



**Form ADV Part 2A, Appendix 1 Wrap Brochure  
IMS Flex Choice Wrap Programs  
*Discretionary and Non-Discretionary  
For KP Clients Only***

***Effective September 14, 2020***

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

This Form ADV Part 2A, Appendix 1 Wrap 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 Services<sup>SM</sup> and Avantax Insurance Agency<sup>SM</sup>. 3200 Olympus Blvd., Suite 100, Dallas, TX 75019 972-870-6000

## **Item 2: Summary of Material Changes**

Although the following are not considered “material changes”, they are important updates to our Form ADV Disclosure Brochure. Changes since our April 2020 version include:

- The former *VestAdvisor* program is now called the IMS Flex Choice program
- The maximum billing rate for IMS Flex Choice accounts is 2.30%, reduced from the previous 3.00%
- IMS Flex Choice accounts are now offered in a wrap-fee program

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## 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 Part 2A, Appendix 1 Wrap Brochure ("Wrap Brochure") which provides the required Form ADV Part 2A, Appendix 1 disclosures.

### Avantax Advisory Services

Avantax Advisory Services, Inc. ("AAS") 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. ("AWM") 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"), formerly known as HD Vest Investment Securities, Inc., a broker-dealer registered with the SEC and a FINRA member firm. Your Advisor may be affiliated with both AAS and AIS for the purpose of offering you a broader range of financial services. AAS is also affiliated with Avantax Insurance Agency<sup>sm</sup>, Avantax Insurance Services<sup>sm</sup>, (collectively referred to as Avantax Insurance) and Honkamp Krueger Financial Services, Inc., an affiliated investment adviser registered with the SEC.

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 our Advisors' investment advice is tailored to our 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.

### Other Fee-Based Investment Management Solutions ("IMS") Programs

For additional information about other programs offered by AAS, please ask your Advisor for further details.

### IMS Flex Choice Wrap Program

The IMS Flex Choice Program ("IMS Flex Choice" or "Wrap Program") is offered as a discretionary or non-discretionary investment advisory program by AAS. You are required to open an account with Charles Schwab & Co., Inc. ("Schwab" or "Custodian"), a registered broker-dealer, member SIPC, as the qualified custodian to participate in the Wrap Program.

IMS Flex Choice Portfolios consist of models that are invested in different types of securities, including but not limited to, mutual funds, stocks, bonds, unit investment trusts, ETFs, cash and cash equivalents (together "Approved Securities") and may be held in either a cash or a margin account. Your Advisor will monitor market conditions and the performance of your Account and reposition securities as needed. Client may change the Account's risk profile selection if there are changes to the Client Risk Profile. The minimum initial investment in the IMS Flex Choice Wrap Program is \$25,000. AAS can elect to waive account minimums in their judgment.

The Wrap Program is designed for individuals with investment accounts of at least \$25,000 or more of Approved Securities. The Wrap Program is designed to help you pursue your investment goals and needs as communicated by you to your Advisor.

Your Advisor serves as portfolio manager for your IMS Flex Choice Account. Generally, your Advisor evaluates the universe of Approved Securities (or a subset based on their individual professional preferences) evaluated during their due diligence process. Not every Advisor has the same experience when managing investment portfolios, and you should carefully consider this when choosing the IMS Flex Choice Wrap Program. Your Advisor's Form ADV Part 2B Supplemental Brochure ("Form ADV Part 2B") provides additional background on your Advisor's

experience. You will also find additional information on AAS, our affiliates and your Advisor on Investor.gov, a website sponsored by the SEC.

To participate in the Wrap Program, your Advisor gathers information regarding your financial situation and assists you in completing the agreements and account opening documents which set forth the terms under which managed account services are provided to your Account. Participation in this Wrap Program also requires you to provide the ability for your Advisor to trade your Account on a discretionary basis. Your account opening documents will include the applicable discretionary trading authorization.

AAS and your Advisor rely on the information you provide to your Advisor, and it is important that you keep your information current. You have an ongoing obligation to notify your Advisor if there are any changes to your financial situation or the information provided, including information relevant to your investment objectives or risk tolerance. You must also inform your Advisor if there is other information 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).

