



## **FORM ADV PART 2A FIRM BROCHURE**

**First Allied Advisory Services  
655 W. Broadway, 12<sup>th</sup> Floor  
San Diego, CA 92101  
800-499-5489  
<http://www.firstallied.com>**

This brochure provides information about the qualifications and business practices of First Allied Advisory Services. If you have any questions about the contents of this brochure, please contact us at 800-223-0989. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

First Allied Advisory Services is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

This brochure details important disclosure information about certain programs that we offer. We do offer other programs that are not discussed in this brochure.

Additional information about First Allied Advisory Services also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2- Summary of Material Changes

Item 2 provides a summary of material changes, if any, the Firm has made to this brochure since the last annual update, which occurred in March 2020.

In March 2020, we amended Item 5, Fees and Expenses, to provide additional information regarding the costs associated with our advisory programs, specifically related to the fees and expenses associated with mutual funds, ETFs and other pooled investment products. We have also provided additional information regarding mutual fund share classes and the availability of share classes in our advisory programs.

In mid-September 2019, Cetera submitted a settlement offer to the Securities and Exchange Commission (SEC), which the SEC accepted and resulted in Cetera consenting to an administrative Order dated September 26, 2019 (the "Order"). Cetera did not admit to or deny the findings in the Order, which alleges that Cetera violated Section 206(4) of the Advisers Act and Rule 206(4)-3 thereunder by paying cash fees to banks for solicitation activities and without providing certain required disclosures. The Order also includes a censure of Cetera, requires Cetera to cease and desist from violating Section 206(4) of the Advisers Act and Rule 206(4)-3 thereunder and to pay a civil penalty of \$185,000. Starting in late 2017, Cetera began the process of implementing several policies to address the practices described in the Order to treat banks as solicitors and to require that advisory clients receive a solicitor disclosure statement. Your advisory account is not affected by this Order, you are receiving notice of this because we are required to inform clients of this Order.

### **Will I receive a brochure every year?**

We may, at any time, update this Brochure. Any material changes will either be sent to you as a summary of those changes or, depending on the extent of these changes, you will receive the entire updated Brochure.

### **May I request additional copies of the brochure?**

Absolutely. You may request and receive additional copies of this Brochure in one of three ways:

- Contact the Advisor with whom you are working with
- Download the Brochure from the SEC website at [www.adviserinfo.gov](http://www.adviserinfo.gov). Select "investment adviser firm" and type in our Firm name
- Contact us at 800.223.0989

Item 3- Table of Contents

Item 2- Summary of Material Changes..... 2

Item 3- Table of Contents ..... 3

Item 4- Advisory Business..... 4

Item 5- Fees and Compensation..... 9

Item 6- Performance-Based Fees ..... 22

Item 7- Types of Clients ..... 22

Item 8- Methods of Analysis, Investment Strategies and Risk of Loss ..... 23

Item 9- Disciplinary Information..... 24

Item 10- Other Financial Industry Activities and Affiliations..... 24

Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading..... 25

Item 12- Brokerage Practices..... 25

Item 13- Review of Accounts ..... 27

Item 14- Client Referrals and Other Compensation ..... 28

Item 15- Custody..... 29

Item 16- Investment Discretion ..... 29

Item 17- Voting Client Securities ..... 29

Item 18- Financial Information..... 30

## Item 4- Advisory Business

### *Who We Are*

Cetera Investment Advisers LLC d/b/a First Allied Advisory Services (“FAAS”, “Cetera”, “Firm”), is an investment adviser registered with the Securities and Exchange Commission (“SEC”). Being registered does not mean that FAAS is endorsed by any regulatory authority; it simply means that FAAS is required to follow the rules for investment advisers established by the SEC. Representatives of FAAS’ investment adviser are required to be registered for advisory business in the state of their principal place of business. For advisory business in Texas, the investment adviser representative would also be required to be properly registered in that state prior to the solicitation of any advisory business in that state. Throughout the remainder of this text, “we,” “us,” and “our” refers to FAAS.

Most representatives of FAAS are also registered as independent contractor registered representatives with First Allied Securities, Inc. (“First Allied”, “Related BD”), a related registered broker-dealer, registered municipal advisor with the SEC, and member FINRA/SIPC, which allows them to offer brokerage products and services to clients. Compensation for brokerage products and services is a commission based on each transaction executed. Representatives of First Allied are registered to conduct brokerage business in each state where clients reside. Some representatives of FAAS are also registered with other related broker-dealers or registered investment advisers, or unaffiliated registered investment advisers. Please see the representative’s Form ADV Part 2B for specific information about the companies each individual is registered with.

