



## **Form ADV 2A Disclosure Brochure**

**IMS Flex Choice (Discretionary and Non-Discretionary) Non-Wrap Programs**

**Financial Planning**

**Retirement Management Services (RMS)**

**Educational Services**

**Solicitor Arrangements**

**Fee-Based Annuities**

***Effective March 30, 2021***

SEC File No. 801 - 29892

Avantax Advisory Services, Inc.

This Form ADV Part 2A Disclosure 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 January 2021 version include:

- The investment minimum for the IMS Flex Choice program was lowered from \$25,000 to \$15,000.
- Ticket charge pricing for clients of Legacy 1st Global Advisors previously shown under Appendix 2 have been reduced and all Avantax ticket charges in the advisory program are now uniform as shown in Appendix 1.
- The *Legacy* IMS Select Portfolios and *Legacy* IMS Portfolio Choice programs were converted on January 1, 2021 from Non-Wrap programs, in which ticket charges are assessed per trade execution, to Wrap programs where you pay a single fee for trade execution and portfolio management services. Your current Program Fee is not changing but going forward you or your Advisor will no longer pay for trade execution separately. Please consult the separate IMS Select Portfolios Wrap Program Brochure and the IMS Portfolio Choice Wrap Program Brochure for additional details and program descriptions.
- Affiliate HKFS has undergone a legal name change and now operates as Avantax Planning Partners, Inc.
- The restricted equity program, which awards equity grants in Avantax parent company Blucora’s publicly traded stock (Nasdaq: BCOR), has been updated for 2021 with new award amounts and requirements.
- Assets in the Invesco cash reserve funds are excluded from our receipt of Third-Party Compensation.
- Margin disclosure was updated to reflect that AIS marks up the interest rate that you pay on margin balances over and above the base interest rate charged by Custodian on margin debits. This additional interest is retained by AIS as compensation.
- As of December 31, 2020, AAS managed \$19,449,706,368 of Client assets on a discretionary basis (68,299 accounts) and \$10,799,684,263 of Client assets on a non-discretionary basis (30,952 accounts) for a total of \$30,249,390,631 in assets under management and 99,251 accounts in its various advisory programs.

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## Item 4: Advisory Business

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, Disclosure Brochure ("Disclosure Brochure") which provides the required Form ADV Part 2A 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. AIS generally provides brokerage, custody and execution services through a clearing arrangement with National Financial Services LLC ("Custodian"), a non-affiliated firm, member NYSE, SIPC and a Fidelity Investments® Company. Your Advisor may be affiliated with both AAS and AIS for the purpose of offering you a broader range of financial services. AAS is also affiliated with Avantax Insurance Agency<sup>SM</sup>, Avantax Insurance Services<sup>SM</sup>, (collectively referred to as Avantax Insurance) and Avantax Planning Partners, Inc., formerly known as 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, 2020, AAS managed \$19,449,706,368 of Client assets on a discretionary basis (68,299 accounts) and \$10,799,684,263 of Client assets on a non-discretionary basis (30,952 accounts) for a total of \$30,249,390,631 in assets under management and 99,251 accounts in its various advisory programs.

### Other Fee-Based Programs

These IMS Programs are:

- **IMS Flex Choice Wrap Accounts:** IMS Flex Choice also offers the same program in a wrap-fee version, which includes transaction and trading costs in the annual Program Fee. The account minimum is \$15,000.
- **IMS Direct:** A digital managed fully discretionary advisory program investing only in low-cost mutual funds and exchange-traded funds for accounts with balances as low as \$5,000.
- **IMS Select:** A wrap-fee program with professional management by the Portfolio Management Group of AAS investing primarily in low cost mutual funds and exchange-traded funds. Some model portfolios allow additional types of securities as outlined in the IMS Select Wrap Brochure. The account minimum is \$25,000.
- **IMS Access, IMS Unified Choice and IMS Portfolio Choice:** Wrap-fee programs utilizing unaffiliated third-party money managers with a variety of investment styles, objectives and areas of expertise available to clients. Account minimums for these three programs start at \$25,000 (IMS Portfolio Choice). Program minimums are \$250,000 for Unified Choice, Fixed Income and \$500,000 for Unified Choice, Diversified Portfolio and \$100,000 for IMS Access.
- **IMS Prime:** A fully managed wrap-fee program offering diversified asset allocation models for balances between \$5,000 and \$25,000 that invests solely in exchange-traded funds.
- **IMS Fee-Based Annuity:** A discretionary program offering ongoing investment management and sub-account investment options for fee-based variable and index annuities. The minimum initial investment is \$25,000.

The Retirement Management Solutions ("RMS") platform is a managed account platform specifically designed for qualified plans including but not limited to, 401(k), profit sharing, safe harbor 401(k), defined benefit, defined contribution, Solo(k), 403(b), SEP and SIMPLE IRAs.

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

## **The IMS Flex Choice Non-Wrap Program**

The IMS Flex Choice Non-Wrap Program ("IMS Flex Choice" or "Program") is offered as a discretionary or non-discretionary investment advisory program by AAS. IMS Flex Choice is a non-wrap program, meaning that you will pay for portfolio management services and trade execution separately. Trades will incur a ticket charge as disclosed in Appendix 1. You are required to open a brokerage account with AAS's chosen custodian, National Financial Services LLC, member NYSE and SIPC, a Fidelity Investments® Company ("Custodian"), to participate in the Program, and all trades are referred to AIS, our affiliated broker-dealer under common ownership, for execution.

Performance reports and other services regarding your Account may be provided by Envestnet Asset Management, Inc., a Registered Investment Adviser ("Envestnet"). The services provided by Envestnet depend on your selected advisory program and are stated throughout the applicable Disclosure or Wrap Brochure.

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 and may be held in either a cash or a margin account. This platform also offers access to private equity and structured products. 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. Your "Client Risk Profile" includes your risk tolerance, financial information, and investment objectives. The minimum initial investment in the IMS Flex Choice Program is \$15,000. AAS can elect to waive account minimums in their judgment.

The Program offers you the ability to purchase mutual funds, stocks, bonds, unit investment trusts, ETFs, cash and cash equivalents and may be held in either a cash or a margin account. This platform also offers access to private equity and structured products. Together these are referenced as "Approved Securities" in your Account. It is designed for individuals and businesses with investment accounts with at least \$15,000 or more of Approved Securities. The IMS Flex Choice 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 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 Program, your Advisor gathers information regarding your financial situation and assists you in completing the Statement of Investment Selection ("SIS"). The Client Account Agreement is also included in the SIS. The Brokerage Client Agreement, the Avantax Disclosures' Packet and the Schedule of Fees are collectively referred to as the "Brokerage Agreement" and set forth the terms under which brokerage services are provided to your Account. All documents in the Brokerage Agreement packet are provided at or shortly after account opening. (A partial list of the fees most applicable to your Account are included in Appendix 1 near the end of this Disclosure Brochure.) If you want to provide the ability for your Advisor to trade your Account on a discretionary basis, your SIS includes 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 not reflected on the SIS that is relevant to assessing your financial situation, investment objectives or risk tolerance (for example, anticipated large expenditures in the future or short-term cash needs). The data included in your SIS, including your risk tolerance, financial information, and investment objectives is referred to as your "Client Risk Profile." Your Advisor will update your Client Risk Profile with AAS, Custodian and Envestnet, as applicable.

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 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.

### **Program Services**

Summary of services provided by Advisors for the IMS Flex Choice Program include:

- 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 the SIS
- Present portfolio recommendations and/or asset allocations based on the information you provided
- Initial and on-going evaluation of investment and model recommendations
- Complete other paperwork required to open Account
- 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
- Deliver and review Quarterly Performance Reports
- Rebalance Account as needed
- Periodic review of your investment objectives, trading activity, and portfolio

Summary of services provided by AAS for the IMS Flex Choice Program includes:

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

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 under the Program, including without limitation the 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.

### **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 Client Risk Profile. Advisors recommend Approved Securities consistent with your investment objective as stated in your SIS. 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 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 Program Fee.

### **Alternative Investments**

AAS has the option of offering certain products with limited liquidity and other inherent risks, often known as alternative investments ("Alternatives"). Alternatives are not suitable for every investor and will have strict suitability requirements that an Advisor must adhere to before the investment can be offered to a Client. In some cases, Clients pay imbedded fees for these products in addition to the Program Fee. AAS attempts to choose Alternatives designed for managed account programs to reduce these imbedded costs but these are not always available. Therefore, Alternatives previously sold for a commission are not eligible for inclusion in the Program and if received into the account will be considered Unapproved Securities. They are not included in the calculation of your Program Fee. Alternatives are generally sold through subscription documents, so Clients will need to sign required paperwork before the Alternative can be bought or sold. This prohibits your Advisor from buying or selling most Alternatives using discretion.

Alternatives typically have restrictions on the frequency of liquidation thus limiting the ability to sell these products. And they are typically designed for long-term investments. Because of these restrictions, Alternatives are generally excluded from the rebalancing done in your Account. Only clients with certain Client Risk Profiles are allowed to buy Alternatives. Examples of Alternatives include private equity and hedge funds, market-linked investments, structured products.

### **Rebalancing**

From time to time, market conditions cause your Account's investment allocations to vary from the recommended investment strategy. To remain consistent with the investment strategy guidelines established by this SIS, rebalancing will occur. Your Account will be rebalanced by your Advisor manually. If market fluctuations, withdrawals or additional deposits cause your Account to deviate more than a pre-determined amount from the model linked to your Account, your Advisor has the option of rebalancing to the model or making other adjustments as needed. The need to initiate trades for a rebalance does not occur frequently, and in some cases, rebalancing may not be needed during the year.

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

### **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.

Program Accounts are held through AIS, an affiliated broker-dealer, which in turn introduces assets to and clears transactions on a fully-disclosed basis through Custodian. AIS directs all transactions related to the Program to Custodian for execution and confirmation. Exceptions can be granted in the sole judgment of AAS.

### **IMS Fee-Based Annuity Program**



The IMS Fee-Based Annuity Program (“Annuity Program”) is designed to provide Client with ongoing investment management and advice for the sub-account investment options of a fee-based variable annuity or index annuity. Annuities may or may not have additional riders available to be purchased. Advisor will monitor market conditions and the performance of annuity’s sub-accounts and/or market linked indexes and reposition assets as needed. Client can change the Annuity Program’s Risk Profile selection if the Client Risk Profile changes. Insurance carriers will, depending upon market conditions, modify the risk exposure of the annuity’s sub-accounts which can result in a change to the risk profile of the annuity. You should carefully review the prospectus for the selected annuity to understand the conditions under which this may occur and discuss any questions you have with your Advisor. The minimum initial investment in the IMS Fee-Based Annuity Program is \$25,000. AAS, in its sole judgment, can choose to waive the minimum initial investment amount.

The Annuity Program is managed on a discretionary basis as indicated in the Agreement. Your Advisor must be licensed to sell variable insurance products in your state of residence before your Advisor can discuss the Annuity Program with you.

### **Private Placement Insurance Program**

Through Titan Advisors, accredited investors may choose to invest in private placement life insurance (PPLI) or a private placement variable annuity (PPVA) with the segregated investment account managed under the IMS PPLI/PPVA Program. PPLI is a variable universal life insurance policy that provides a segregated investment account and a life insurance benefit. A PPVA enables investors to defer income tax on investment gains without the traditional retail variable annuity features such as income guarantees or principal protection, thus reducing the internal fees. The life insurance portion of these products is provided through Lombard International.

### **Private Placement Insurance Program Fees**

AAS earns a 25-basis point management fee on the PPLI and PPVA accounts established through Titan Advisors in addition to the fee split between AAS and the Advisor. The Advisor and Client agree to a fee according to the IMS Fee Schedule with a maximum annual fee of 2.3%.

### **Referrals to Third Parties Not Thru Envestnet**

Advisors acting as solicitors for these programs are prohibited from soliciting any government entities.

AAS offers advisory services by referring Clients to unaffiliated third-party money managers offering asset management and other investment advisory services. The third-party managers are responsible for monitoring Client Accounts and making trades in Client Accounts when necessary. As a result of the referral, AAS and your Advisor are paid a portion of the fee charged and collected by the third-party money managers in the form of solicitor fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

AAS assists you with identifying your risk tolerance and investment objectives. We recommend third-party money managers in relation to your stated investment objectives and risk tolerance, and you select a recommended third-party money manager or model portfolio based upon your needs. You must enter into an agreement directly with the third-party money manager who provides your designated Account with asset management services. We are available to answer questions that you have regarding your Account and act as the communication conduit between you and the third-party money manager. The third-party money manager has discretionary authority to determine the securities to be purchased and sold for your Account. We do not have any trading authority with respect to the designated Accounts managed by the third-party money manager.