You can request that your Advisor add reasonable trading restrictions ("Reasonable Restrictions") to your Account at any time during the management of your Account. Your Advisor or AAS has the option to decline or terminate the Account if your elected Reasonable Restrictions are too prohibitive, and we do not feel the Account can be managed within this Wrap Program. Restrictions imposed on management of an Account, even those considered reasonable, will affect your Account performance and may mean the performance in the Account is different than the performance of other similarly managed Accounts.

### **Wrap Program Services**

AAS and your Advisor provide certain services to Wrap Program Accounts. These services listed below are not an exhaustive list.

Provided by Advisor:

- Client education on the features of a fee-based investment management strategy
- Evaluate the suitability of the Account on an initial and ongoing basis
- Gather data to be used in the preparation and implementation of the investment portfolio
- Assist clients with the completion of applicable account opening documents
- Present portfolio recommendations and/or asset allocations based on the information you provided
- Initial and on-going evaluation of investment and model recommendations
- Facilitate Account transactions
- Conduct annual Account reviews
- Answer questions regarding your Account or the Program
- Explain investment decisions and discuss why rebalancing may be necessary
- Rebalance Account as needed
- Periodic review of your investment objectives, trading activity, and portfolio

Provided by AAS for all Wrap Program Accounts:

- Calculate and collect the Program Fee
- 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

AAS will, in its sole judgment, delegate or contract with third parties for the performance of all or a portion of the services provided to clients participating in advisory 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.

### **Wrap Program Fees**

You pay an annual Wrap Program Fee for the Wrap Program. The Wrap Program Fee is negotiable subject to the

maximum annual fee of 2.3%. AAS and your Advisor price their services based on the total compensation they expect to receive from the Account. Clients should make sure that they fully understand the services provided by AAS and the Advisor and all fees and compensation associated with the Account. The Wrap Program Fee as agreed upon between you and your Advisor is documented at account opening.

The Wrap Program Fee is automatically deducted from your Account, and it is identified on your Custodian account statement. The Wrap Program Fee is charged only one quarter in advance, therefore, there is no long-term commitment or contractual obligation to continue using the Wrap Program.

The IMS Flex Choice Wrap Program is a wrap fee program where you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs because the fee structure for wrap programs is all-inclusive. For non-wrap programs you pay trade execution costs in addition to Program Fees.

The Advisor recommending the Wrap Program receives compensation as a result of your participation in the Wrap Program. The amount of this compensation may be more or less than what the Advisor would receive if you participated in other available AAS Programs or paid separately for investment advice, brokerage and other services. ***The Advisor has a financial incentive to recommend the IMS Flex Choice Wrap Program over other Programs and services (see also “Conflicts of Interest” under Item 14, Client Referrals & Other Compensation).*** AAS retains a portion of the Program Fee and the remaining portion of the fee is paid to your Advisor.

The Wrap Program Fee can be either a tiered-fee based on the Billable Account Value you have in the Wrap Program and in your Related Accounts (as defined below) or a flat annual percentage not to exceed 2.3% of the Billable Account Value.

Portfolio Increments	Maximum Annual Fee
Any Billable Account Value	2.30%

“Billable Account Value” is equal to the account value of the securities held in the Account (based on the custodian’s account statement). The Wrap Program Fee is calculated on the Billable Account Value as of the last business day of the previous quarter and is billed quarterly in advance. Wrap Program Fees are reflected on the Custodian’s Account statement and are debited directly from the Account without advance notice to the Client. The Billable Account Value includes cash and cash equivalents, including cash in the Bank Sweep Program.

For example, if your Account has a Billable Account Value of \$250,000, and you and your Advisor agree to an annual Wrap Program Fee of 1.5%, you will pay \$3750 *per year*. This is paid quarterly in advance, and the quarterly calculation is based on the exact number of calendar days in the quarter/year. For this example, there are 90 days in the calendar quarter so the fee is calculated as:  $(\$250,000 \times 1.5\%) \times (90 / 365)$  or  $\$3,750 \times 0.25 = \$937.50$ . The quarter’s Wrap Program Fee of \$937.50 will be deducted from your Account.