FAAS is a wholly-owned subsidiary of Cetera Financial Group, Inc. (Cetera), a Delaware corporation, which is wholly owned by Aretex Group, Inc. (Aretex). Aretex is a wholly-owned subsidiary of GC Two Intermediate Holdings, Inc., and an indirect wholly-owned subsidiary of GC Two Holdings, Inc. Please refer to Item 10 of this brochure for more information on our corporate structure.

FAAS is not a custodian of any accounts. Accounts are custodied at Pershing, LLC (“Pershing”) or other approved custodians. The use of other custodians is limited and may be allowed on a case by case basis with the approval of our management team and may only be approved for certain representatives. The majority of FAAS’ advisory accounts are introduced to custodians through First Allied.

### *Our Corporate Structure*

Our producing IARs are independent contractors and business owners. Each IAR is responsible for maintaining his own client relationships. The IARs contract with us to utilize our advisory programs to help their clients meet financial goals and needs. We provide services to you through these advisory programs.

Our back-office operations are split between Schaumburg, IL, San Diego, CA, El Segundo, CA, Des Moines, IA, and St. Cloud, MN. Our IARs have branch offices across the United States. Each of our IARs is supervised by another individual registered with our firm. The supervisor is called a designated registered principal (“DRP”) or designated supervisory principal (“DSP”). DRPs are registered individuals that have contracted to work with us and are often producing IARs and representatives themselves. DSPs are our employees and are generally located in our San Diego, CA, office.

### *Devotion of Resources*

Most FAAS IARs are independent contractor registered representatives with First Allied. If your IAR is a registered representative, he may divide his time between broker-dealer activities and advisory activities and have responsibilities to both FAAS advisory clients and First Allied brokerage clients. Depending on your IAR’s individual business mix and client base, he may spend more or less time devoted to broker-dealer activities than other IARs. In addition to broker-dealer activities and responsibilities, your IAR may also be engaged in one or more outside business activities. These outside activities may or may not be related to the financial industry. Your IAR will provide you with a copy of his Form ADV Part 2B brochure supplement, which describes their business background and outside business activities.

### *Our Advisory Activities*

Through our IARs, we offer a variety of investment advisory programs and services for a fee. The following list includes some of our more common offerings:

- Assistance in selecting a portfolio manager
- Ongoing evaluation and review of portfolio managers
- Evaluation and review of portfolio composition
- Management of accounts
- Financial planning
- Consultation on client assets
- Active portfolio management

Portfolio management includes designing and implementing a portfolio through buying and selling stocks, bonds, mutual funds, options, managed futures, insurance products, private placements, and other securities. Our representatives, including your IAR, may personally buy and sell the same securities that you buy and sell. This conflict of interest is discussed fully in Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Our IARs are permitted to offer you advisory programs that are managed by the IAR, other FAAS IARs, or by unrelated third-party managers. IARs may rely on research or model portfolios provided by an affiliated third-party manager, Cetera Investment Management LLC (“CIM”).

We consider your investment goals and needs when recommending any advisory program or service. Your IAR will collect information from you regarding your risk tolerance, investment objective(s), and investment time horizon and other factors that will assist us in determining your investment objective for each account. You may have multiple accounts with us, with differing investment objectives, particularly if you intend to use certain accounts for specific purposes (such as transferring assets to a young child, many years in the future) or you may elect to have multiple accounts managed under one investment objective.

Our intention is to provide you with programs and services that will help you to meet your goals and needs. We will gather personal information when helping you choose a program or service. This information may include:

- Your investing experience
- How soon you need the money
- Your retirement goals
- Your current financial situation and future needs
- Your annual income
- Your ability to withstand losing money
- Your ability to withstand market fluctuation
- Your personal instructions on how to invest

**Please contact your IAR if this information changes so that your IAR can review your existing accounts to see if any changes need to be made.** We encourage you to meet with your IAR annually to review your portfolio(s). You may impose reasonable investment restrictions in any of our advisory programs by written notification to and acceptance of both us and the third-party manager (if applicable).

We offer both wrap and non-wrap programs. A wrap program is one in which you pay a single “wrapped” fee for both investment advisory and brokerage execution services. This wrap fee is not based on the number of transactions made in your account. It is based on the size of the account(s) we manage for you. If you invest in a non-wrap program, you may be subject to charges for each transaction in addition to the advisory fee. Because wrap programs do not have fees or charges associated with each transaction, wrap fees may be greater for similar services than non-wrap fees. Clients paying wrap fees may pay a higher percentage of the account value on an ongoing basis for similar services as non-wrap clients. Non-wrap clients may pay a higher or lower overall fee for the same services, depending on the number of trades in their account during a billing period. Clients may request fee information on similar programs from their IAR.