### **Symmetry Partners’ Solicitor Arrangement**

Symmetry Partners, LLC (“Symmetry”) provides a turnkey approach to saving for retirement and options for employees to choose from broadly diversified portfolios designed to meet their individual retirement savings needs. Portfolio rebalancing helps ensure that the participants’ investment allocations remain aligned with their goals over time. For plan sponsors, Symmetry provides comprehensive support including contractual ERISA 3(38) shared fiduciary responsibility relative to investment selections. Your Advisor serves as a solicitor to Symmetry.

Symmetry pays AAS and your Advisor solicitor fees when clients participate in their programs in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations. AAS and your Advisor do not receive any other compensation from your participating in the Symmetry program.

### **The Pacific Financial Group Solicitor Arrangement**

AAS offers Clients with a self-directed brokerage option under their employer's retirement plan, the ability to utilize The Pacific Financial Group's ("TPFG") managed account programs. Your Advisor serves as a solicitor in this arrangement and all account management is done by TPFG and their related entities, including Pacific Financial Group's RiskPro® Funds. Investing in RiskPro Funds is a conflict of interest for TPFG since TPFG earns direct and indirect fees from your investment. For a complete explanation of the funds' costs, fees and risks, please refer to the RiskPro Funds' prospectus.

### **Quick(k) Solicitor Arrangement**

AAS offers Clients who sponsor qualified retirement plans such as profit sharing and 401(k) plans (e.g., employers) a program called "Quick(k)," which is offered through ePlan Services, Inc. ("ePlan Services") and its affiliated registered investment adviser, ePlan Advisors, LLC ("ePlan Advisors") (collectively, "ePlan"). ePlan is not affiliated with AAS. Clients who participate in the Quick(k) program must contract with ePlan, as well as with the third-party money manager(s) serving as investment manager(s) to the Client's qualified retirement plan. ePlan pays AAS and your Advisor solicitor fees when Clients participate in the Quick(k) program in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations. AAS and your Advisor will not receive any other compensation from your participation in the Quick(k) program.

Clients in the Quick(k) program are charged an annual investment advisory fee which is calculated as a percentage of the value of plan assets. The advisory fee is negotiable subject to the maximum annual fee listed in the table in Item 5, "Fees and Compensation." The exact fee schedule and fee arrangements will be detailed in each Client's agreement with ePlan Services. ePlan Services collects the advisory fee in arrears on a monthly calendar basis. It then pays a portion of the advisory fee to ePlan Advisors as the investment adviser for the program; to AAS and your Advisor as solicitors of the program; and to the third-party money manager as investment manager to the plan.

ePlan Advisors and/or the third-party money manager will make all investment recommendations for any qualified retirement plans included in the Quick(k) program. AAS and your Advisor do not make or implement investment recommendations, provide management services, or serve as administrator, custodian or trustee of the plans. Clients may not participate in the Quick(k) program unless they work with a solicitor such as AAS.

**Enrollment Meetings and Participant Education.** Clients enrolled in the Quick(k) program have the option to request the help of their Advisor for participant education and enrollment meetings with their employees. These services are provided at no additional charge to the Client or the participant. The Advisor will adhere to the guidance provided by the Department of Labor (DOL) in their Interpretative Bulletin 96-1 when providing educational services so Advisor is not deemed to provide investment advice under the DOL's definition.

### **Avantax Planning Partner's RPS Program**

Avantax Planning Partners, Inc. ("APP") through its Retirement Plan Services ("RPS") division, provides investment advisory services to employer-sponsored retirement plans, such as 401(k) and profit-sharing plans, along with other plan services, which vary by plan client. These other plan services primarily include plan design, recordkeeping, and employee support services.

**Discretionary Asset Management.** APP serves as the ERISA Section 3(38) fiduciary investment manager for plan sponsors, and as an ERISA Section 3(21) fiduciary to the plan participants. APP acknowledges its status as a fiduciary and assumes such fiduciary duties, responsibilities, and obligations.

**Plan Participant Services.** The RPS team provides optional education and enrollment assistance to plan participants, including guidance on plan investment options and asset allocation models.

**Plan Administrator Support Services.** RPS offers non-fiduciary administrative and recordkeeping services to plan sponsors that are ERISA Section 3(16) fiduciaries (i.e., administrators) for their respective plans, including:

- Conducting plan sponsor executive reviews
- Designing the plan
- ERISA compliance testing
- Preparing IRS and DOL filings
- Tracking participant vesting
- Monitoring for legislative and regulatory updates
- Drafting and updating the plan document
- Allocating employer contributions
- General plan guidance

In addition, RPS may assist plan sponsors by providing other “ministerial” services, such as mailing of notices, mailing of new hire enrollment kits, and other related tasks.

If your Advisor recommends that you obtain services through APP’s RPS Program, your Advisor will not provide any investment advice to Clients or prospective Clients on behalf of APP. Solicitation activities are limited to impersonal advisory services such as explaining APP’s services and any applicable fees, providing account installation support and holding periodic Client meetings to review services provided by APP.

## **Retirement Management Solutions (“RMS”) Program**

The AAS’ RMS Program is a managed account platform specifically designed for qualified plans including, but not limited to, 401(k), profit sharing, safe harbor 401(k), defined benefit, defined contribution, Solo(k), 403(b), SEP and SIMPLE IRAs (each the “Client” or “Plan”).

As trustee of the Plan, you may develop, in consultation with your Advisor, a broad range of investment options and/or model portfolios for use by your individual plan participants. Each model portfolio type is designed to help achieve plan participant retirement objectives while staying within their stated risk tolerance.

Your Advisor may provide advice to both individual retirement plans and employer-sponsored retirement plans. Services include but are not limited to providing investment policy statement support, investment selection and monitoring, overall portfolio composition, participant education, and guidance to the plan sponsor on their fiduciary obligations to the plan and its participants. When providing investment advisory services to ERISA retirement plans, your Advisor is a fiduciary as defined under Section 3(21)(A) of ERISA. A fiduciary relationship is defined under Section 3(21)(A) of ERISA regulations and is agreed to by both parties in writing.

AAS designs and manages its model portfolios under its RMS Select program (“RMS Select Model Portfolios”) for use in the RMS Program for an additional fee. The RMS Select Model Portfolios may be invested similar to or different from the portfolios of other clients having the same or similar investment objectives. The currently available RMS Select Model Portfolio types are designed with risk tolerances of ultra-conservative, conservative, moderate, growth and aggressive growth. RMS Select Model Portfolios may be modified from time to time by AAS. Defined contribution plan participants as well as individual retirement account holders are free to disregard the RMS Select Model Portfolios and choose individual mutual funds and /or ETFs of their choice. Our client is the Plan, not the plan participants. In addition, AAS makes available to plan sponsors who choose the RMS Select Model Portfolios a RMS Select Recommended Fund Lineup at no additional cost. The RMS Select Recommended Fund Lineup is provided in an ERISA 3(38) capacity by AAS and participants can choose to invest in any of the funds available in the Fund Lineup.

The RMS Select Model Portfolios and the RMS Select Recommended Fund Lineup are managed by AAS who in turn serves as an ERISA 3(38) Investment Manager. AAS has full authority as the plan participant’s agent and attorney-in-fact to manage the assets in the RMS Select Model Portfolios held in the participant’s account on a discretionary basis. Similarly, AAS has full authority to add or remove the funds available in the RMS Select Recommended Fund

Lineup provided to plan sponsors. For all services, our discretionary trading authority includes the authority, without first consulting you or the plan participant, to determine the portion of assets held within the RMS Select Model Portfolios in your Account that shall be allocated to each investment or asset class and to change such allocation of assets as necessary; to take any and all other actions on your behalf that AAS determines is customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities, including mutual fund shares, stocks, bonds and other investments for the Account. AAS does not have the authority to withdraw funds or securities from your Account other than for payment of quarterly management fees as agreed to in writing by you. A fiduciary relationship is defined under Section 3(38) of ERISA regulations and is agreed to by both parties in writing.

RMS Accounts are opened through an approved "Platform Provider." Platform Providers are responsible for administration of the qualified plans offered through the RMS Program, and they provide recordkeeping and administrative services to the Plan and its participants. Each Platform Provider has their own service providers including directed trustees, custodians, clearing firms and broker-dealers. Please refer to the Platform Provider's recordkeeping agreement for additional information about the custodian of your assets and the broker-dealer through which trades are executed. Our affiliate, AIS, is the broker-dealer of record for plans placed through VOYA Financial, a Platform Provider.

**SIMPLE/SEP/Non-ERISA 403(b) Accounts offered through Aspire.** AAS or Advisor will create and maintain both target date funds and fully diversified asset allocation models ("RMS Model Portfolios") invested in pre-selected portfolios of mutual funds and/or ETFs. Clients will be assigned a target date fund or RMS Model Portfolio or combination thereof based on their risk assessment, investable assets and chosen management strategy. Client cannot direct the underlying individual investments (such as mutual funds and ETFs) which comprise the RMS Select Model Portfolios. The range and types of diversified asset allocation RMS Select Model Portfolios can be changed from time to time by AAS. RMS accounts are opened through an approved Platform Provider.

## **Educational Services' Program**

Educational services are provided to ERISA accounts by certain Advisors. The Advisor cannot be either the Advisor or Representative of Record for the Plan to provide educational services. The services provided vary depending on the Client but usually include general investment education. The specific services and fees are provided in detail in a separate document called the Retirement Plan Services Agreement.

## **Solicitor Referral Platform**

AAS also offers limited access to certain turn-key asset manager programs (TAMPs), which provide access to professional third-party asset managers that are outside the scope of the IMS platform. TAMP programs offer you access to a variety of model portfolios with varying levels of risk from which to choose. TAMP program accounts are not managed by us; rather, they are managed by one or more third-party portfolio managers on a discretionary basis, and they may consist of a variety of different securities types, including stocks, bonds, mutual funds, and derivatives. Account minimums for unaffiliated TAMP program accounts generally range between \$25,000 and \$50,000. AAS is not the sponsor of these TAMP programs. AAS may act in either a "solicitor" or "sub-adviser" capacity as described below:

- **Solicitor:** When acting as a solicitor for the TAMP program, neither AAS nor your Advisor provide advisory services in relation to the TAMP program account(s). Instead, your Advisor assists you in selecting one or more TAMP programs believed to be suitable for you based on your Client Risk Profile. AAS and your Advisor are compensated for referring you to the TAMP program. This compensation generally takes the form of the TAMP sharing a percentage of the advisory fee you pay to the TAMP with us which is then shared with your Advisor. When AAS act as a solicitor for a TAMP program, you receive a written solicitor disclosure statement describing the nature of our relationship, the terms of our compensation, including a description of the compensation that AAS will receive for referring you to the TAMP program, and the amount, if any, that you will be charged in addition to the advisory fee you would pay without our referral relationship.
- **Adviser or Sub-Adviser:** Under an adviser or sub-adviser relationship between us and the sponsor of the

TAMP program, AAS and your Advisor fulfill the role of an adviser or sub-adviser to you. Your Advisor provides you with portfolio management supervisory services with respect to your TAMP account(s) along with the TAMP provider. That means that your Advisor monitors the TAMP program's performance, investment selection, and continued suitability for your portfolio and will advise you accordingly. Your Advisor helps you determine your Client Risk Profile in order to help you choose a program that meets your objectives.

AAS has entered into agreements with several programs to offer one or both of the services described above. AAS may enter into similar agreements with like organizations to provide similar portfolio manager search, custodial and performance reporting services.

Client assets placed with the AAS Solicitor Referral Platform are placed with a custodian chosen by the client. These programs are closed to most advisors and most clients, except in cases where pre-established relationships exist. The ability to provide or deny access to these programs is at the sole judgment of AAS.

## **Financial Planning Advisory Service**

AAS's Financial Planning Advisory Service is guided by our proprietary Seasonal Planning Program. Financial planning services are offered by AAS and are designed to help address your goals and needs through an ongoing series of planning meetings throughout the calendar year.

### **Seasonal Planning Program**

AAS's Seasonal Planning Program is specially designed to formulate a financial plan that considers your investment goals, asset allocation, family, security and cash flow needs, and any advantageous tax planning strategies appropriate for your portfolio. There are two models of Seasonal Planning: The Seasonal Model and the Financial Plan Only (or Fee for Plan) Model. The Seasonal Model is intended to foster periodic contact between you and your Advisor throughout the calendar year, during which you and your Advisor construct a personalized plan that addresses various considerations for your planning requirements. The Financial Plan Only Model is intended to provide clients with a financial plan targeting specific financial planning goals without regularly scheduled ongoing updates. The Financial Plan Only engagement ends upon delivery of the financial plan.