The initial Wrap Program Fee (“Inception Fee”) is calculated as of the Account’s start date. The Inception Fee is prorated for the balance of the calendar quarter. In the example listed above, the Account is opened 30 days before the end of the quarter, and the Wrap Program Fee is calculated as  $(\$250,000 \times 1.5\%) \times (30 / 365) = \$3,750 \times 0.082 = \$307.50$ .

Subsequently the Wrap Program Fee is billed in advance on a quarterly basis and is calculated based on the Billable Account Value as of the last business day of the prior calendar quarter. The Wrap Program Fee is not adjusted during the quarter for changes in Billable Account Value (appreciation or depreciation of the securities held in the Account).

For mutual funds, the fund’s net asset value, as computed by the mutual fund company is used. The Custodian prices Approved Securities based on information they believe to be reliable. In the event Program Fees are due and payable to AAS but the Account has insufficient cash available, AAS is authorized to liquidate assets to cover the Program Fees.

If the Agreement is terminated prior to the end of the quarter, you receive a pro rata refund of the prepaid, unearned fees from the date the Account is removed from the Wrap Program through the end of the quarter. Please see the “Termination of Agreement” section of this Wrap Brochure for additional information.

The IMS Flex Choice Wrap Program includes account management, certain brokerage services, reporting, custody and administrative services. A portion of the Wrap 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 Brochure. The Wrap 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. AAS pays IRA annual account fees assessed by Custodian for managed accounts.

Depending upon the amount of the Wrap Program Fee, the level of assets and trading activity in the Account, the value of custodial and other services provided, and other factors, the Wrap Program Fee can exceed the aggregate cost of these services if they were obtained separately. Accordingly, the Wrap Program Fee is more or less expensive than if you selected separate brokerage services, without the additional Wrap Program services provided. You should consider the importance and value of these additional Wrap Program services to you when comparing various options for obtaining advice, reporting and execution services. You should also consider the amount of anticipated trading activity when selecting among Wrap Programs and assessing the overall cost. If there are prolonged periods of inactivity or an asset allocation with significant cash or cash equivalents, the Wrap Program Fees can result in higher overall expenses than if commissions were paid separately for each transaction outside a Wrap Program. There are times when an account is deemed ineligible for an advisory program. At that time, the account is moved to a commission-based brokerage account (a retail account), and Wrap Program Fees are no longer 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 but you will not receive our advisory services and monitoring if you do so.

The IMS Flex Choice Wrap Program uses Approved Securities which are purchased in the Wrap Program Account with no sales commissions. Clients pay their proportionate share of ongoing mutual fund, closed-end fund, ETF or money market management and administrative fees (collectively known as the funds’ internal expense ratio). AAS will disclose an investment’s expenses upon request, and these fees are also disclosed in the applicable product prospectus or statement of additional information. Within the IMS Flex Choice Wrap Program, no-load, load-waived class A and advisory or institutional share class mutual funds are generally used.

Some mutual fund issuers offer advisory share classes (“Advisory Shares”) designed for fee-based investment advisory programs. The availability of Advisory Shares is determined by the product issuer or sponsor. 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. The use of Advisory Shares generally provides a lower cost share class to clients which is to your advantage.

### **Asset Selection and Evaluation**

IMS Flex Choice Accounts are managed by your Advisor, either with or without discretion. Your Advisor will make recommendations and assist you in determining the investment portfolio that fits your needs. Advisors recommend Approved Securities consistent with your investment objective and other financial needs. Advisors utilize a wide variety of information and methodologies to formulate recommendations with respect to investment portfolios. Recommendations are made on the basis of research the Advisor deems to be reliable.

### **Assets that Transfer In**

Assets that transfer into your Account and that are not considered Approved Securities are generally sold and the money reinvested in Approved Securities. If you and your Advisor decide the securities should not be sold, they will be kept as Unapproved Securities. Unapproved Securities do not meet the asset selection and evaluation criteria as described above, and they are not included in the calculation of your Wrap Program Fee. If sold, the Unapproved Securities may incur contingent-deferred or other sales charges and fees that will be charged to you. These are in addition to the Wrap Program Fee.