Our IARs may also host or offer educational seminars to clients and prospective clients. In certain cases, these seminars may be “sponsored” by unaffiliated or affiliated companies who reimburse our IARs for the cost of these events. For more information about these reimbursements, please reference Item 14- Client Referrals and Other Compensation. Clients and prospective clients are not charged fees for attending educational seminars hosted by our IARs.

#### *Information on All Advisory Programs*

You pay us fees for our programs and services. We pay a portion of these fees to your IAR. The fees we retain may be different between IARs, depending on their agreement with us. You should also be aware that the compensation to FAAS and your IAR will differ according to the specific advisory program chosen. This compensation to FAAS and your IAR may be more than the amounts we would otherwise receive if you participated in another program or paid investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules and other sources of compensation that exist among the various advisory programs and services offered by FAAS and your IAR, we have a financial incentive to recommend particular programs or services over other programs and services available through FAAS.

Regardless of which advisory program or service you choose, your IAR will work with you to collect suitability information that will aid in the creation of recommendations. This suitability information is maintained on internal systems and documents. Your IAR is required to submit the completed suitability information to his supervisor for review and approval. It is your responsibility to notify your IAR if your financial circumstances change so that your IAR may work with you to determine if a change in your investment(s) may benefit you. Regardless of the program chosen, your IAR is responsible for ongoing review of your account(s), regular communication with you, and determining that the portfolio selected is appropriate for you based on your investment objective(s). Our IARs provide investment advice only with respect to limited types of investments.

We offer additional non-wrap programs that are not detailed in this brochure and we also offer several wrap programs that are detailed in other disclosure brochures. Your IAR can provide you with these other brochures upon request. Some non-wrap programs that we offer are similar to the wrap programs that we offer. Your IAR will work with you to decide which program will best serve your needs.

Custody of all accounts will be at Pershing, Fidelity or another approved custodian. The custodian will provide you with confirmations of all transactions and monthly or quarterly account statements. You may have the option of directing the custodian to not send you trade confirmations. This suppression will not impact the delivery of account statements.

Certain of the non-wrap programs that we offer are described below. Wrap fee programs that we offer are described in a separate brochure that your IAR can provide to you upon your request.

#### *Managed Assets*

Every year we calculate the amount of assets that we manage. As of December 31, 2020, we managed:

- \$25,447,588,607 in discretionary assets
- \$2,878,304,086 in non-discretionary assets

Discretionary assets are the assets with which we have the authority to determine whether to buy or sell securities. This authority is called a trading authorization and is described in more detail in Item 16- Investment Discretion. Non-discretionary assets are assets in accounts that we provide recommendations on, as to the purchase or sale of specific securities. We do not place orders to buy or sell non-discretionary assets without first receiving your authorization.

### **My Advice Architect Programs**

FAAS is a co-sponsor of the My Advice Architect Platform (MAA Platform) and is responsible for supervising the activities of the investment adviser representatives who use the MAA Platform for clients. For a more detailed description of the Platform, please see Form ADV Appendix 1 of Cetera Advisory Services, the related investment advisory firm who also co-sponsors the Platform.

### **First Allied Advisor Select (“Advisor Select”) Program**

The Advisor Select program allows our IAR(s) to manage your assets on a discretionary basis. This trading authorization may be limited to investment company securities (limited trading authorization) or extend to any security traded on a national or regional exchange (full trading authorization), as stated on your investment advisory agreement. IARs who wish to have full trading authorization in your account must be approved by us to offer full trading authorization. (More information about limited and full trading authorization is available in Item 16- Investment Discretion.)

We require that a Statement of Investment Selection be completed prior to the opening of any Advisor Select program account and our IAR(s) will be responsible for managing the account as necessary. The minimum account size for the non-wrap version of the Advisor Select program is \$25,000. Under certain circumstances, this minimum can be waived by us. For existing accounts that are transitioned into the Advisor Select program from legacy advisory programs, we may elect to waive the account minimum.

The Advisor Select program has two options that are materially the same with one important exception. In the Advisor Select – Advisor Pays option, your IAR pays for any transaction costs associated with your account. In the Advisor Select – Client Pays option, any transaction charges are paid by you.