The advice you receive from your Advisor is intended for your use only. If you share your analysis and recommendations with someone else, neither your Advisor nor AAS (nor any of its affiliates) can be held responsible for the outcome.

### **Financial Planning Topics**

Your Advisor reviews your data and other information to formulate a plan that can help you meet your goals whether you choose the Seasonal Planning or Financial Plan Only model. Your Advisor may review any or all of the following subjects:

- Cash Flow & Debt Management
- Retirement & Distribution Planning
- Investment Planning
- Family Risk Management
- Education Planning
- Legacy Planning
- Business Planning
- Special Situations

### **Initial Plan**

In the first year following the effective date (described below) of your Financial Planning Agreement (i.e., the date the Financial Planning Agreement is signed by you and your Advisor), your Advisor will make best efforts to perform an analysis and deliver an initial written plan to you within 150 days.

The analysis and written plan addresses the fundamentals of your financial situation as well as the priorities and goal(s) you have discussed with your Advisor. If you are engaging in the seasonal model of Seasonal Planning, the

remainder of the first year focuses on tracking progress to goals, addressing asset allocation and portfolio rebalancing, addressing other financial planning topics – such as insurance and estate planning – and formulating a year-end tax strategy, as well as long-term tax strategies. If you participate in the Financial Plan Only model, the Financial Planning Agreement is complete and all financial planning obligations are met upon delivery of the financial plan. If your personal financial circumstances or need for financial planning services changes, you should discuss whether your fee needs to change with your Advisor.

### **Ongoing Relationship – Seasonal Model**

The Seasonal Planning Program is structured for the implementation of quarterly meetings between you and your Advisor (if participating in the seasonal model). As your financial planning relationship continues, you work with your Advisor following the financial planning process described above. For example, you and your Advisor:

- Confirm your working relationship and the associated fee on an annual basis
- Track progress over time toward identified goals
- Identify key changes to your situation and revisit your financial goals
- Propose new recommendations as appropriate

An agreement to participate in this program is effective on the date you and your Advisor sign the agreement. Your Agreement automatically renews each year under the Seasonal Planning Model. The Agreement remains in effect until one of the following occurs: termination by you; termination of an existing Financial Planning Agreement by replacing it with a new one; termination by AAS, which would require sending you written notice reasonably in advance of the termination date (except as noted in this paragraph) to your address as shown on our records; termination by AAS, with no advance notice for non-delivery of services to you by your Advisor; or termination by you through nonpayment of the financial planning fee. If you choose to terminate the Agreement before receiving your initial plan, you will receive a pro-rated refund of fees at AAS's sole discretion taking into consideration the amount of work that has already been spent preparing the plan. However, if you terminate the Agreement at any time after receiving your initial plan but before remitting fees for a subsequent year, AAS reserves the right in its sole judgment to prorate the amount of the refund you receive, if any. If AAS terminates the Agreement before you receive your initial plan, you receive a full refund of fees paid. However, if AAS terminates the Agreement at any time after you receive your initial plan but before you remit fees for a subsequent year, AAS reserves the right in its sole judgment to prorate the amount of refund you receive, if any. AAS reserves the right to return only prepaid, unearned fees.

### **Changing your Planning Topics – Seasonal Planning Model**

Should your financial situation, goals, objectives or needs change, you must notify your Advisor promptly of the changes. In addition, after looking at all of your financial data, your Advisor may decide to recommend further assessment in a specific area that was not previously identified. Changes to your financial planning topics are confirmed to you by the delivery of recommendations consistent with your new topics. Read and understand those recommendations to determine if the topic changes are consistent with your understanding. If you have questions, please contact your Advisor. You and your Advisor should also discuss whether your fee needs to change in light of the changes to your planning topics.

### **Implementation of your Financial Plan**

The recommendations provided by your Advisor may be implemented through AAS, its affiliates or other financial services providers. Before implementing any recommendations, you should carefully consider the ramifications of purchasing products or services, and you may want to seek further advice from your lawyer and/or accountant, particularly in connection with estate planning, taxes, or business financial planning issues. You are not obligated to implement any of the recommendations provided by your Advisor with us. Your Advisor must be appropriately licensed in order to offer the recommendations provided in the plan.

### **Special Product Considerations**

Many IMS programs, except IMS Prime, offer access to private equity and structured products. Private equity and structured products are billable assets. In addition, while hedge funds are no longer offered, any hedge fund positions currently held in IMS programs will continue to be included in the Billable Account Value. AAS can choose to waive the restriction on new hedge fund purchases if circumstances deem it appropriate. AAS will

charge you quarterly Program Fees based on the value of your hedge fund, private equity and structured products. Beyond the infrastructure of the IMS programs, your Program Fee is for the specialized advice and guidance provided by your Advisor regarding these assets.

AAS will make private equity investments available only to qualified purchasers, qualified clients or accredited investors as those terms are defined under applicable securities laws.

AAS limits your investment in private equity and alternatives, individually and in total, to an amount we deem to be suitable. AAS will make special rebalancing considerations for those Accounts incorporating an allocation to hedge funds, private equity or structured products.

Once a structured product matures or a hedge fund or private equity is redeemed, you and the Advisor can determine how to reinvest or withdraw the proceeds, and you may fully rebalance your Account at that time. Private equity minimum investment amounts vary as described in the fund's offering document. The minimum investment in a structured product is typically \$1,000.

Non-publicly traded REITs and limited partnerships are typically sold for a commission by individuals acting in their capacity as a registered representative of AIS. The commission is roughly seven percent of the purchase price and reduces the number of shares purchased. These same products are sometimes available to advisory accounts at net asset value ("NAV"). If purchased at NAV for an advisory account, we include these securities in your Billable Account Value. This increases the number of shares owned, but you can pay more in Program Fees than if you purchased them as a commissionable retail product, if held for the lifetime of the product. These products have no liquidity (therefore cannot be managed) and are designed to be held for ten or more years. This creates a conflict of interest since it is to our advantage to sell these to you at NAV and continue to charge you Program Fees for the life of the product.

Valuation methodologies for certain products (e.g., some limited partnerships and non-publicly traded REITs among others) are subject to substantial limitations and lack of uniformity. For these reasons, we have chosen to exclude many of them as Approved Securities on our advisory platforms. These products are only offered as commissionable products through AIS by individuals acting in their capacity as a registered representative. In the event one of these products undergoes a liquidating event sooner than anticipated, you may end of paying more for the product by paying a commission but if the product is owned for the anticipated holding period, you will likely pay more in Program Fees than commissions if it is held as an Approved Security in a fee-based advisory account. If you wish to purchase these products at NAV for use in an advisory account and they are not available through Avantax, then we ask that you do so through another advisory firm.

## **Item 5: Fees and Compensation**

### **Program Fee**

You pay an annual Program Fee for the IMS Flex Choice Program. The 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 Program Fee as agreed upon between you and your Advisor is documented in your SIS.

The Program Fee is automatically deducted from your Account, and it is identified on your Custodian Account statement. The Program Fee is charged only one quarter in advance, therefore, there is no long-term commitment or contractual obligation to continue using the Program. Program Fees for non-IRA accounts can be paid from another AAS or AIS account as well, but an ERISA retirement account or IRA account cannot pay fees for any other Account.

The Program Fee you pay includes your custodial and safekeeping fees, investment advice, reporting and, in some cases, the cost to execute trades in your Account ("Ticket Charges"). If the execution costs are included in your Program Fee, you do not pay separate Ticket Charges. If, however, you elect to pay Ticket Charges (a decision which is documented in your SIS), your Advisor takes this into account when determining your Program

Fee. The selection of whether you or your Advisor pays Ticket Charges can be amended by completing a new SIS.

The Advisor recommending the Program receives compensation as a result of your participation in the Program. The amount of this compensation may be more or less than what 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 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 Program Fee can be either a tiered-fee based on the Billable Account Value you have in the 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 less the account value of any Unapproved Securities. The 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. 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 Cash Sweep Program and Bank Deposit Sweep Program. Including cash and cash equivalents in the Billable Account Value is a conflict of interest because it increases the fees you pay AAS and your Advisor. Unapproved Securities are any securities held in the Account that are considered “not approved”.

For example, if your Account has a Billable Account Value of \$250,000, and you and your Advisor agree to an annual 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:  $(\$250,000 \times 1.5\%) \times (90 / 365) = (\$3,750 \times 0.25) = \$937.50$ . The quarter’s Program Fee of \$937.50 will be deducted from your Account.

The initial 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 thirty (30) days before the end of the quarter, and the Program Fee is calculated as  $(\$250,000 \times 1.5\%) \times (30 / 365) = (\$3,750 \times 0.082) = \$307.50$ .

Subsequently the 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 Program Fee is not adjusted during the quarter for changes in Billable Account Value (appreciation or depreciation of the securities held in the Account). However, the Account is charged or refunded a supplemental prorated Program Fee on a monthly basis if there are significant net additions or net withdrawals in the Account during the month. Net additions or withdrawals are charged a prorated fee applied for the days remaining within the quarter and all additions and withdrawals are netted daily. This prorated adjustment only occurs if the net addition or withdrawal meets the daily threshold of at least \$10,000. A prorated Program Fee (also referred to as “flow billing”) is assessed in the month following the net addition or net withdrawal. The prorated Program Fee is based on additions and withdrawals to your Account only and is not aggregated for Related Accounts.

Securities that transfer into the Account that are considered Unapproved Securities are included in the Program Fee calculation for approximately 30 days after delivery to the Account. At or near 30 days, these “Unapproved Securities” are no longer included in Program Fee calculations, and the assets do not appear on Quarterly Performance Reports. Unapproved Securities do show on your Custodian Account statements.

When fees are calculated, Unapproved Securities are excluded from the Billable Account Value. Unapproved Securities are generally securities that are not considered approved for the Program or that the Advisor and



Client have agreed should be held in the Account but not included in Account rebalancing or in management of the Account. Cash and cash equivalents, including cash invested in the Bank Deposit Sweep Program, are included in the Program Fee calculations unless invested in AAS's selection of a cash reserve fund that is not included in billing or reporting. The cash reserve funds (currently IPPXX Invesco Premier Portfolio, OMBXX Invesco US Government Money Portfolio and AIMXX Invesco Government Money Market Fund) are excluded from quarterly billing.

For the purposes of calculating the Program Fee, the "Billable Account Value" is calculated as the market value of all Approved Securities held in the Account plus any margin debit balance as of the last business day of the prior quarter. 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. If any prices are unavailable or believed to be unreliable, we determine prices in good faith to reflect our understanding of the fair market value.

Related Accounts can be linked together upon Client request to reduce the Program Fee if Accounts are billed on a tiered-fee basis. Related Accounts can also be linked to meet the Program minimum of \$15,000 but each Related Account must have (and maintain) an Account Value of at least \$5,000. To be eligible for linking, you must affirmatively notify AAS of the Accounts that are to be linked and provide AAS written information on any forms designated by AAS for this purpose. Related Accounts are accepted by AAS in AAS's sole judgment. 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 Program.

Each Related Account in Multi Account Management (MAM) should individually and separately meet the Account minimum of \$5,000 with a total for all Related Accounts of at least \$15,000. The MAM feature is used for related accounts across both taxable and non-taxable account registrations to create a single portfolio that is managed in a more tax-efficient manner.

*All Related Accounts must be in the same IMS Flex Choice Program (wrap with discretion, wrap without discretion, non-wrap with discretion or non-wrap without discretion) to count toward the Program Minimum.*

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 Program through the end of the quarter. Please see the "Termination of Agreement" section of this Disclosure Brochure for additional information.

The IMS Flex Choice Program includes account management, certain brokerage services, reporting, custody and administrative services. A portion of the Program Fee is used to cover expenses associated with trading in the Account, custody of assets, platform fees to Envestnet and the other services described in this Disclosure Brochure. The Program Fee does not include certain dealer markups or markdowns on odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic), certain transaction fees or any other fees required by law. Managed accounts do not pay an IRA annual maintenance fee. The fee charged by Custodian is paid by AAS or its affiliates.