**Rebalancing**

From time to time, market conditions cause your Account's investment allocations to vary from the recommended investment strategy. To remain consistent with your investment strategy, rebalancing will occur. Your Account will be rebalanced by your Advisor manually.

**IMS Flex Choice Wrap Program Approved Securities**

Securities for your Account are recommended or selected based on information you provide your Advisor.

**Information About Your Account**

To ensure that you remain informed about your Account, Custodian delivers trade confirmations and monthly statements to you when there is activity in the Account; otherwise, statements are sent quarterly. You should promptly review all account statements and trade 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, you should contact your Advisor.

**Investment Discretion**

The IMS Flex Choice Wrap Program can be either a discretionary or non-discretionary Program. For a non-discretionary Account, your Advisor is required to contact you before entering trades on your behalf. You are required to accept or reject investment recommendations from your Advisor, including: (i) the security being recommended; (ii) the number of shares or units; and (iii) whether to buy or sell.

You may instead choose to provide discretionary trading authority to your Advisor to rebalance or substitute Approved Securities without receiving specific permission from you before the trades are entered.

You may rescind this authorization at any time by providing written notice to Advisory Compliance at the address on the front of this Disclosure Brochure. Your Account will then be traded only on a non-discretionary basis. Your discretionary trading authorization does not grant discretionary authority to withdraw funds or securities (other than for payment of Wrap Program Fees) nor does it allow for any trading outside the Advisory Program you have chosen.

**Early Redemption Fees**

Some mutual funds 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 mutual fund sponsor. Fees vary by fund company and by fund and are outlined in the mutual fund's prospectus. If imposed, these fees are paid by the Client and are in addition to the Wrap Program Fee. The early redemption fees are not shared with AAS or the Advisor. These early redemption fees reduce the return on your investment.

**Termination of Agreement**

Clients who want to terminate their Agreement should notify their Advisor or AAS verbally or in writing. Wrap Program Fees are paid in advance; therefore, AAS provides a pro rata refund of unearned, prepaid fees if the contract is terminated prior to the end of the quarter. You 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 minimum level. At the end of the quarter, AAS reviews and terminates Accounts that no longer meet the Wrap Program's minimum qualifications. Each Related Account should individually and separately meet the respective advisory Wrap Program requirements. Exceptions can be made in the sole judgment of AAS. Individual or Related Accounts that fall below \$5,000 are generally subject to termination from the IMS Wrap Program in AAS's sole judgment.

If you terminate the Agreement, the Account is converted to a retail account for which you are obligated to pay commissions for each transaction you direct. 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 may be also be assessed



a termination fee imposed by the Custodian. It is important you understand this distinction since any transactions you request once the account is no longer in the Wrap Program incur fees and commissions over and above the Wrap Program Fee paid while the Account was in the Wrap Program.

Instructions to terminate IMS Flex Choice Accounts can take up to two business days to process once notification is received by AAS.

### **AAS Responsibilities**

The responsibilities of AAS relate specifically to securities products and related services and do not apply to any other products or services you may receive from your Advisor. Advisors are generally independent contractors who have the ability to offer additional products and services outside their relationship with AAS. AAS does not provide or supervise tax, accounting, payroll or legal services. The advisory services we offer are tailored to the Client and designed to meet your Client Risk Profile while allowing you to work toward your individual goals.

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

Most IMS Programs 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 judgment of AAS.

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 and our Advisors use various methods of analysis and investment strategies when formulating investment advice and this varies based on the Advisor providing advice. Methods and strategies used by one Advisor are often different than those used by other Advisors. In the IMS Flex Choice Wrap Program your Advisor is responsible for making investment recommendations in non-discretionary Accounts and for making investment decisions in discretionary Accounts.

Some Advisors use just one method or strategy while other Advisors rely on multiple methods or strategies. We do not require or mandate a particular investment strategy be used by our Advisors. Our Advisors are provided flexibility (subject to supervision and compliance requirements) when developing their investment strategies. The following sections provide brief descriptions of some of the more common methods of analysis and investment strategies that are used by our Advisors.