You should know that we offer a wrap version of the Advisor Select program as well. The wrap version of the Advisor Select program does not have transaction charges associated with the purchase and sale each security, but it has a higher program fee. Depending on the trading activity in the account and the type of securities purchased and sold, the non-wrap version may be less expensive for you. Your IAR should consider which version of the Advisor Select program would suit you better. In both wrap and non-wrap programs, we will receive a portion of the fees that you pay. Your IAR must be approved to offer the Advisor Select program. If your IAR is approved to offer this program, your IAR may not be approved to offer other advisory programs described in different brochures.

Custody of all accounts for the Advisor Select program will be at Pershing. Pershing will provide you with confirmations of all transactions and monthly or quarterly account statements. You may have the option of directing Pershing to not send you trade confirmations. This suppression will not impact the delivery of account statements.

### **Prime Asset Management (“PAM”) Program**

The PAM program allows your IAR to manage your assets on a discretionary basis. This trading authorization is limited to investment company securities (limited trading authorization), however, you may choose to extend your advisor’s trading authorization to any security traded on a national or regional exchange (full trading authorization). IARs who wish to have full trading authorization in your account must receive your written permission on the investment advisory agreement.

Since PAM program accounts are managed by our IARs, we require that an investor profile be completed prior to the opening of any PAM program account. In addition to the responsibilities listed above, when you invest in the PAM program, your IAR will be responsible for selecting the investments in the account as necessary.

The minimum account size for the PAM program is \$25,000. Under certain circumstances, this minimum can be waived by us. You should know that we offer a wrap version of the PAM program as well. Your IAR should consider which version of the PAM program would suit you better.

### **Consulting Agreement Program and Services (Agreement #669 and #669A)**

In this program, your IAR will have an initial meeting to discuss your current and future goals and objectives. During this meeting, your IAR will explain the consulting and planning process, set reasonable expectations with you, and discuss any initial concerns you may have.

As part of your initial meeting, or as a separate meeting, your IAR will review pertinent documents to develop a course of action for you. These documents may include, among others, brokerage statements, income tax statements, current will, other financial plans business agreements, and/or retirement information.

The term of the Fee for Service Consulting agreement is determined at the time you and your Advisor execute the agreement. You will have an option of 5 months for Limited Consulting Services (described below) or 1 year, 2 years, 3 years, or to maintain an ongoing agreement until canceled (Ongoing Consulting Services). You will also have the option to select Limited Consulting Services (which may include Financial Planning) or Ongoing Consulting Services.

Under the Limited Consulting services, you may receive any of the Types of Services referenced below, and these services will be provided to you within five months.

Under the Ongoing Consulting services, you may receive any of the Types of Services referenced below and the term will be specified in your client agreement. You will have the option of 1 year, 2 years, 3 years, or an ongoing arrangement that can continue until canceled by either party.

The consulting services your IAR provides will include recommendations and advice tailored to your specific financial goals, objectives and situation. You are under no obligation to act on the advice that is given to you. If you choose to act on any of the advice given to you, you are under no obligation to open any accounts with us, and you may, in fact, open accounts with firms that are not related to us.

**Types of Services** (may include but are not limited to the following):

- Asset Allocation – Providing guidance to asset class recommendations or product recommendations. If your IAR provides investment advice to you in another advisory account, then your IAR cannot charge any fee for the asset allocation services provided under the Fee for Service Consulting Program.
- Business Planning – Providing business planning, such as cash flow analysis, sales forecasting, investment capital, retirement benefits, tax strategy, business goals and targets.
- Cash Flow and Budgeting Analysis – A process of examining your cash inflow and outflow during a stated period, providing debt strategies, and providing budget and savings implementation strategies.
- Charitable Giving Solutions – Providing recommendations for charitable gift giving that may result in income reduction, reduction of estate taxes or providing you with other tax breaks.
- Education Planning – Providing advice on education planning, savings strategies, gifting and/or budgeting strategies for your family's educational needs.
- Estate and Multigenerational Planning – Providing education or assistance to clients with an estate attorney regarding general strategy and generational wealth transfer strategies.
- Financial Position – Financial position review encompasses a review of your current financial position, including a review of your current cash flow. This type of review typically involves reviewing your net worth, cash flow, budget, debt, and investment accounts.
- General Analysis and Planning – Financial analysis and planning advice for achieving a financial objective or task to meet your needs.
- Insurance Analysis – Insurance analysis typically consists of analyzing your current or expected insurance needs. Based on your specific circumstances, such as, number of dependents and the age of the members in your household, your IAR may suggest the need to increase or decrease the amount of insurance you currently have. Certain states do not allow us to charge a separate fee to review your insurance needs.
- Retirement Planning and Analysis – Retirement planning typically consists of analyzing your current or expected future retirement needs. Based on your current level of retirement savings, additional accounts (such as an IRA or Roth IRA) may be recommended, or additional contributions to your existing company retirement plan may be recommended.