Depending upon the amount of the Program Fee, the level of assets and trading activity in the Account, the value of custodial and other services provided, and other factors, the Program Fee can exceed the aggregate cost of these services if they were obtained separately. Accordingly, the Program Fee is more or less expensive than if you selected separate brokerage services, without the additional Program services provided. You should consider the importance and value of these additional 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 Programs and assessing the overall cost. If there are prolonged periods of inactivity or an asset allocation with significant cash or cash equivalents, the Program Fees can result in higher overall expenses than if commissions were paid separately for each transaction outside a fee-based advisory 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 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. If you purchased investments through a brokerage account held at our Custodian within one year of transferring them to an advisory account, the amount of commission you paid that exceeds an average advisory fee is refunded directly to your Account. If the purchase was within thirty (30) days of transferring to an advisory account, the full amount of your commission is refunded directly to your advisory account.

The IMS Flex Choice Program uses Approved Securities. Approved Securities are purchased in the Program Account with no sales commissions, but 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 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. AAS credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees. The use of Advisory Shares generally provides a lower cost share class to clients which is to your advantage.

Certain mutual fund companies pay AIS to provide shareholder liaison services to investors. These fees are classified as shareholder servicing fees and generally include responding to investor inquiries and providing information on mutual fund investments. AIS receives these shareholder services fees from certain mutual funds in amounts up to 0.25% annually of the assets invested in a particular mutual fund.

If a more expensive share class is held in an advisory account, AAS converts the share class to a lower-cost share class, if one is available from the issuer. Clients who transfer securities into the Program bear the expense of any contingent or deferred sales loads incurred upon selling the product or converting the share class to a lower-cost share class. Clients also have the ability to retain the higher cost share class until any contingent or deferred sales loads have passed before including them in the Account.

### **Margin in Fee-Based Accounts**

The use of margin is permitted in the IMS Flex Choice Program, and you should be aware that a margin debit balance (created by borrowing against your Account giving you access to cash and/or the ability to purchase additional securities) increases the market value of Approved Securities, which in turn increases the amount of Program Fee you pay. This creates a conflict of interest, which is described in more detail under Item 14.

The use of margin is not suitable for all investors since it increases leverage in your Account and therefore its risk. Please see the Margin Disclosure Statement and Avantax Disclosures' Packet for more details on the risks of margin use. These documents are provided at account opening.

### **IMS Fee-Based Annuity Program**

Client pays the annual Program Fee in advance on a quarterly basis based upon the market value of the assets in the Annuity Account determined as of the last business day of the previous calendar quarter. The Program Fee includes the Sponsor Fee as well as the Advice Fee and shows as a single fee on your Account statements. The Program Fee agreed upon by you and your Advisor is listed in your Form SIS.

The Program Fee can be either a tiered-fee based on the Billable Account Value you have in the Annuity Program and in your Related Accounts (as defined below) or a flat annual percentage not to exceed 3.00% of the Billable Account Value in your Annuity Account.

Portfolio Increments	Maximum Annual Fee
Any Billable Account Value	3.00%

The Program Fee for your Annuity Program Account is calculated the same as the Program Fee for your IMS Program Fee (as listed above). The Program Fee is not deducted from the Annuity Program Account, but instead it is deducted from a Payment Account opened at Custodian. The Payment Account is a separate brokerage or advisory account held at Custodian and linked to the Annuity Program Account for the payment of the Program Fee. Program Fees for non-IRA accounts can be paid from another AAS or AIS account as well, but an ERISA retirement account or IRA account cannot pay fees for any other Account.

In addition to the Program Fee, you pay the insurance company the internal expenses for the selected annuity product as disclosed in the annuity's prospectus. Internal expenses for an annuity product are born by all customers that own the annuity and are in addition to the Annuity Program Fee you pay. They are paid directly from the assets in the annuity product as outlined in the product's prospectus and cannot be paid from a Payment account.

### Solicitor Arrangements and Fees

Third-party money managers have account minimum requirements that vary. For a complete description of third-party money manager's services, fee schedules, custodian information and account minimums please refer to the selected program's disclosure brochure which is given to you prior to or at the time an agreement for services is executed and the account is established. The actual fee you pay varies depending on the program selected. All fees are calculated and collected by the third-party money manager who is responsible for delivering our portion of the fee paid by you to AAS.

Under this Program, you may incur additional charges including but not limited to, mutual fund sales loads (including contingent deferred sales charges), 12b-1 fees, surrender charges and IRA and qualified retirement plan fees. AAS does not share in any of these commissions, fees, or transaction charges, nor do its affiliates. Advisors acting as solicitors for these programs are prohibited from soliciting any government entities.

### Symmetry Partners

AAS and your Advisor *	Maximum fee is 2%
Symmetry	0.50% for first \$1,000,000 0.45% for next \$2,000,000 0.40% for next \$2,000,000
<b>Total Maximum Fee</b>	<b>2.50% per year</b>

\*This is an additional fee charged as a result of the referral of your account. Additional details are included in the Solicitor's Disclosure Statement signed by the Client.

### The Pacific Financial Group

Under the Managed Strategists' Program offered by TPFPG, AAS receives 0.75% annually for its role as a solicitor. This fee is paid to AAS by TPFPG. No other fees are charged directly to the Client in the Managed Strategists Program, but the Client does pay advisory fees indirectly through their investment in the RiskPro Funds.

Under TPFPG's Core Retirement Accounts Program, the maximum annual fees paid by the client are:

Assets Under Management	Fees Paid to Solicitor (AAS)	Fees Paid to TPFPG
\$0 to \$500,000	1.00%	1.00%
\$500,001 to \$3,000,000	0.75%	0.75%
\$3,000,001 to \$5,000,000	0.50%	0.50%
\$5,000,001 to \$10,000,000	0.40%	0.40%
\$10,000,001 and above	Subject to Negotiation	Subject to Negotiation

Your Advisor does receive a portion of the fees received by AAS for both the Managed Strategists' and the Core Retirement

Programs.

### **Avantax Planning Partner's RPS Program Fees**

The maximum fee schedule for services provided to Employer-Sponsored Retirement Plans is as follows:

Asset Management	Negotiable up to 1.5% of plan assets
Custodial and Administrative Fees	Customized and separately disclosed per plan

Fees for custodial trading services are based on an agreement between APP and Fidelity Brokerage Services, LLC. ("FBS") and represent a pass-through of the fees assessed by FBS. Services include registration and custody of all plan securities, access to FBS's mutual fund platform, an automated trading link that integrates with the APP recordkeeping system, and other miscellaneous services. These fees are paid from plan assets or billed to the plan sponsor. Fees are charged pro rata each quarter. We separately disclose to plan sponsors and participants various plan costs and fees via a services agreement, as required by the Department of Labor.

Fees are collected, in arrears, unless otherwise indicated in your RPS agreements. If you terminate your advisory relationship with us before the end of a quarterly billing period, your Management Fee (i.e., the equivalent of our "Program Fee") will be prorated for only those days that APP rendered services to you, including the day we receive notice. We will charge for the number of management days in the period, divided by ninety (90), times your fee rate, divided by four, times your balance at the beginning of the quarter.

Of the fees paid for your participation in APP's RPS Program, your Advisor earns 100% of the fees shown below. AAS does not earn any portion of these fees although we do receive a portion of the Advisor's share of advisory fees in other advisory and referral programs.

<b>Plan Size</b>	<b>Compensation to Solicitor</b>	<b>Compensation to APP</b>
\$3,000,000 or less	20% of Program Fee paid by Client	80% of Program Fee paid by Client
Greater than \$3,000,000	30% of Program Fee paid by Client	70% of Program Fee paid by Client

See the section titled "Conflicts of Interest Related to the RPS Program" under Item 14 for additional information.

### **Financial Planning Fees**

Fees for financial planning services are negotiated between the Client and the Advisor and are a flat dollar amount. In some cases, the Advisor can choose to provide a basic financial plan at no charge to the Client. The agreed upon amount for Financial Planning services is disclosed in the Financial Planning Client Agreement. Fees for complex, comprehensive engagements can exceed the maximum listed below but is agreed upon in advance between the Client and Advisor. Should there be an instance where the Client and Advisor agree that a fee will exceed \$5,000 for the Financial Plan Only Model or \$10,000 for participation in the Seasonal Planning program, pre-approval must be granted by Advisory Compliance.

You are under no obligation to act on the financial planning recommendations of your Advisor. You may elect to implement the financial plan in whole or in part through Avantax or through other individuals or other firms. In the event Client elects to implement a financial plan through Avantax, Client is responsible for all fees and expenses (such as investment management fees and/or brokerage expenses) incurred in connection with the implementation of a financial plan. Clients receive an appropriate disclosure document and a Client agreement describing the nature and extent of the services provided by AAS and/or its affiliates and the applicable fees charged for those services and other related matters. The fees charged by AAS, such as asset management or Program Fees, in connection with the implementation of a financial plan are in addition to the fees incurred by Client in connection with the formulation of that plan. Some recommendations may be for investments, services or insurance products sold through our affiliates, AIS and our affiliated insurance agencies (Avantax Insurance

Services, Inc. or Avantax Insurance Agency Inc.). These products and services pay reasonable and customary compensation in the form of commissions which are shared between Avantax and the registered representative on your account. The registered representative may also be your Advisor.

### **Seasonal Financial Planning Fees**

Financial planning fees are negotiable and there is no assurance that similarly situated clients are assessed comparable fees. Your Advisor will explain the fee and the factors considered in calculating the fee before asking you to sign the Agreement. Some states may impose a sales tax on your financial planning fee, which AAS collects and remits to the applicable state. Financial planning fees vary based on your Advisor's fee schedule, which may be based on factors such as local market considerations, and the overall complexity of your case.

For the Seasonal Planning Model, your Advisor assigns an overall factor of "Level 1," "Level 2" or "Level 3" based on the complexity of your financial situation, the topics you choose to incorporate into the plan and other expected life planning events such as an upcoming marriage or divorce, early retirement, or employment changes in addition to any business planning needs you may have.

If you engage in the Financial Plan Only model, your Advisor assigns an overall complexity factor of "Level 1," "Level 2" or "Level 3" based on the number of financial planning topics to be addressed in the plan and the extent to which each included topic will be addressed.

The minimum annual fee for the seasonal planning model of Financial Planning Agreements is \$500. Your Advisor's minimum fee may be higher. The maximum fee is \$10,000. For the financial plan only model, the minimum annual fee is \$500, and the maximum fee is \$5,000. AAS reserves the right to waive the minimum and maximum fee under certain circumstances.

Ask questions about the financial planning fee so that you understand the factors considered in arriving at your financial planning fee and what you should expect for this fee.

If you engage in the Seasonal Planning Model, the fee that you pay in the first year of service may differ from the fee you pay for services in ongoing years. A portion of the financial planning service fee is paid to your Advisor for introducing you to the service, gathering the information necessary to prepare your service, helping you establish needs and goals, preparing and presenting your service, and/or providing financial advice on behalf of AAS. The remaining portion of the fee goes to AAS for the supervisory, technical, administrative and other support provided to all Advisors.

Although, you pay a fee for your personalized financial plan, AAS and your Advisor earn commissions or advisory fees if you choose to implement all or a portion of the plan through Avantax. At all times it is solely your choice whether implementation of all or a portion of the recommendations in the financial plan are done through AAS, our affiliates, or other firms you select. You are under no obligation to do anything. If you establish an advisory account with AAS, the investment advisory fee you pay for the advisory account is separate from your financial planning fee. Please refer to the descriptions of the types of accounts offered by AAS elsewhere within this Disclosure Brochure.

Financial plans are based on your financial situation at the time and are based on financial information disclosed by you to your Advisor. You are advised that certain assumptions are made with respect to interest and inflation rates and we use past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. AAS and the Advisor cannot offer any guarantees or promises that your stated financial goals and objectives will be met. Further, you must continue to review any plan and update the plan based on changes in your financial situation, goals or objectives or changes in the economy.

Seasonal Planning Program Fees are payable via check, and the check must be made payable to AAS. Your fees can also be paid directly from your AAS brokerage or advisory account by submitting a check request or setting up a systematic withdrawal plan.

### **Retirement Management Solutions (RMS) Fees**

AAS charges an annual asset management fee (*i.e.*, Program Fee) of up to 3.00% of assets in the plan held in the RMS Program. If a fixed fee is agreed upon, the fee cannot exceed 3.00% of the assets in the plan.

The Client (*i.e.*, the Plan) has the option to choose an annual fixed or variable Program Fee. Assets in the retirement plan must exceed \$5 million to be eligible for fixed-fee pricing. A variable fee is a percentage of account assets defined as the market value of the assets in the Account as of the close of business on the last business day of the billing period. Securities in the account are valued daily based on the closing price as reported by the custodian for the purposes of calculating the market value of the assets in the Account that are subject to the fee. The fee for each billing period is payable in arrears.