### **Methods of Analysis**

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. Your Advisor uses current asset values, current and projected return information, and other information you provide, as well as historical return analysis provided by third parties. Your Advisor has the option of using one or more computer software packages that take a needs-based approach to analyze your goals using one or more methods of analysis, including deterministic and probability modeling. The analysis and projections generated by these types of tools or other methods of analysis described in this section of the Wrap Brochure includes information regarding the likelihood of various potential investment outcomes. The information generated is hypothetical in nature, varies depending on a number of different factors, does not reflect actual investment results and is not a guarantee of future results. The probability of success also varies based on differing assumptions, on different tools and from one year to the next based on changing circumstances and market information. Results reflect one point in time only and are only one factor you should consider as you determine how best to plan for your future.

If your Advisor's recommendation includes an asset allocation analysis designed to assist you in allocating your funds, the recommended portfolio allocation is determined based on a variety of factors, including your personal financial information and the historical and anticipated performance of different asset classes. The analysis is meant only to illustrate the relative experience among asset classes and portfolios. The asset allocation analysis does not provide a comprehensive financial analysis of your ability to reach other financial planning goals you

have, and it does not identify the impact of your investment strategy on certain tax and estate planning situations. The principal source of information used by your Advisor is the data provided by you, such as your personal data, assets and liabilities, income expectations, short-term and long-term financial goals, risk tolerance associated with goals, and other relevant information. Asset allocation does not guarantee a profit or protect against loss.

Sources for research your Advisor may consult 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. You should discuss your Advisor's investment process to ensure it is consistent with your investment objectives and expectations.

### **Investment Strategies**

Your Advisor often recommends 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 should seek further advice from your lawyer and/or accountant, particularly in connection with estate planning or taxes 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.

### **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 in other advisory programs.

### **Types of Investments and Risks**

**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.

**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.

### **Voting Client Securities**

In the IMS Flex Choice Wrap Program, you retain the right to vote proxies and handle notices of legal proceedings such as class actions and bankruptcies. Neither your Advisor nor AAS provide advice regarding proxies or legal proceedings for any securities held in the Account. Notices and materials are mailed directly to you and not to 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, 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.

**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.

## **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.

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

Clients will have contact with their Advisor, who serves as Portfolio Manager for the IMS Flex Choice Wrap Program. Advisor is generally available by telephone, email or scheduled in-person meetings during normal business hours.

## **Item 9: Additional Information**

**Disciplinary Information.** In the past 10 years, AAS has not been involved in any material disciplinary events. 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 for our affiliate, AIS go to [brokercheck.finra.org](http://brokercheck.finra.org).

**Other Financial Industry Activities and Affiliations.** AAS is a national investment advisory firm providing 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. AAS may recommend that Clients use AIS or Avantax Insurance to implement investment strategies. AIS, a registered broker-dealer and member of FINRA, SIPC, and the MSRB, and provides brokerage services to many 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 Brochure. In addition to the investment advisory services provided through AAS or securities brokerage services through AIS, your Advisor sometimes provides legal, tax, accounting, audit, payroll or other products or services that are not conducted through AAS or its affiliates. AAS and its affiliates do not endorse or supervise any of your Advisor's activities conducted outside of AAS. 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. The responsibilities of AAS and its affiliates relate specifically to offering approved securities and investment advisory services. Please ask your Advisor and refer to their Form ADV Part 2B for more detailed information.

Any securities investments recommended by your Advisor must be made through AAS, and all checks for Wrap Program Account investments must be made out to "Charles Schwab & Co., Inc.". You should immediately contact the Advisory Compliance Department at (800) 821-8254 if you are asked by your Advisor to make any investments outside of Avantax or if you are asked to make an investment payment to your Advisor's outside business or any other third-party.

## **CONFLICTS OF INTEREST**

### **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, rollover 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 only earns compensation if you open an IRA account with us. In addition, the costs of maintaining and investing assets in an IRA with us generally involves 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.

## **Bank Sweep for Benefit Plans**

Bank Sweep for Benefit Plans ("Bank Sweep") is available for your Personal Choice Retirement Account (PCRA).