If you have an account in a company retirement plan that falls under ERISA (such as 401(k), defined benefit plan, etc.), your IAR may provide education on your company retirement account but not specific investment advice. The education that they provide to you will be limited to:

- General principles for investing, overall asset allocation strategies, and general information about the options currently available in your plan.
- Your IAR may consider the amount of assets you hold in your company retirement plan in order to determine and recommend an overall investment strategy for you.
- Your IAR may not provide you with specific investment advice regarding investments held within your company retirement plan. This includes recommending that you invest a certain percentage into an investment option held within your company plan.
- Tax Efficient Investing Strategies – As part of the consulting services, your IAR may not provide you with tax advice. However, your IAR may assist you in designing an investment strategy to maximize the tax efficiency of your portfolio, advice on tax gain-loss harvesting, timing of purchases and sells, education on how charitable donations may qualify for tax deduction and advice on the types of retirement plans that an individual may use to help reduce tax liability.
- Wealth Accumulation and Preservation Strategies – Providing you analysis of your net worth and assets and providing advice towards long term sustainable wealth.

### **Plan Advice and Consulting Program**

Retirement plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) may retain an investment adviser representative of FAAS to provide advisory and consulting services to your retirement plan. In providing these services, FAAS may act as a fiduciary, as defined under Section 3(21)(A)(ii) of ERISA, and as a fiduciary will adhere to the provisions outlined by ERISA to provide the highest standard of care to qualified retirement plans.

Fiduciary services available under the program include:

- Investment policies and objectives – Reviewing and assisting in establishing investment policies and objectives on behalf of the plan and its related trust, which may reasonably include restrictions on the plan’s investments.
- Preparation of Investment Policy Statement (IPS) – In consultation with the plan sponsor concerning the investment policies and objectives for the plan, an investment adviser representative may assist the plan sponsor in developing an IPS that is consistent with the requirements of ERISA. FAAS cannot guarantee that the plan’s investments will achieve the objectives in the IPS.
- Investment recommendations – An investment adviser representative may recommend, for selection by the plan sponsor, core investments to be offered to plan participants consistent with the plan’s IPS or other relevant guidelines and ERISA. The IAR may also recommend investment replacements if existing investments are no longer suitable.
- Investment manager recommendations – An investment adviser representative may recommend “investment managers” within the meaning of ERISA Section 3(38) on behalf of the plan, or designated investment managers to be offered as investment options for plan participants, as applicable. The investment adviser representative may also recommend replacement managers if existing managers are no longer suitable.
- Investment monitoring – An investment adviser representative may meet with the plan sponsor on a quarterly basis, or at such other times as the investment adviser representative and plan sponsor may mutually agree, to review the performance of the plan’s investments or investment managers, as applicable, in accordance with the plan’s IPS or other relevant guidelines and ERISA.
- Selection of a Qualified Default Investment Alternative – An investment adviser representative may recommend to the plan sponsor an investment fund product or model portfolio meeting the definition of a “Qualified Default Investment Alternative” (QDIA) in DOL Regulation §2550.404c-5(e)(3). If applicable, the guidelines for the QDIA shall be reflected in the IPS.

The firm cannot guarantee that a plan’s investments will achieve the objectives in an investment policy statement.

Non-fiduciary consulting services may consist of:

- Charter for a fiduciary committee – In consultation with the plan sponsor, an investment adviser representative may assist in developing a charter for the plan sponsor’s fiduciary investment committee for the plan and assist in the structure and composition of the committee.
- Education services to a fiduciary committee – An investment adviser representative may provide education for selected employees of the plan who are serving on the plan’s fiduciary investment committee. Such education may include guidance concerning their fiduciary roles on the committee, including their investment-related duties under the plan, at times mutually agreeable to the parties.
- Performance reports – An investment adviser representative may prepare periodic performance reports for the plan’s investments, comparing the performance thereof to benchmarks set forth in the IPS or other such benchmarks as specified in writing by the plan sponsor. The information used to generate the reports will be derived from statements provided by or through the plan sponsor. Investment adviser representatives do not make any investment recommendations, rate of investments or make buy, sell or hold recommendations as part of performance reporting.
- Fee monitoring – An investment adviser representative may assist the plan sponsor with respect to its duties to evaluate the reasonableness of the fees and expenses of the plan’s investments or investment managers, as applicable, in accordance with the plan’s IPS or other relevant guidelines and ERISA. Upon request, an investment adviser representative may also assist the plan sponsor with respect to its evaluation of the plan’s fees and expenses for administrative services.
- Participant education services – An investment adviser representative of the firm may offer investment education to plan participants at scheduled meetings on an annual basis, or such other times as the investment adviser representatives and plan sponsor may mutually agree, in accordance with the Department of Labor’s exclusions for investment education from its definition of a recommendation as set forth in 29 CFR Section 2510.3-21(b)(1) and (2). An investment adviser representative may provide non-fiduciary education concerning the availability of withdrawals and rollovers from the plan but will not discuss the advisability of withdrawals or rollovers at such meetings.
- Service provider recommendations – In the event the plan sponsor chooses to select a new record-keeper or other administrative service provider to the plan, an investment adviser representative may recommend plan service providers for the plan sponsor’s consideration. Such recommendations shall not include investment or allocation recommendations by the investment adviser representative. Upon request, an investment adviser representative will assist the plan sponsor in the preparation and evaluation of requests for proposals, finalist interviews and conversion support.