Client selects a Platform Provider that meets the needs of their plan and its participants. A Platform Provider is responsible for the administration of qualified plans offered through the RMS Program, and they provide the recordkeeping and service provider functions to the plan and its participants.

The Client authorizes the Platform Provider to withdraw the Program Fee from the assets in the Account on or after the first business day of the month following each billing period. The Program Fee is then paid to AAS. Platform Providers have differing methods of fee calculation, billing frequency and different options for payment of fees. You should review the account opening paperwork, recordkeeping service agreement and custodial agreement of your chosen Platform Provider for details on how fees are calculated, methods of payment, initial fees, whether 12b-1 fees are used to offset recordkeeping or Program Fees and if fees are charged after account termination.

The Program Fee does not include the cost of custodial and recordkeeping services, which are disclosed in the Platform Provider's recordkeeping service agreement. Our affiliated broker-dealer, AIS, does not retain 12b-1 fees paid on assets in our RMS retirement plans. AAS and your Advisor share in the Client Fee you pay to the Platform Provider.

Platform Providers that provide third-party recordkeeping services for RMS accounts charge recordkeeping fees. They may also charge TPA fees if providing a bundled recordkeeping and TPA service. There are also custodial charges typically charged by the custodian for your plan assets. Please review your recordkeeping and custodial documents carefully for fees and expenses that are charged to the plan and the plan participants.

RMS Select Model Portfolios are diversified asset allocation models invested in pre-selected portfolios of mutual funds, money market funds and/or ETFs. The RMS Select Model Portfolios are managed by AAS and can be made available to participants with plans through Platform Providers on the Matrix Trust Company platform. Speak with your Advisor about which RMS providers custody through Matrix Trust Company since not all use this custodian. If RMS Select Model Portfolios are included in the available menu of investment options for plan participant use, there is an additional 9 basis point fee charged on assets in the RMS Select Models. 6.5 basis points is paid to AAS to manage the portfolios and 2.5 basis points is paid to Matrix Settlement and Clearance Services, LLC (MSCS) for trade processing and custodial services. This fee is not shared with your Advisor. For plan sponsors electing the RMS Select Models, AAS makes available the RMS Select Recommended Fund Lineup at no additional charge.

### **ERISA Section 408(b)(2) Disclosures**

When AAS is engaged to provide investment advisory services through the IMS or RMS platforms on behalf of a client that is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), AAS is a "covered service provider" to the plan for purposes of ERISA Section 408(b)(2) and the applicable regulations. This Disclosure Brochure, the ERISA Section 408(b)(2) Disclosure, and the disclosures included in the investment advisory agreement between the ERISA client and AAS are intended to provide fee disclosures in accordance with the requirements of ERISA Section 408(b)(2).

### **Other Fees and Expenses**

If you invest in the Retirement Management Solutions Program, a retirement plan may choose a default fund that meets the definition of a Qualified Default Investment Alternative ("QDIA") as defined in the Pension Protection Act of 2006. If you choose a QDIA for your plan, participant assets are placed in the default fund if no investment elections have been made. Participants must be given an opportunity to provide investment direction. You are responsible for providing a notice to your participants in advance of the first investment in the qualified default investment alternative and annually thereafter. Depending on the fund, the fund may charge an annual asset-based fee. The fees and charges of the fund options are listed in their respective prospectus or offering document.

**Billing Practices for RMS**

RMS Plans pay fees in arrears and no invoice is sent. The Program Fee deducted from the Plan's Account is shown on the custodian's statements. For RMS accounts, the billing methodology is dependent on your chosen Platform Provider. Please read the documents provided by your Advisor for specific details related to your account.

**Educational Services' Fees**

All fees for educational services are negotiated and agreed upon between the Client and the Advisor. The fees are disclosed in the Retirement Plan Services Agreement and may be based on assets under management or a flat annual fee. The assets under management fee shall not exceed 1% of the market value of the Account, and the flat fee shall not exceed \$7,500, unless pre-approved by Advisory Compliance.

**Solicitor Referral Platform**

The annual asset management fee is up to 3.00% of assets in the TAMP Account. The asset management fee typically includes the cost of custodial services. The assets will be held with a custodian mutually agreeable to you and the TAMP manager.

The asset management fee varies primarily based on the size of the account and the portfolio managers selected by you, though other factors may also influence the amount of the annual asset management fee charged. The asset management fee is determined according to the fee schedule of TAMP up to a maximum of 3.00%. You should read the TAMP's Form ADV Disclosure Brochure for information regarding asset management fees and other expenses.

**Ticket Charges and Custodial Fees**

Ticket charges and custodial fees are assessed by Custodian as noted in the Schedule of Fees in Appendix 1. These fees are separate from any Program Fee or mutual fund fee outlined previously. In the IMS Flex Choice Program, you and your Advisor agree whether you pay the Ticket Charges assessed to your Account in addition to the Program Fee, by checking the appropriate box in the Fees section of the SIS. When considering this election, you should consider the Ticket Charges identified in Appendix 1 that are assessed as applicable and who is responsible for paying them. If there is active trading in your Account the Ticket Charges could be significant, and Ticket Charges are a significant aggregate expense for an Advisor overall when considering the number of Accounts serviced by the Advisor. This creates a conflict of interest for an Advisor who is responsible for paying Ticket Charges in Client Accounts as they receive a smaller percentage of the Program Fee you pay. Please see the "Conflicts of Interest" section in this Disclosure Brochure for additional information about Ticket Charges. Advisor has the option of paying Ticket Charges on behalf of the Client on some or all transactions. The choice is in the sole judgment of the Advisor.

**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 Program Fee. The early redemption fees are not shared with AAS or the Advisor. These early redemption fees reduce the return on your investment. Early redemption fees are not the same as contingent deferred sales charges (or CDSCs) imposed by certain mutual fund share classes.

**Termination of Agreement**

Clients who want to terminate their Agreement should notify their Advisor or AAS verbally or in writing. Program Fees are paid in advance; therefore, AAS 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 Program's minimum qualifications. Each Related Account should individually and separately meet the respective advisory 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 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. Please refer to the Avantax Disclosures Packet for a description of brokerage fees. This document is provided by the Custodian at Account opening. It is important you understand this distinction since any transactions you request once the account is no longer in the Program incur fees and commissions over and above the Program Fee paid while the Account was in the Program.

Upon moving to a retail account, you may be required to convert advisory mutual fund share classes to a retail share class. Retail share classes typically involve greater internal expenses than advisory share classes, and AIS and your Advisor, if appropriately FINRA licensed, receive 12b-1 fees on retail share classes held in a retail account. Please see the fund's prospectus and consult your tax advisor for additional details. Instructions to terminate the IMS Flex Choice Program Accounts can take up to two business days to process once notification is received by AAS.

Client has the option to terminate the Financial Planning Client Agreement or Education Services Agreement at any time with written notification. If fees are paid in advance, unearned, prepaid fees are refunded.

#### **Legacy IMS Programs**

*Legacy* IMS Select Portfolios and *Legacy* IMS Portfolio Choice programs are closed to new investors. These *Legacy* IMS Programs were converted on January 1, 2021 from Non-Wrap programs, in which ticket charges are assessed per trade execution, to Wrap programs where you pay a single fee for trade execution and portfolio management services. Your current Program Fee is not changing but going forward you or your Advisor will no longer pay for trade execution separately. Please consult the separate IMS Select Portfolios Wrap Program Brochure and the IMS Portfolio Choice Wrap Program Brochure for additional details and program descriptions.

#### **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 6: Performance-Based Fees and Side-By-Side Management**

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.

#### **Item 7: Types of Clients**

Most AAS' 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. There is no account minimum for Financial Planning or Educational Services' clients. Account minimums for Symmetry and The Pacific Financial Group are outlined in their Disclosure Brochures.

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

#### **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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 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 Disclosure 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.

### **Risk of Loss**

In choosing any advisory services through AAS, you should be aware that all investments are subject to risk, and you must understand that we do not guarantee any return on the investments or investment strategies recommended or advised upon. There is no guarantee that the advisory services provided by us will result in meeting your goals and objectives. Investing involves risks, including the risk of loss of principal, and investment decisions made for your account may be subject to numerous risks, such as market, interest rate, currency, economic, political and business risks, among others. Past performance is no guarantee of future results. Because

of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services, strategies and methods of analysis can or do predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. Investing in securities involves the risk of loss which you should be prepared to bear.

### **Risks of Relying on Information Provided by Others**

Analysis methods 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.

### **Approved Securities for IMS Flex Choice Program**

Securities for your Account are recommended or selected based on your Client Risk Profile as contained in the SIS and other information you provide your Advisor. This section discloses the details regarding assets that are eligible for the Program.

AAS maintains a list of Approved Securities for the IMS Flex Choice Program. The lists change periodically and AAS has sole decision-making authority to add or remove a security from the list. You should consult with your Advisor if you have questions regarding the Approved Securities in your Account.

Most types of securities are eligible for purchase in an IMS Flex Choice Account including, but not limited to, common and preferred stocks, exchange-traded funds or other exchange-traded products, unit investment trusts, corporate, municipal and government bonds, certificates of deposit (including market linked certificates of deposit), options and certain mutual funds. Certain investments are not always available in the Program such as some variable annuities, most limited partnership interests, and new issue securities including bonds on the primary market (unless an advisory CUSIP is available). Exceptions can be granted by AAS.

While new-issue bank certificates of deposit (CDs) are Approved Securities, the yield of new-issue CDs takes into account a sales concession in order to compensate the firms which sell the CDs. Within advisory accounts, AAS does not receive this sales concession since it is retained by the underwriter. Although we do not receive the sales concession, the overall yield on the CD to the Client is still impacted. Since AAS charges a Program Fee on all Approved Securities within an Account, you are effectively charged both the sales concession (retained by the underwriter) and the Program Fee on the CD. These charges reduce the overall yield on the CD and, in some cases, result in a negative return. You should be aware that you can obtain the same CDs without being subject to the Program Fee if it were purchased in a non-advisory brokerage account or directly from the bank. However, securities purchased outside of your Account are not monitored or supervised by AAS as part of the Program.

Unapproved Securities (i.e., not Approved Securities) can be held in an IMS Flex Choice Account but additional buys of Unapproved Securities are prohibited; only sell orders are allowed. AAS determines which Unapproved Securities can be held in the Account and can revise or amend its determination at any time as it deems appropriate. Unapproved Securities are excluded for purposes of calculating the Account's performance and Billable Account Value. Unless they are waived or subject to another arrangement, you incur fees for transactions related to Unapproved Securities pursuant to the Avantax Disclosures Packet.

### **Due Diligence Process: RMS Select Model Portfolios**

The RMS Select Investment Oversight Committee is responsible for the selection, monitoring and termination of the investment managers, mutual funds, and ETFs used in the RMS Select Model Portfolios and the RMS Select Recommended Fund Lineup. The decisions are made based on recommendations and due diligence performed by AAS's Portfolio Management Group. The RMS Select Investment Oversight Committee may undertake, approve and disseminate different criteria as the methodology for fund/ETF selection, monitoring and termination/replacement decisions for the RMS programs as compared to the oversight of our other advisory programs.

## **Item 9: 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).

## **Item 10: 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 APP and Avantax Wealth Management, Inc., the parent company of AAS, AIS, and Avantax Insurance. AAS may recommend that Clients use AIS, APP or Avantax Insurance to implement investment strategies. AIS, a registered broker-dealer and member of FINRA and SIPC, provides brokerage services to AAS Clients.

Your Advisor is, in most cases, an independent contractor of AAS solely for the purpose of providing investment advisory services as described in this Disclosure 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 IMS Flex Choice Account investments must be made out to "National Financial Services LLC". 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.

## **Item 11: 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.

## **Item 12: Brokerage Practices**

AAS requires IMS Flex Choice Accounts be established and held through AIS as an introducing broker-dealer while trades are executed and cleared through Custodian. IMS Flex Choice Accounts are managed by AAS. Accounts must be established with AIS and cleared through Custodian. This section is not applicable to financial planning, RMS, solicitor referral programs or consulting services however, in the event you elect to open a brokerage account through AIS, the following brokerage practices would apply.

## **Information about Custodian**

As custodian of your brokerage account, Custodian, at the direction of AAS, is responsible for:

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

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

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

Through the relationship with Custodian, we receive substantial economic and non-economic benefits. These benefits include, but are not necessarily limited to:

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

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

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

## **Fixed Income**

As a result of the "over-the-counter" nature of fixed income securities, the available trading methods differ from that of equity securities. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements AIS has contracted with Advisors Asset Management, Inc. ("AAM") to execute trades for Clients in fixed income securities, unit investment trusts (UITs) and structured products, and Advisors have the option of placing these trades with either AAM or Custodian. These firms consider a number of factors when determining where to execute orders including the type, size, supply, liquidity, and complexity of the order along with the prevailing market conditions.