With the multiple-bank version of Bank Sweep, clients with cash balances greater than \$250,000 are eligible for extended FDIC insurance coverage, as deposits at each Affiliated Bank are insured separately by the FDIC. Additional Schwab-affiliated Banks could be added to further extend the FDIC coverage available to clients.

Eligible accounts opened after February 16, 2018, default to the multiple-bank version of the Bank Sweep. Existing clients who have the single-bank version of Bank Sweep will gradually be converted to the enhanced version.

**How does the Bank Sweep Program work?** The multiple-bank version of Bank Sweep extends FDIC coverage by spreading a client's uninvested cash across Schwab's multiple Affiliated Banks which include Charles Schwab Bank, SSB, Charles Schwab Premier Bank, SSB, and Charles Schwab Trust Bank, Members of FDIC. From a client's perspective, the cash awaiting investment is deposited at their Primary Bank up to a maximum of \$249,000, with any additional assets then deposited to their Secondary Bank up to that bank's maximum of \$249,000 – thereby extending the total FDIC insurance coverage (amounts are set to \$249,000 per affiliated bank to allow for any additional accrued, but not yet posted, interest during the statement period to also be eligible for FDIC insurance coverage).

Any cash that a client has in excess of \$498,000 will be deposited with an Overflow Bank. Schwab Bank is designated as the Overflow Bank for Bank Sweep for the foreseeable future. Funds deposited at the Overflow Bank will be uninsured by the FDIC to the extent they exceed the aggregate \$250,000 coverage limit.

In the hypothetical example, a client with \$600k cash in a Schwab individual brokerage account will have their first \$249k deposited in the Primary Bank, the next \$249k will be deposited in a Second Bank and the remaining \$102k to Charles Schwab Bank as the Overflow Bank. Up to \$500k will be FDIC insured including up to \$1000 of accrued (but not yet posted) interest at each Affiliated Bank. Balances are not FDIC insured to the extent they exceed the maximum coverage limit for deposits at the overflow bank.

Cash awaiting investment (free credit balances) sweeps to the applicable Affiliated Bank(s) after close of business and begins earning interest on the following business day. A business day is defined as any Monday through Friday that is not a Federal Reserve Bank or New York Stock Exchange holiday. Funds sweep out of the Affiliated Bank(s) into the brokerage account after close of business to cover any cash need in the account.

PCRA Accounts are automatically enrolled into Bank Sweep at account opening. For information on the interest rate paid, please consult your Advisor or visit <https://www.schwab.com/system/file/p-9484258> or [src.schwab.com](https://www.schwab.com).

Bank products are not subject to money market fund liquidity fees and redemption gates. Charles Schwab Trust Bank has strong liquidity, internal financial controls, and business standards, with a focus on keeping client assets safe. Funds deposited in the Schwab Bank Sweep for Employee Benefit Plans feature are available immediately for use or investment, without the need to transfer money or liquidate a current position.

**How is the rate determined?** Schwab Bank Sweep for Employee Benefit Plans pays a bank-administered interest rate that will be adjusted by Charles Schwab Trust Bank based on market conditions. The rate is intended to be consistent with ERISA's reasonable rate standards, based on comparator deposit rates for cash awaiting investment that are available to employee benefit plans while also considering available alternative options, competitive positioning, and other factors. The interest rate is variable and may change without notice.

You are responsible for monitoring the total amount of deposits you maintain directly with Charles Schwab Trust Bank. Because the deposit insurance rules are complex, you may want to contact the FDIC or use the FDIC's online tool, Electronic Deposit Insurance Estimator ([fdic.gov/edie](https://www.fdic.gov/edie/)), to estimate your total coverage. Investment products and services (which may include unswept or intra-day cash, net credit or debit balances, money market

funds, and assets held in a Schwab Personal Choice Retirement Account®) are not deposits or obligations of Charles Schwab Trust Bank, are subject to investment risk, are not FDIC insured, may lose value, and are not Bank-guaranteed.