In performing consulting services, your investment adviser representative and FAAS are acting solely as an agent and at the plan’s direction and not as a fiduciary of the plan in performing non-fiduciary consulting services.

Services not offered as part of the Plan Advice and Consulting Program include:



- Custody and trade execution – Taking custody or possession of any plan assets, ensuring that contributions by the plan or from participants are deposited timely with the trustee or custodian for the plan, or executing orders for trades or securities transactions with respect to the plan’s assets.
- Employer stock funds and brokerage windows – Providing advice regarding the prudence of plan investments in any employer stock, or providing guidance to participants concerning investments through any brokerage account window under the plan.
- Proxies – Rendering advice on, or taking action with respect to, the voting of proxies solicited on behalf of securities held in trust by the plan, or the exercise of similar shareholder rights regarding such securities.
- Discretionary plan administration – Interpreting the plan, determining eligibility under the plan, distributing plan assets to pay benefits or expenses, determining benefit claim, or making any other discretionary decisions with respect to the administration of the plan.
- Legal or tax advice – Reviewing or amending plan documents for compliance with changes in tax qualification requirements or providing legal or tax advice on matters relating to the plan, including advising on whether plan investments will result in unrelated business taxable income
- Participant advice – Furnishing any fiduciary “investment advice” within the meaning of ERISA to participants relating to any participant-directed investments under the plan. Any personal investment-related services provided by FAAS to individuals, including but not limited to individuals who are plan participants, will be unrelated to the services.
- Regulatory Notices and Reports – Distributing summary plan descriptions, elections, and any other notices required by law to participants, or filing any governmental reports for the plan or client.

### **Investment Fiduciary Manager Program**

We offer investment fiduciary advisory services to participant directed employer-sponsored plans that are subject to Section 3(38) of ERISA (“Plan”) in a program entitled the Investment Fiduciary Manager (“IFM”). CIM, an investment adviser that is a related entity of ours, provides us with a recommended investment lineup for each platform of a recordkeeper that we make available in the IFM program. Each recordkeeper available in the IFM is also a strategic partner (“Retirement Partner”) in our Retirement Strategic Partners Program (defined below). CIM creates and provides us with the investment lineups, which are composed primarily of Strategic Partner (defined below) funds. The Strategic Partner funds included in the investment lineups offered at each of the recordkeeping platforms are excluded from the Strategic Partner compensation described in Compensation from Strategic Partners on page 16.

We determine whether to make available in the IFM the investment lineups recommended by CIM. CIM does not act as an investment adviser to the Plan or any of its participants. One investment lineup will typically be provided per recordkeeper platform. Each Plan grants us the discretion to select the investment lineup at a particular recordkeeper for that Plan. Our ERISA Section 3(38) discretionary advice service is offered only at the Plan level and not at the individual participant or account level, as individual participants ultimately retain the responsibility of selecting their own investments from the designated investment lineup.

## **Item 5- Fees and Compensation**

### *Overview*

The fees and other charges that you pay for advisory programs or services that we offer will depend on several different factors. The fees for advisory programs are generally based on the “Assets Under Management.” This means that the account is charged a fee based on the account balance as of a certain date. These fees are negotiable between you and the IAR offering the service.

The Advisor Select and PAM I programs charge an advisory fee, paid quarterly, based on the account’s balance on the last day of each calendar quarter (March 31, June 30, September 30, and December 31). If the last day of the calendar quarter falls on a day that the New York Stock Exchange is closed, we use the account balance on the last business day of the calendar quarter to calculate the advisory fee. This fee is generally charged in advance (or pre-paid) for the management to be provided over the next calendar quarter. We will only charge you an advisory fee for the portion of a quarter that the account is under management. For new accounts, we will bill the account when it is opened for the remaining days in the quarter. For accounts that are terminating management during a quarter, we will automatically credit you back for remaining pre-paid fees for the portion of the quarter remaining after management has terminated.