## **Best Execution**

For both equity and fixed income securities, AAS 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 Allocation**

The ability to enter aggregate or bunched trades on the Envestnet platform allows for Advisors with discretion to utilize the average price feature. This allows an average price for Accounts included in the bunched trade if the entire order does not fill at one price. Average pricing only occurs for trades in the same security entered at the same time by the same Advisor and not among different Advisors and only for stocks and ETFs. It is possible that there will be two or more aggregate trades for the same security for the same Advisor on the same day, i.e., one bunched trade is entered in the morning and one or more are entered later that same day. AAS does not generally do an average price calculation across multiple aggregate trades (either among the same or different Advisors).

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

### **Trade 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.

### **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.

## **Item 13: Review of Accounts**

### **Monitoring of Accounts**

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

### **IMS Flex Choice Program**

Your Account is monitored by your Advisor on a periodic basis (at least annually) to ensure that your portfolio remains aligned with your selected model and your Client Risk Profile, as stated in the SIS. If you and/or your Advisor determine that an Approved Security no longer meets your needs, the Advisor will recommend a replacement to you. All investment decisions are made by you in a non-discretionary account. Additional details are provided in Item 16.

### **IMS Fee-Based Annuity Program**

Your Annuity Account is monitored by your Advisor at least annually to ensure that your portfolio remains aligned with your selected model and your Client Risk Profile, as stated in the SIS. All investment decisions are made and implemented by your Advisor in these discretionary accounts. Your account statements will be sent to you

quarterly by the insurance carrier.

### **Quarterly Performance Reports**

AAS provides Quarterly Performance Reports (QPRs) for your Account to your Advisor who then makes them available to you. Individual or Related Accounts with a total market value equal to or less than \$500 do not receive a QPR. You may elect electronic delivery of your QPRs through an electronic client portal. Notify your Advisor if you have not yet enrolled and would like to do so. The pricing and performance figures included in the QPR are believed to be accurate but are not guaranteed. Returns shown are after fees are deducted (*i.e.*, net of fees), and include the impact of dividends or capital gains in the calculations. Regarding fixed income, an accrual accounting method is used for billing and performance reporting for interest payments that have been accrued but not yet paid within the period. Regarding mutual funds and equities, a cash accounting method is used for billing and performance reporting, and therefore does not reflect dividends that have been declared but not yet paid within the period. These methods differ only in the timing of when transactions (*i.e.*, dividends and interest payments) are credited to your Account. The timing difference may result in an increase or decrease in the performance of your Account or the amount billed to your Account.

In addition to the QPRs, the Custodian delivers account statements to you on at least a quarterly basis. You should compare the information in the QPR with the information in the account statement provided by the Custodian. There may be a difference in the values represented as a result of the different billing methods indicated above. Please note that Envestnet reports trades as of the trade date and NFS reports trades as of the settlement date. For this reason, some trades may appear on your Envestnet reports that are not yet reflected on your NFS custodial statements. The Custodian's account statement is the official record of the holdings and value of investments held in the Account.

QPRs are provided by Envestnet. Performance is now calculated using the Modified Dietz method and not the previous Time-Weighted Rate of Return method.

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

**Solicitor and RMS Programs.** Clients with accounts referred to solicitors or in the RMS Program will receive quarterly statements from the applicable account custodian. These assets are not included on your QPRs as described above. The exception to this is accounts in the RMS Program custodied at VOYA. Because AIS is the broker/dealer of record for VOYA accounts (not VOYA Financial), these assets will appear on your NFS statements.

### **Item 14: Client Referrals, Other Compensation & Conflicts of Interest**

**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.

**Restricted Equity Awards to Certain Advisors.**

Avantax Wealth Management’s parent company Blucora awards \$5 million in equity grants of its publicly traded stock (Nasdaq: BCOR) to AWM firms with the top gross dealer concession (GDC) during the performance period of January 1, 2021 – December 31, 2021. 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 GDC revenue on a 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 commission and advisory product lines. No one particular financial product or service is incentivized over another.

**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.

**Conflicts of Interest: Direct Account Quarterly Fees**

While your Advisor’s compensation is the same whether your transactions occur in a direct account (“DTF”) or a brokerage account, it is important to note that Avantax charges Advisors a quarterly fee for most DTF accounts due to additional complexity in the supervision required for these accounts. Some DTF account registrations, generally those that are not available on the brokerage platform, are exempt from this fee. This fee creates a conflict of interest since it is paid by the Advisor and no such fee is charged on accounts held on other platforms including brokerage or advisory accounts, although other account fees apply to these accounts as elsewhere disclosed. As such, your Advisor may recommend that you open a brokerage or an advisory account (rather than a DTF account). Based on the number and type of transactions in your account and/or the balance in your account, a brokerage or an advisory account may cost you more in ongoing fees and expenses than you would pay in a DTF account. You should discuss the features and services provided in a brokerage or an advisory account with your Advisor, whether they are worth the additional cost (if applicable), and whether it is in your best interest.

**Conflicts of Interest Related to APP’s RPS Program**

APP is an affiliate of AAS and AIS and all of these companies are under common ownership and control. This presents a conflict of interest when our Advisors refer clients to the APP RPS Program since we make money indirectly through our parent company’s economic participation in the business of APP. Our Advisors may recommend APP for your ERISA plan based on this relationship, and another Platform Provider may provide comparable, different or better services at a lower cost to you.

Your Advisor could also select the APP RPS Program since compensation to your Advisor may be higher than compensation available from other available Platform Providers.

In all circumstances, AAS manages our conflicts of interest through written disclosure to you and enforcement of supervisory policies and procedures that are reasonably designed to ensure that we and your Advisor make recommendations that are in your best interests – and without regard to – the possible incentives (monetary or non-monetary) to AAS or your Advisor.

### **Conflicts of Interest: Third-Party Compensation**

AAS and our affiliate, AIS, have agreements with various Product Sponsors (issuers of mutual funds and other investments) to provide us with payments to help defray the educational, training, recordkeeping and other costs associated with bringing their products to Clients. Third-Party Compensation generally falls into one of the following areas:

- Compensation from our Custodian, including mark-ups to the fees you pay and revenue we receive from the Cash Sweep Program
- Compensation from Product Sponsors and other business partners related to educational conference participation (“Educational Partners”)
- Compensation from other business partners related to their products or services (“Other Sources”)

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

The Third-Party Compensation we receive is generally an expense embedded in the investment which is ultimately born by investors. This creates an incentive for AAS and our Advisors to recommend investment products that pay us Third-Party Compensation, but it costs you more. Because different products pay us different amounts of Third-Party Compensation, we also have an incentive to recommend those products that pay us more or that pay us ongoing Third-Party Compensation over products that pay us nothing or that pay us only on the sale of the product, rather than ongoing payments. This Third-Party Compensation is not shared directly with your Advisor although they do receive indirect benefits.

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

Details of the various ways we earn Third-Party Compensation and the related conflicts of interest are explained below. It is possible for Product Sponsors to participate in more than one category.

### **Compensation from our Custodian**

A large percentage of AWM’s brokerage and advisory clients maintain accounts with Custodian, which serves as the custodian for AWM’s clients’ assets, including substantially all of AAS’s managed accounts. In addition to executing and clearing transactions for AWM’s advisory and brokerage clients, AIS’s clearing relationship with NFS provides AWM’s affiliated broker-dealer, AIS, with substantial economic benefits by using itself as the broker-dealer and Custodian as the clearing firm for its accounts rather than an unaffiliated broker-dealer. For example, AIS adds a substantial markup to the transaction costs and certain other brokerage account charges and fees that are assessed to AWM client accounts.



Additionally, AIS receives continuous revenue sharing payments from Custodian that are derived from certain types of transactions, positions, and assets in client accounts held at Custodian. Revenue sharing provides AIS and its affiliates with a significant source of revenue. Therefore, it creates an incentive to recommend the purchase of certain mutual funds or offer certain cash sweep options that will yield greater compensation to AIS – and this is a material conflict of interest. For example, AIS also maintains a Bank Deposit Sweep Program with Custodian which is discussed below. This program creates substantial financial benefits for AIS and Custodian.

AIS's ten-year clearing/custodial agreement with Custodian also provides that Custodian shall pay to AIS incentive credits (or monetary compensation) for utilizing Custodian's services. These credits and other financial benefits are discussed below. Importantly, AIS is subject to payback terms on several of the credits it receives if its agreement with Custodian is terminated prior to the end of the ten-year term of the agreement, or not renewed at the end of the ten-year term.

This additional compensation received by AIS creates a significant conflict of interest with AWM's clients because AIS has a substantial economic incentive to use Custodian as its clearing firm for trade execution and custody over other firms that do not or would not share revenue with AIS or provide other economic incentives discussed herein. It is important to also note that, in the event AIS terminates its agreement with Custodian before the agreement expires, a termination penalty will be assessed by Custodian. This creates a conflict of interest for AIS to maintain the custodian agreement with Custodian for the duration of the agreement.

### **Specific Financial Benefits from Custodian**

AIS's clearing relationship also provides certain material financial benefits which are described below.

### **Cash Sweep Program**

AAS, by and through its affiliate, AIS, makes available a Cash Sweep Program to its clients. In this Cash Sweep Program, there are two options: A Bank Deposit Sweep Program and a Money Market Mutual Fund Sweep Program (together "Cash Sweep Program".)

In the Cash Sweep Program, the cash balance in your Account will be automatically deposited or "swept" into the applicable Cash Sweep Program option on a nightly basis. If you do not wish to participate in the Cash Sweep Program while maintaining an investment advisory account with AAS, we generally will not be able to maintain your Account in the Program.

The Bank Deposit Sweep Program is available to all Accounts except 401(k) accounts.

The Money Market Mutual Fund Sweep Program is only available to 401(k) accounts.

AAS and its affiliates do earn revenue, as described in detail below, on all accounts in the Cash Sweep Program except ERISA accounts, 401(k) accounts, Simple IRAs and SEP-IRAs.

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

### **Bank Deposit Sweep Program & Related Conflicts of Interest**

AAS, by and through its affiliate, AIS, makes available to its clients an FDIC insured Standard Bank Deposit Sweep Program as the default option for the automatic investment, or "sweep", of available cash balances (from cash deposits, securities transactions, dividend and interest payments and other activities) in your Account (the "Bank Sweep Program"). The Bank Sweep Program is not a security. The Bank Sweep Program is administered by Custodian, our clearing firm, and it is the only core account investment vehicle option available

in your Program Account, with the exception of 401(k) accounts as described below. If you do not wish to participate in the Bank Sweep Program while maintaining an investment advisory account, we generally will not be able to maintain your Account in the Program.

The cash balance in your Account will be automatically deposited or “swept” into interest bearing FDIC insurance eligible program deposit accounts at one or more FDIC-insured financial institutions (each a “Program Bank”). The maximum amount of FDIC insurance coverage for your cash deposits is \$250,000 (for an individual account) and \$500,000 (for a joint account) at each Program Bank. If your cash deposits exceed these amounts in the Bank Sweep Program, your assets will be held in multiple Program Banks. In the Bank Sweep Program, you may be eligible to obtain FDIC insurance for total cash deposits in your Account up to \$2,500,000 (for an individual account) and \$5,000,000 (for a joint account). Your cash balances in the Bank Sweep Program will only become eligible for FDIC insurance once the funds are deposited into a Program Deposit Account held by a Program Bank.

You are solely responsible for monitoring your cash levels in each Program Bank, so you do not lose FDIC insurance if the cash levels exceed the insurable amounts. Your account statements contain the name(s) of all Program Banks where your cash is held through the Bank Sweep Program.

If you have other assets in a Program Bank held outside of the Bank Sweep Program, you must let your Advisor know so another Program Bank can be selected. Otherwise you run the risk of exceeding the aggregate amount of FDIC-insured cash maintained in the Program Bank, which would render some portion of your cash ineligible for FDIC insurance. If you establish an account at a Program Bank outside of the Bank Sweep Program, you will receive additional disclosures including, but not limited to, your assets’ eligibility for FDIC insurance, and we encourage you to read them carefully. For help with monitoring your FDIC coverage in your bank sweep accounts, you may use the FDIC’s Electronic Deposit Insurance Estimator (EDIE) which is available online at [edie.fdic.gov](https://edie.fdic.gov)

Please also note that your cash balances while they are held by Custodian and/or AAS or its affiliate, AIS, are not FDIC insured but they are covered by the Securities Investor Protection Corporation (the “SIPC”). Put simply, funds deposited in FDIC insured programs are not eligible for SIPC coverage and, conversely, funds covered by SIPC are not also eligible for coverage by FDIC insurance. For additional information on SIPC coverage, please visit [sipc.org](https://sipc.org). For additional information on FDIC Insurance, please visit [fdic.gov/deposit/deposits/index.html](https://fdic.gov/deposit/deposits/index.html).