**Questions about FDIC Deposit Insurance Coverage.** If you have questions about basic FDIC insurance coverage, please contact your Advisor. You may wish to seek advice from your own attorney concerning FDIC insurance coverage of deposits held in more than one insurable capacity. You may also obtain information by contacting the FDIC, Deposit Insurance Outreach Group, Division of Depositor and Consumer Protection, by letter (550 17th Street, NW, Washington, DC 20429); by phone **1-877-275-3342, 1-800-925-4618** [TDD]); by visiting the FDIC website at [www.fdic.gov/deposit/index.html](http://www.fdic.gov/deposit/index.html); or by email using the FDIC's online Customer Assistance Form available on its website.

**No SIPC Coverage of Bank Deposit Accounts.** To Schwab's knowledge, the Securities Investor Protection Corporation ("SIPC") has not taken a formal position on its coverage of the Deposit Accounts. Schwab recommends that you assume that coverage of your Deposit Accounts established through the Bank Sweep features will be limited to FDIC insurance and that you not expect coverage from SIPC.

### **Conflicts of Interests in the Bank Sweep Program**

You should also consider higher-return options for funds that are not needed immediately, as yields on any of the Schwab Bank Sweep Programs can be lower than those of similar investments or deposit accounts offered outside of the Bank Sweep Program.

Interest rates under the Bank Sweep Program features are established periodically by the Affiliated Banks, which have the option to pay as low a rate as possible consistent with their views of prevailing market and business conditions. Retirement and other benefit plan accounts will be paid a reasonable rate consistent with applicable legal and regulatory requirements.

The Bank Sweep Program is not intended for long-term investments and yields can be lower than those of similar investments or deposit accounts offered outside of the Bank Sweep Program. If you desire to maintain cash balances for other than a short-term period and/or are seeking the highest yields currently available, please contact your Advisor for investment options that may be available outside of the Bank Sweep Program to help maximize your return potential consistent with your investment objectives and risk tolerance.

Neither AAS nor your Advisor share in any portion of the fees earned by Schwab or the Affiliated Banks for your participation in the Bank Sweep Program.

### **Third-Party Compensation from Other Sources**

#### **Pledging Assets: Non-Purpose Loans**

As a service to eligible customers, AIS provides access to a securities-backed non-purpose lending program offered by Goldman Sachs Bank USA (the "Bank"). Customers are not required to participate in the 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 approves the non-purpose loan. The requirements and approval or denial of credit is controlled by the Bank and AIS is not a decision-maker.

AAS 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 (0.5%) 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, were AIS to agree to receive a lower Referral Fee, customers' interest rate would decline by that same amount. Were customers to take a loan from a different institution outside of this 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 the 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 accounts.

### **Additional Compensation to Advisors**

Your Advisor can be incentivized to join and remain affiliated with AAS or its affiliates. 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 AAS or its affiliates. Receiving this compensation is a conflict of interest as it provides your Advisor an incentive to join and remain affiliated with AAS or its affiliates based solely on this compensation and not on our ability to meet the needs of your Advisor and his or her clients.

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

Avantax's parent company Blucora awards \$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 financial professional basis based on those with the highest percentage increase year-over-year for total 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 securities transactions made by our Advisors for the best interest of the client, and the equity awards are based on total GDC across all product lines. No one particular financial product or service is incentivized over another.

### **Brokerage Practices**

AAS does not maintain custody of your assets (that we manage) although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your assets must be maintained in an account at a "qualified custodian", which is generally a broker-dealer or a bank. Your Account assets are held at Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as required by your Retirement Plan.

AAS is independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when your Advisor instructs them to.

Your Advisor does not open the account for you, although will assist you in doing so. Again, the decision to use Schwab as the custodian is a requirement of your Retirement Plan and not of AAS or your Advisor.

### **Information about Custodian**

As custodian of your brokerage account, Schwab 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

### **Your brokerage and custody costs**

For our clients' accounts maintained at Schwab, Schwab generally does not charge you separately for custody



services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Sweep Program. For some accounts, Schwab charges a percentage of the dollar amount of assets in the account in lieu of commissions.

Schwab's fees applicable to our client accounts were negotiated between your Retirement Plan and Schwab. AAS and your Advisor were not included in the negotiations and do not know the details, nor do we share in any of the fees your Retirement Plan may pay Schwab, or receive from Schwab.