Advisory fees are generally deducted from the account. The account statements you receive from the custodian will reflect the deduction of these fees. Fees are deducted from the client account in the month following quarter end. For some programs, fees may be paid to us by check, as outlined in the advisory agreement. In this case, we will send an invoice to you for the fees owed. Some clients may choose to pay their fees via credit card.

In the PAM and Advisor Select programs, a net deposit of \$5,000 or more on a single day, or net withdrawal of \$5,000 or more on a single day, will cause a re-calculation and adjustment of the fee owed for the calendar quarter. This adjustment will be calculated at the end of the month following the deposit or withdrawal.

In certain situations, we allow you to hold a product in an advisory account solely for convenience purposes, but it will be excluded from the billing of the account assets, and regular billing will continue on all other eligible assets held in the account.

If your account is billed based on assets under management, the advisory fee is generally split between a program (or platform) fee and a management fee.

#### *Program Fees*

The program fee varies depending on which program or service you select. The program fee is an annual percentage of assets under management, billed quarterly. The program fee is paid either to FAAS entirely or is split between us and a third-party manager. A portion of the program fee is also paid to service providers that we hire to help us administer the advisory program selected, including First Allied. This program fee is not negotiable. However, the program fee will be different based upon your IAR's relationship with us. For example, if the combined value of your IAR's client accounts exceeds a certain amount of assets under management, we will allow your IAR to have a lower program fee. If your IAR has a reduced program fee, this will not change the total advisory fee you pay but presents a conflict of interest (we address this conflict of interest and others in this Item). Program fees are subject to change without notice, but these changes do not affect the fee that you pay to us.

#### *Management Fee*

The management fee is paid to the IAR servicing the account and may be discounted upon agreement with your IAR. You and your IAR will negotiate the management fee for each program account and it may not be the same for each account. It may also be different than the fees your IAR has negotiated with other clients, or the fees other IARs have negotiated with other clients for similar services. We retain a portion of the management fee as compensation for various services that we provide to your IAR and to you.

Once negotiated with you, your IAR's management fee is fixed. However, your IAR's costs associated with managing your account will vary depending on the investment choices that he decides are appropriate for your account. This creates a conflict of interest because your IAR has an incentive to manage the account in a manner that will maximize his compensation rather than manage the account without regard to compensation payable to him. This difference in your IAR's compensation will not affect the advisory fee that you pay to us. We help mitigate this conflict of interest by requiring that your IAR adheres to his fiduciary obligation of managing accounts solely based on the best interests of clients and by establishing a maximum advisory fee for each advisory program.

#### *Total Advisory Fee*

You and your IAR will agree on your total advisory fee for each account prior to establishing the account. The total advisory fee is the sum of the program fee and the management fee. At any time, you and your IAR may agree to amend the original fee and submit a new advisory agreement (PAM I) or statement of investment selection (Advisor Select) with a different fee schedule. There are maximum allowable advisory fees for each program, and we will not allow you to be charged more than this amount. The maximum allowable advisory fee differs among programs but is consistent for all IARs and all clients in each program. This maximum advisory fee is noted on the investment advisory agreement and in the fee schedules listed in this section.

#### *Fee Schedules*

Advisor Select and PAM accounts each have their own fee schedule. The fee schedule will outline the program fee and the management fee. Generally, the management fee is negotiable with your IAR. The program fee is paid to us and is non-negotiable. The amount of your advisory fee, as a percentage, may remain the same regardless of the size of your account, or the percentage may decrease as your account balance increases. Your advisory fee will not increase, as a percentage, as your account balance increases.

#### **Advisor Select Program**

The following table details the advisory fee schedule for the non-wrap version of the Advisor Select program.

Account Size	Program Fee (annually)	Management fee (annually)	Total Advisory Fee (annually)
First \$100,000	0.18%	1.82%	2.00%
\$100,000 - \$250,000	0.16%	1.84%	2.00%
\$250,000 - \$500,000	0.13%	1.62%	1.75%
\$500,000 - \$1,000,000	0.10%	1.40%	1.50%
\$1,000,000 - \$2,000,000	0.08%	1.17%	1.25%
Over \$2,000,000	0.05%	1.00%	1.05%

Please refer to the **Transaction Charges and Other Fees** sections below for additional fees that apply to Advisor Select accounts.

