponsors ("Strategic Partners") including mutual funds, insurance companies, and Non-Traded products such as Real Estate Investment Trusts ("REITS"). These payments are not shared with LTAM's financial advisers. For more detailed information about the products in the

Strategic Partners program, you may request the complete disclosure document from your financial adviser.

Qualified custodians are another source of revenue to LTAM's affiliated broker-dealers. In this regard, LTAM's affiliates may receive revenue based upon client activity, as well as the amount of assets custodied with these firms. The types of revenue include, but are not limited to, margin interest charges, IRA fees, inactivity fees, 12b-1 trails and other fees set forth in the custodian's Schedule of Client Fees and Charges.

### ***Conflicts of Interest***

The various compensation arrangements discussed in this section of the Brochure present conflicts of interest for LTAM, because they incentivize the firm and its financial advisers to select or recommend products that provide such payments. To mitigate these conflicts, LTAM prohibits its financial advisers and other supervised persons from selecting or recommending any product based solely on payments that LTAM, its employees or its affiliates may receive in connection with the promotion of that product. Instead, LTAM requires financial advisers and other supervised persons to advise and make recommendations in clients' best interests, taking into account clients' needs, investment objectives and risk tolerances. LTAM offers a number of investment advisory programs that may include the Ladenburg Funds, a series of mutual funds that are managed by LTAM. Since LTAM receives an internal management fee from the funds, a potential conflict of interest exists.

### ***Code of Ethics and Personal Trading***

LTAM has adopted a Code of Ethics for all supervised persons of LTAM, describing its high standards of business conduct, and fiduciary duty to clients. All supervised persons at LTAM must acknowledge the terms of the Code of Ethics and personal securities transactions and holdings annually, or as amended. The Code of Ethics sets forth detailed policies and procedures regarding the personal trading of its personnel. The Code of Ethics also contains policies and procedures to prevent the misuse of material, non-public information by LTAM's officers and employees. A copy of the LTAM Code of Ethics may be obtained by writing to: Ladenburg Thalmann Asset Management Inc., 277 Park Avenue, 26th Floor, New York, NY 10172.

LTAM personnel are required to conduct their personal investment activities in a manner that is not detrimental to its advisory clients. LTAM personnel are not permitted to transact in securities except under circumstances specified in the Code of Ethics.

LTAM may give advice, take action, or hold or deal in securities for some clients or accounts, including LTAM's own accounts, which differs or may be similar at times from the advice it gives, action it takes, or securities it holds or deals for other clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of LTAM will: (a) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; (b) at all times place the interests of clients first while, at the same time, allowing employees to invest for their own accounts; (c) disclose all actual and potential conflicts; (d) adhere to the highest standards of loyalty, candor and care in all matters relating to clients; (e) conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and (f) not use any material non-public information in securities trading.

The Code of Ethics also establishes policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of LTAM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. LTAM and its employees may not enter orders for accounts in which they have a beneficial ownership interest to benefit from their knowledge of clients' orders in a particular security ("front-running"). This includes orders in securities that are derivatives (options, warrants, etc.) of the security being purchased or sold by the client. Because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between LTAM and its clients.

Certain clients also may maintain accounts at LTCO for which LTAM does not act in an advisory capacity. In providing execution services to these accounts separate and apart from the client's advisory accounts, LTCO may enter into transactions as principal. These activities are separate and apart from LTAM's advisory services.

The Code of Ethics is enforced through compliance monitoring activities and surveillance. In cases where the firm discovers that an employee has violated a firm policy and/or procedure, the firm's code of business conduct or code of ethics, a state or federal law, regulation of the SEC, or other regulatory agency, the Compliance Department will take appropriate steps to investigate the circumstances and will take action commensurate with the manner of the violation. Such actions could take the form of a written warning to the employee in conjunction with the firm's Legal Department, or be as serious as disciplinary action up to and including termination. Any such investigations will be brought to the appropriate regulator's attention, if necessary, which may result in a disclosure of the violation on the employee's U-4 form, if required.

### ***Review of Accounts***

The adviser is primarily responsible for reviewing the accounts on an on-going basis to ensure that the investment strategy continues to be suitable for the client, taking into account any changes to the information provided by the client. LTAM generally reviews Architect accounts at least monthly. These reviews are performed by LTAM's Chief Compliance Officer and Branch Officer Managers.

LTAM or the adviser may provide clients with quarterly performance reviews of Architect accounts. LTAM and the adviser may not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter. Performance reviews are not a substitute for regular monthly account statements received from the custodian or Form 1099. Performance reviews should not be used to calculate fees or to complete income tax returns. Upon a client's specific request and subject to the relevant firm's policies and procedures and applicable law, the performance review may include information about assets outside the program. By including any such assets in the performance review, the firm is not undertaking to provide or be responsible for providing any services with respect to those assets.

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

LTAM may enter into agreements with third parties that will solicit clients for LTAM and receive compensation for solicitation efforts. In such instances, the third-party solicitor will receive either a percentage of, or a set fee from, the fee charged to the client. If a solicitor is used in connection with a client's account, the structure and arrangement of the solicitation agreement, as well as the compensation

paid to the solicitor, will be fully disclosed to the client. This disclosure will be acknowledged in writing by the client when participating in a LTAM program. The fee charged to a client is not affected by the use of a third-party solicitor in connection with client accounts, and a client will not be charged any additional fees for the use of such services.

***Financial Information***

LTAM does not require prepayment of advisory fees six months or more in advance. LTAM has never been the subject of a bankruptcy petition.

**Item 10 – Privacy Policy**

A full copy of our Privacy Policy is provided, upon inception, of a new client and is provided each year thereafter. You may request a copy of our Privacy Policy at any time and a copy will be furnished within a reasonable period of time to you at your current address of record.