**Schwab makes available various support services.** Some of those services help us manage or administer our clients' accounts. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

**Services that benefit you.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services that do not directly benefit you.** Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services that generally benefit only your Advisor.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology and business needs
- Consulting on legal and related compliance needs
- Publications and conferences on practice management and business succession

In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

**Your Advisor's interest in Schwab's services.** The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. AAS does not receive compensation for payment of order-flow.

### **Principal Trading, Agency Cross Transactions and Directed Brokerage**

As a matter of policy AAS does 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 the Wrap

Program generally requires the use of Schwab.

### **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.

### **Trade Errors**

AAS endeavors to identify and correct trade errors as soon as possible. When a trade error has been identified by AAS, the Advisor or Client, AAS 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 Advisor. Under some circumstances, our correction of an error could result in a gain. If the error correction results in a gain, AAS retains the gain. For purposes of determining the gain or loss, related transactions are corrected in the aggregate so that profits offset associated losses; a Client may not elect to ratify only those portions of a related transaction that are profitable.

### **Other Information**

#### **Client Consent**

*Client consents to AIS, AAS and the 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 other Third-Party Compensation received from Product Sponsors, Custodian and Educational Partners as disclosed.

#### **Privacy Statement**

AAS does 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 continues 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 receive from Custodian shortly after 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, ATTN: Advisory Compliance, P.O. Box 142829, Irving, TX 75014 or call (800) 821-8254.

AAS and our Advisors recommend or effect transactions in securities in which an AAS director, officer, employee or another 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. We monitor equity trading activity in Client accounts to ensure that Advisors' trades are not placed ahead of Client trades which may result in the Advisor receiving a better price. Advisors are prohibited from using discretion to purchase AAS's parent company Blucora, (Nasdaq: BCOR) in their clients' accounts.

### **Client Referrals & Other Compensation**

**Strategic Alliance Program.** AAS and/or our Advisors sometimes receive client referrals from outside solicitors (usually attorneys, CPAs or other professionals). The Strategic Alliance Program is a referral program designed to compensate these outside professionals for referring your advisory business to AAS. These professionals are known as "solicitors." If you are referred to us by a solicitor, AAS pays 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, as compensation for the referral. AAS does not charge a client additional fees if they are referred to us by a solicitor. Solicitation arrangements are disclosed to clients at the time of the solicitation via execution of a Solicitor Disclosure Statement that outlines the nature and amount of the compensation we pay to the solicitor. Solicitors are required to provide prospective clients with a current copy of AAS's Form ADV Part 2A no later than the date on which the client enters an advisory relationship with AAS and the Advisor. Solicitors participating in the Strategic Alliance Program are prohibited from soliciting municipal or other government entities.

**Unaffiliated Banks or Credit Unions.** AAS and AIS sometimes 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.

AAS does refer clients to unaffiliated third-party money managers as outlined throughout this Disclosure Brochure and receives a fee for doing so. Details are provided under Item 5, "Fees and Compensation." Please refer to previous disclosures contained in Item 5 and Item 10 of this Disclosure Brochure explaining our other compensation arrangements.

**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 funds, and in some instances, your securities, even though they are maintained at Schwab, a qualified custodian. Schwab sends account statements to you as outlined previously in this Disclosure Brochure, which list your account holdings and their values. You should also rely on your Schwab statements for the cost basis related to your account holdings. AAS and its affiliates undergo annual audits as required by applicable regulations.

Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements with the periodic portfolio reports] you may receive from your Advisor.]

#### **Outside Business Activities of our Advisors**

Some of our Advisors are 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 are offered for compensation paid to the independent Registered Investment Adviser and the compensation is not shared with AAS. You are not obligated to use any of these individuals to provide financial planning services.

In addition, our Advisors may be separately licensed or offer their services as accountants, attorneys, insurance agents or pension consultants. All compensation they receive for these services is paid directly to the Advisor or an outside entity and is not shared with AAS. You are not obligated to use these services and these outside business activities of our Advisors are not supervised by AAS or its affiliates other than as required by regulation.