Custodian is generally responsible for investing customer cash sweep balances in an omnibus bank account at one or more of the Program Banks and keeping records sufficient to link deposit amounts to each specific customer for purposes of FDIC insurance. Customers do not have a specific account in their names at Program Banks, but Custodian maintains records sufficient to establish at which banks each customer’s cash is deposited. Custodian also regularly monitors client balances in Bank Sweep Program held at different Program Banks to ensure customer’s Bank Sweep Program cash is eligible for FDIC insurance. The fees earned by Custodian covers Custodian’s recordkeeping and other administrative costs of managing the Bank Sweep Program. Custodian likely earns a profit from managing the Bank Sweep Program.

Custodian is compensated by AAS or its affiliates and the Program Banks to administer the Bank Sweep Program. Program Banks pay Custodian a uniform interest rate it has negotiated on average daily balances held in each Program Bank’s accounts and Custodian retains a portion of that interest (50 basis points) as compensation for its services administering the Bank Sweep Program. After Custodian collects its portion of the interest, the remaining amount of interest is passed on to AAS or its affiliates, which, in its sole discretion (and as further discussed below), passes on a portion of the interest to its customers and retains the rest.

The revenue to AAS and its affiliates generated by the Bank Sweep Program may be greater than revenues generated by cash sweep options at other brokerage firms. The interest you earn through the Bank Sweep Program may be less than you could earn through other core account investment vehicles at other brokerage firms. If you are going to maintain cash in the Bank Sweep Program you should evaluate whether you can earn a greater amount of interest by maintaining your cash in a different type of account outside of the Bank Sweep Program.

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

The Bank Sweep Program creates significant financial benefits for AIS and its affiliates (including AAS), and for Custodian. Any fees earned from the Bank Sweep Program are not shared with your Advisor and are retained by AIS. Because AAS or its affiliates receive significant fees from our clients' participation in the Bank Sweep Program, AIS has a conflict of interest in offering a Bank Sweep Program to you. The greater the amount of cash that is swept into the Bank Sweep Program and the total amount of cash for all clients maintained in the Bank Sweep Program, the greater the conflict of interest. This creates a conflict of interest, as AAS or its affiliates is incentivized to choose client cash sweep options for circumstances relating to and benefiting AAS's investment advisory business model, rather than individualized client circumstances.

These fees we receive from the Bank Sweep Program are in addition to, and will not reduce, the Program Fee, which increases your cost of investing as well as the money earned by AAS or its affiliates. Because the Program Fee will be applied to any cash and cash alternatives held within your Account (except those invested in a cash reserve fund as described under Item 5, Fees and Compensation), you will almost always experience negative performance (or lose money) on the cash asset allocation for your Account if the Program Fee charged on your cash and any cash alternatives is higher than the return you receive on any cash swept to the Bank Sweep Program and on any cash alternatives. This also creates a conflict of interest because Avantax earns more from the Bank Sweep Program balances in investment advisory accounts than it would if such balances were held outside of the Bank Sweep Program or outside of the investment advisory account entirely, creating an economic incentive for AAS or its affiliates to recommend advisory assets in cash be swept in the Bank Sweep Program.

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

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

AAS or its affiliates determines the interest rate payable to you in the Bank Sweep Program in accordance with a formula that considers the prevailing interest rates available to customers through bank deposit cash sweep accounts at other broker-dealer and investment advisory firms, which AAS or its affiliates deems to be peer firms in its sole judgment, and approved by AWM's Bank Deposit Sweep Committee. The rate of return on any sweep option is usually significantly lower than that of similar investments offered outside the Bank Sweep Program. The interest you earn by maintaining cash in the Bank Sweep Program varies over time, and any interest retained by AWM and not shared with you reduces your interest dollar-for-dollar. Moreover, there is no guarantee that the interest you earn under the Bank Sweep Program will remain higher than others over any given period. You will earn very little (and possibly no) interest during periods where interest rates are generally low.

The Bank Sweep Program has been and will be more profitable to us than other available sweep options that may be currently available through Custodian, and AWM will retain much more of the interest earned on Bank Sweep

Program balances than we will pay out to you. The revenue received by AAS or its affiliates from the Bank Sweep Program is significant and helps pay for the programs and services we offer to you. AAS or its affiliates and/or Custodian will also earn interest from the temporary investment of cash balances before they are deposited with the Program Banks, and AAS, its affiliates and Custodian will not share this interest with you.

When selecting an investment strategy for your Account, you should speak with your Advisor regarding cash balances and the management of cash allocations in your Account.

For more information about the Bank Sweep Program, please review the comprehensive Cash Sweep Disclosure Statement located at [AvantaxWealthManagement.com/legal/cash-sweep-program](http://AvantaxWealthManagement.com/legal/cash-sweep-program), or you may ask your Advisor for a copy of this document. This disclosure document contains current interest rates, the distinctions between the Bank Sweep Program versions for natural persons and entities, a list of Program Banks, the way funds are allocated to Program Banks, your responsibilities, benefits to AAS or its affiliates and others, and account eligibility information. Please read this document carefully.

### **Money Market Sweep Program**

The Money Market Mutual Fund Sweep Program ("Money Market Sweep Program") is only available for 401(k) accounts and utilizes the Fidelity Government Cash Reserves Fund (FDRXX). Neither AAS, nor its affiliate AIS, receive Sweep Program revenue on assets in the Money Market Sweep Program.

### **Technology Credits**

During the term of AIS's clearing agreement with Custodian, Custodian has agreed to provide AIS with monthly technology credits incurred by AIS and its affiliates for utilizing Custodian's and its affiliates proprietary technology products and services. These credits are not shared with your Advisor. These credits are subject to the payback terms discussed hereinabove if AIS's agreement with Custodian is terminated prior to the end of the ten-year term of the agreement, or not renewed at the end of the ten-year term.

### **Transfer Cost Credits**

Custodian reimburses to AAS or its affiliates a portion of the transfer of accounts' fees and other costs and expenses which customers or AIS could incur in connection with the transfer of eligible accounts to Custodian. Eligible accounts are IRA accounts held directly with a mutual fund sponsor. On an aggregate basis, the amount of the credits could amount to significant amounts of money considering the number of accounts that can transfer to Custodian. This creates a conflict of interest as the transfer credit may be more than the costs and expenses born by AIS. Clients will also incur additional costs by transferring their accounts held directly with a mutual fund sponsor to Custodian. These costs will likely exceed the Client's direct mutual fund costs and will benefit AAS or its affiliates. Although, the Transfer Cost Credit is not shared with clients or Advisors, it is a material conflict of interest when an account held directly with a mutual fund sponsor transfers to Custodian. This also concerns circumstances where a direct retirement plan is transferred to an individual retirement account held through the Custodian. These credits are subject to the payback terms discussed hereinabove if AIS's agreement with Custodian is terminated prior to the end of the ten-year term of the agreement, or not renewed at the end of the ten-year term.

### **Deconversion Cost Credits**

AAS or its affiliates received monetary benefits to offset the costs of transferring accounts to the clearing platform. These benefits were significant in value and were designed to offset costs we incurred during the conversion as well as to offset customer account charges incurred during the conversion. Although such conversion reimbursement is common in the industry, there is no guarantee that AAS or its affiliates could have received identical reimbursement had it selected a different clearing firm. Therefore, the selection and retention of Custodian as our clearing firm creates a conflict of interest. The conversion date was mid-September 2018.

These economic incentives were a factor in the selection of Custodian over other possibilities since not all custodians furnish similar benefits. These cost credits are additional compensation to AIS or its affiliates and will likely exceed the actual costs to transfer accounts to the clearing platform. Additionally, after deducting for conversion costs paid by Custodian directly to AIS, the remaining credit amount will be paid to AAS's parent

company, Blucora, Inc. who will retain any unused funds over the duration of the ten-year custodial agreement. These credits are not shared with your Advisor. These credits are subject to the payback terms discussed hereinabove if AIS's agreement with Custodian is terminated prior to the end of the ten-year term of the agreement, or not renewed at the end of the ten-year term.

### **Asset-Based Fees**

AAS does not pay the Ticket Charges outlined in the Schedule of Fees (which we charge to clients or Advisors in non-wrap programs) since we pay "asset-based fees" to Custodian instead of Ticket Charges per trade. Custodian calculates the asset-based fees that AAS pays to Custodian on each advisory account and AAS is billed these fees on a monthly basis, regardless of whether there were trades or other transactions in the account. Accounts within a household are not aggregated for the purpose of calculating these asset-based fees. The asset-based fees paid by AAS do not apply to all assets in the IMS Program. AAS does not pay Ticket Charges (asset-based or other) on the following assets: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash & Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets (together "Custodian's Excluded Assets"). The amount of asset-based fees paid by AAS is based on our aggregate assets and is less than 1% with no minimum annual account fee imposed.

AAS does not share the revenue we earn from the Ticket Charges paid by clients or Advisors. The revenue is retained by AAS or our affiliate, AIS. This creates a conflict of interest for AAS because of the economic incentive to put client assets into Custodian's Excluded Assets and to pass along Ticket Charges to the Client for payment. AAS imposes a Ticket Charge on all mutual funds purchased in IMS Flex Choice non-wrap accounts regardless of whether we pay asset-based fees on the assets or not. In some cases, clients pay the Ticket Charges and in others, the Advisors pay the Ticket Charges. This is mutually agreed upon between clients and their Advisors when opening the Account. This creates a conflict of interest and can cost you additional fees. When your Advisor pays the Ticket Charges it can disincentivize your Advisor from entering trades in your Account which is a conflict of interest. AAS mitigates this conflict through the ongoing monitoring of your Account to ensure that it is rebalanced when needed.

### **Margin Interest**

The use of margin is permitted in some fee-based investment advisory programs, including the IMS Flex Choice Program. A margin debit balance is created by borrowing against your Account which gives you access to cash and/or the ability to purchase additional securities. Using margin increases the market value of the Account's Billable Account Value, which in turn increases the amount of Program Fee you pay and the amount of compensation AAS and your Advisor earns. It is a conflict of interest for AAS or your Advisor to recommend that you borrow on margin in your Account for any reason because AIS and your Advisor receives greater compensation from the increased Billable Account Value. It is also a conflict of interest if you borrow on margin in your Account because AAS or its affiliate, AIS (but not your advisor) receives compensation on the interest you pay on your margin debit balance. Specifically, AIS marks up the interest rate that you pay on margin balances over and above the base interest rate charged by Custodian on margin debits. This additional interest is retained by AIS as compensation. You are encouraged to evaluate the interest rates you pay by borrowing on margin and compare those interest rates to other available sources of credit (or lenders) from which you can borrow, as the interest you might be charged by borrowing on margin may be greater than loans available to you elsewhere.

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

For Accounts that do not participate in a sweep option, Accounts are eligible for credit interest on cash balances. AAS or its affiliates receive a percentage of the credit interest after payment is credited to Accounts. AAS or its affiliates earn interest from this temporary investment of cash balances before they are deposited in the Bank Sweep Program with the Program Banks. These credits are not shared with Clients or our Advisors.

### **Mark-up on the Schedule of Fees**

AIS, at its discretion, adds a markup to the various fees detailed in the AIS Schedule of Fees that are assessed by its Custodian and paid by clients. AIS decides how much and which fees will be marked up. Not all brokerage firms markup these or other fees. The markup on these fees generate additional revenue for AIS. The actual fees and charges that clients will incur are dependent upon the type of account and the nature and quantity of the

transactions that occur, the services that are provided, or the positions that are held in the account. Please reference Appendix 1 for the Schedule of Fees.

### **Interest on Cash Debit Balances**

When a client's cash account does not have sufficient cash to cover fees charged against it, a cash debit balance is created. AAS and AIS charge clients interest on the amount of all cash debit balances which accrue in the account. Clients can avoid being charged interest on cash debits by ensuring there is sufficient cash in the account to pay the quarterly Program Fees. Interest on any non-retirement cash account debit balances will accrue beginning on the day that the debit is posted to the account and will be charged to the account at 3.00% above the National Financial Base Lending Rate, NFBLLR. This amount of interest which is set by AIS is greater than the rate set by the Custodian. AAS and AIS have the ability to mark-up the interest charged on all cash debits in our Programs for assets held at Custodian and AIS will retain all additional interest income generated by cash debit balances in our Programs. The interest chargeable on cash debits in our Programs for assets held at Custodian is set by AAS and AIS at the maximum amount of interest. This increases your costs if you carry a cash debit balance and it increases the amount of revenue we receive. Therefore, this is a material conflict of interest.

### **Networking Fees**

Networking fees are designed to compensate AIS for providing varying degrees of customer account and administrative services for those AIS customer accounts holding mutual funds. These services include the processing of purchases, check deposits, account maintenance, and other sub-accounting and recordkeeping services.

Compensation paid for networking services is negotiated from fund company to fund company and vary depending on the networking services that AIS is required to perform for each client account established with a fund. If a client owns multiple funds in one fund family, AIS generally receives networking compensation for each individual fund. AIS may receive networking compensation based on a dollar amount per year, per client account with an individual fund. Networking compensation is paid at a rate of up to \$6 per year per client account. Not all mutual funds pay networking fees to AIS.

### **No-Fee Brokerage IRA**

Based on certain criteria, an IRA registration is available on the NFS platform (for brokerage and advisory accounts) with no annual IRA fee charged to the client. There are, however, conflicts of interest for assets on the NFS platform that are not applicable to assets held in direct accounts.

AIS earns revenue from the assets on the NFS platform that it does not earn if the assets remain directly with a mutual fund sponsor. This "third-party compensation" or "revenue sharing" takes multiple forms, including: Receipt of margin interest; Mark-ups on certain fees paid by the client including ticket charges; Cash Sweep Program revenue; Transfer cost credits for IRA accounts; Annual compensation paid per account; and other compensation paid by NFS. Though this revenue is not shared with its Advisors, they present an incentive to Avantax to open accounts on the NFS brokerage platform instead of in a direct mutual fund account. Direct mutual fund accounts are less expensive to clients in certain situations.

For more complete details on these conflicts, refer to the Regulation Best Interest Disclosure document and the Schedule of Fees located at [AvantaxWealthManagement.com/disclosure-catalog](https://www.avantaxwealthmanagement.com/disclosure-catalog). You may also ask your Financial Professional for printed copies.

### **Third-Party Compensation on Open Accounts**

NFS pays AIS a flat fee per open account on an annual basis for every account opened after September 30, 2020, subject to a maximum fee over the life of AIS's contract with NFS. All open accounts with a balance are included. While this fee is retained by AIS or its affiliates and not shared with its Advisors, it presents an incentive to Avantax to open accounts on the NFS brokerage platform instead of directly with a mutual fund company. Direct mutual fund accounts are less expensive to clients in certain situations.

### **Compensation from our Educational Partners**

Third-Party Compensation is also received from Product Sponsors, their affiliates and other business partners on many of the financial products and services offered to our advisory customers. Together we refer to these companies as “Educational Partners.” The amount of Third-Party Compensation we receive from Educational Partners varies and is dependent on such things as: the type of investment (e.g., mutual funds, ETFs, or alternatives) and the combined compensation received from the Product Sponsor across the various relationships they have with us.

Within the universe of Approved Securities used in the Program, our Educational Partners have agreements with AIS to provide payments to help defray the educational, training, recordkeeping and other costs associated with offering these products to Clients. These payments, which are in addition to the fees and expenses disclosed in the fund prospectus fee table, are calculated as a percentage of assets under management, a percentage of initial sales, or a combination of assets and sales. For example, for every \$10,000 investment, Avantax can receive a one-time payment of up to \$25 (25 basis points) and/or an annual payment of up to \$13 (13 basis points) for each year the assets remain invested. Variable annuities and alternative investments (which are not often held in Program Accounts) pay higher fees as outlined in the table below.

Payments we receive from our Educational Partners create one or more conflicts of interest. This means that AAS is more likely to add securities from our Educational Partners to our list of Approved Securities. Although the Third-Party Compensation payments received from Educational Partners are not shared with your Advisor and are not directly tied to the expenses applied to your Account, a conflict of interest exists for AAS in the selection and recommendation of Approved Securities sponsored by Educational Partners.

In addition, Advisors separately receive reimbursement for marketing expenses, client functions and attendance at due diligence, training and education meetings sponsored by AAS, its affiliates or our Product Sponsors. Enhanced access to our Advisors is also provided via training events, conference calls and meetings as well as heightened visibility of the Educational Partners’ products through the distribution of sales literature, newsletters and training materials on our intranet. For more information, you should ask your Advisor which Product Sponsors, if any, provided expense reimbursement or additional compensation to the Advisor. These are considered conflicts of interest for our Educational Partners since they receive more access to our Advisors than other Product Sponsors receive.

Educational Partners pay different amounts to participate in our Educational Partners’ Program which means some receive different benefits than others (such as increased presentation time at one or more of our conferences). The range of Third-Party Compensation we receive from our Educational Partners is listed below:

<b>Product Categories</b>	<b>Avantax Receives</b>	<b>Your Advisor Receives</b>
Mutual Funds / ETFs	Up to 0.13% of Customer Assets and/or Up to 0.25% of Sales	None
Variable Annuities	Up to 0.13% of Customer Assets, and/or Up to 0.40% of Sales	None
Fixed Annuities & Fixed Indexed Annuities	Up to 0.13% of Customer Assets, and/or Up to 0.25% of Sales	None
Alternative Investments	Up to 0.35% of Customer Assets, and/or Up to 1.50% of Sales	None
Other Business Partners	Up to 0.13% of Customer Assets, and/or Up to 0.25% of Sales	None

Assets in ERISA accounts are not included in the customer assets or new sales calculations which means we do not receive additional Third-Party Compensation on securities held in ERISA Accounts. Assets in the Invesco cash reserve funds (which are not included in billing as described earlier) are excluded from our receipt of Third-Party Compensation.

Certain issuers pay AIS a negotiated fixed annual amount in Third-Party Compensation, regardless of the amount of assets held in customer accounts or new sales to customers. These direct payments vary by Educational Partner and are sometimes in addition to other compensation they pay AIS. Flat-fee annual payments vary with some Educational Partners paying up to \$80,000 per year.

The following Educational Partners paid Third-Party Compensation to Avantax during the past year. Not every Product Sponsor listed below sells products that can be held in advisory accounts:

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

AAS and/or its affiliates collect revenue in the manner outlined above from many of the securities in which you invest. The additional compensation received varies by Educational Partner, and sometimes by security within the same Educational Partner which creates a conflict of interest. As a result, AAS has a financial incentive to recommend one security over a similarly situated security due to the compensation we receive from one over another. This also results in an increase in your costs if we recommend a more expensive security. AAS strives to make all recommendations independent of such financial considerations and based solely on our obligations to consider your objectives and needs.

These direct and indirect payments from our Educational Partners are in addition to the quarterly Program Fee you pay and are imbedded in the security's pricing. In the case of ERISA Accounts, the payments described above that are paid to AAS or an affiliate are waived or rebated back to your Account.

This compensation creates a conflict of interest for AAS and has a negative impact on the returns you earn on certain products because the Third-Party Compensation fees are paid indirectly by you and increase the internal fees you pay for mutual funds and some other investments. Not all mutual funds participate in these programs and you can request that your Advisor select mutual funds that do not pay us Third-Party Compensation. These fees are not shared with your Advisor. It is always expected, and it is the goal of AAS, that all investment selections meet your Client Risk Profile and are suitable for you. They are not selected based on whether they are a source of additional revenue to AAS.

### **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 AAS 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.

### **Client Consent**

*By entering into the SIS, 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.

### **Item 15: 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 a qualified custodian. Custodian sends account statements to you as outlined previously in this Disclosure Brochure, which list your account holdings and their values. In the event of any discrepancy between your Quarterly Performance Reports and your Custodian statements, you should rely on the statement from Custodian. You should also rely on the Custodian statements for the cost basis related to your account holdings. AAS and its affiliates undergo annual audits as required by applicable regulations.

### **Item 16: Investment Discretion**

The IMS Flex Choice 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 sign an SIS providing discretionary trading authority to your Advisor to rebalance or substitute mutual funds, ETFs, stocks, bonds, and a broader selection of securities without receiving specific permission from you before the trades are entered. Not all Advisors are eligible to manage IMS Flex Choice Accounts with discretion. All discretionary authority retained by your Advisor is limited by his or her securities registrations.

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 Program Fees) nor does it allow for any trading outside the Advisory Program you have chosen.

The IMS Fee-Based Annuity Program is also managed on a discretionary basis. Your Advisor adjusts investments in the Annuity Program's sub-accounts as needed to reflect Client's Risk Profile.

The RMS Select Model Portfolios and RMS Select Recommended Fund Lineup are managed by AAS as an ERISA 3(38) Investment Manager if you choose to make them available to your plan participants. AAS has full authority as your agent and attorney-in-fact to manage the assets in your account on a fully discretionary basis. For all services, this discretionary authority includes the authority, without first consulting you: to determine the portion of assets in your account that shall be allocated to each investment or asset class and to change such allocation of assets as necessary; to take any and all other actions on your behalf that AAS determines is customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities, including mutual fund shares, stocks, bonds and other investments for the account; and to select the broker-dealers or others with which transactions for the account are effected. AAS does not have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you. A fiduciary relationship as defined under Section 3(38) of ERISA is agreed to by both parties in writing.

### **Item 17: Voting Client Securities**

In the IMS Flex Choice 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.

### **Item 18: Financial Information**

AAS has no financial condition that impairs our ability to meet our contractual commitments to you nor do we require prepayment of more than \$1200 in fees more than 6 months in advance.

## Appendix 1 Schedule of Fees for Accounts

IMS Flex Choice Non-Wrap Accounts

Effective January 1, 2021

### Ticket Charges

Mutual Funds Buy or Sell Ticket Charge .....	\$6.95
Equities and ETFs .....	\$9.95
Bonds (all), UITs, CDs, Corporate Paper, Bankers' Acceptance, Mortgage Back Securities.....	\$11.95
Options .....	\$11.95 + 0.75 per contract
Mutual Fund Exchanges .....	\$2.95

### Transaction Charges

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

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

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

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

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

*Interest on any non-retirement cash account debit balances will accrue beginning on the day that the debit is posted to the account and will be charged to the account at 3.00% above the National Financial Base Lending Rate, NFBLR.*

*Avantax Investment Services may change this fee schedule at any time without additional notification. In addition to these fees, please note that certain other operational or other fees or charges may apply. If you have any questions regarding the applicability of these fees, please contact your Advisor.*

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

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

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

## Appendix 2 Risks of Investing

Advisors manage each Account to a selection of investments based on your investment objectives and risk tolerance. Accounts with higher concentrations of stocks have greater exposure to the risks associated with equity investments, such as stock market volatility and foreign exposure. Accounts that have higher exposure to fixed income have greater exposure to the risks associated with bond investments, such as credit risk, bond investment risk and changes in interest rates. All Accounts are also ultimately affected by impacts to the individual underlying investments made by the mutual funds and ETFs such as changes in an issuer's profitability and credit quality, or changes in tax, regulatory, market or economic developments.

**Asset Allocation and Diversification.** The performance of Accounts is dependent on the allocation of securities among various asset classes and the selection of underlying Funds. There is a risk that Advisor's decisions regarding asset allocation and the selection of investments 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.** 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 does not meet their investment objectives. For the specific risks associated with a mutual fund or ETF, please see its prospectus.

**ETFs.** 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. However, ETFs used in the Program generally are passive investment vehicles that seek to replicate the performance of relevant market indices. 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.

**Money Market Funds.** An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. It is possible for a money market fund to lose money.

**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. For federal tax purposes, a fund's distributions of gains attributable to a fund's sale of municipal or other bonds are generally taxable as either ordinary income or long-term capital gains. Redemptions, including exchanges, can result in a capital gain or loss for federal and/or state income tax purposes. Tax code changes could impact the municipal bond market. Tax laws are subject to change, and the preferential tax treatment of municipal bond interest income may be removed or phased out for investors at certain income levels.

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

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

**Risks of Relying on Information and Data Provided by Others.** Analysis methods often rely on the assumption that the companies whose funds and securities are recommended for purchase and sale, the rating agencies that review such 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 are not compromised by or free from any inaccurate, incomplete, or misleading data and information provided by such other third parties.

**Long-Term Purchases Risk.** Advisor often recommends that clients purchase investments with the intention of holding them for one year or longer. This recommendation is often because the Advisor believes the investments to be undervalued at the time of purchase and/or because Advisor 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 Advisor's or AAS's investment advice and recommendations will be successful or that Client's investment objective will be achieved.