#### **Prime Asset Management ("PAM") I Program**

The following table details the advisory fee schedule for the PAM program. The management fee may be discounted upon agreement with your IAR. Please refer to the **Transaction Charges and Other Fees** sections below for additional fees that apply to PAM accounts.

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$250,000	0.18%	1.82%	2.00%
\$250,000 - \$750,000	0.13%	1.62%	1.75%
\$750,000 - \$2,000,000	0.09%	1.16%	1.25%

Over \$2,000,000	0.05%	Negotiable	Negotiable
------------------	-------	------------	------------

### **Transaction Charges**

Transaction charges are the costs associated with purchasing or selling securities. PAM I and non-wrap Advisor Select program accounts are charged transaction fees to defray the costs associated with trade execution. The non-wrap Advisor Select program has two options, Advisor Pays and Client Pays, which are materially the same with one important exception. In the Advisor Select – Client Pays option, any transaction charges are paid by you. In the Advisor Select – Advisor Pays option, your Advisor pays for any transaction charges associated with your account. A portion of the transaction charge is paid to the custodian of your account. In PAM I accounts, the transaction fees can also be paid by you or by your IAR.

There is a conflict of interest to your Advisor in recommending that you open an Advisor Select – Advisor Pays account, or when they pay transaction charges in your PAM I account, because they have a financial incentive to recommend transactions in certain securities that do not carry transaction charges and to limit the overall number of transactions they recommend. For example, if it is anticipated that you will trade more frequently, your Advisor would receive less investment advisory compensation.

There is also conflict of interest when the advisor pays the transaction fees as they may be incentivized to charge you a higher management fee to offset the transaction charges they pay.

PAM I and Advisor Select transaction fees are outlined in the Prime Asset Management (PAM I) Transaction Fees and Advisor Select Transaction Fees charts below.

<b>Prime Asset Management (PAM I) Transaction Fees</b>	
Listed Equities (<10,000 shares)	\$24.00 + \$0.02/share per trade
Listed Equities (>=10,000 shares)	\$24.00 + \$0.015/share per trade
OTC Equities	\$24.00 per trade
Options	\$24.00 + \$1.65 per contract
Corporate Bonds – Listed	\$35.00 + \$1.00 per bond
Corporate Bonds – Other	\$35.00 per trade
No-load Funds, Load Funds at NAV	\$24.00 per trade
<b>Advisor Select Transaction Fees</b>	
Equities	\$9.95 per trade
Options	\$24.00 + \$1.65 per contract
Corporate Bonds – Listed	\$35.00 + \$1.00 per bond
Corporate Bonds – Other	\$35.00 per trade
No-load Funds, Load Funds at NAV	\$9.95 per trade

Although the transaction charges may be listed as commissions on the trade confirmation, they represent a reimbursement of transaction costs and not a commission. Your IAR will not receive any portion of these transaction charges. Your IAR will provide you with this service fee schedule before you open your account. In PAM I accounts, your IAR is permitted to charge lower transaction fees than stated on the service schedule. When this happens, your IAR will pay the difference.

Some IARs have a different schedule than our standard service schedule, but you are not disadvantaged if your IAR has a different service schedule than our standard service schedule.

Pershing may charge additional transaction fees depending on the type of security purchased or sold. Examples include a foreign securities transaction fee or a securities registration fee. Charges levied by Pershing are not included in the advisory fee and are your responsibility.

Please refer to the **Other Fees** section below for additional fees that apply to PAM I and Advisor Select accounts and more information on transaction costs.

### **Consulting Agreement Program and Services (Agreement #669 and #669A)**

Fees charged by your IAR may be more or less than fees charged by another IAR. All planning and consulting fees are shared between us and your IAR. Fees for planning and/or consulting are negotiable between you and your IAR.

Up to \$1,200 of the fee can be paid in advance of planning and/or consultation services being delivered to you. You will not be permitted to pay in excess of \$1,200 more than six months before the services are provided.

The consulting services your Advisor provides will include recommendations and advice tailored to your specific financial goals, objectives and situation. You are under no obligation to act on the advice that is given to you. If you choose to act on any of the advice given to you, you are under no obligation to open any accounts with us, and you may, in fact, open accounts with firms that are not related to us.

On a monthly, quarterly, semi-annual or annual basis (annual in arrears only), you will receive an invoice for the services provided to you and the cost will be detailed in the invoice. You will have the option to pay the fees by credit card, debit card, or ACH through a third-party vendor, or you may pay by check.

### **Plan Advice and Consulting Services**

We do not have a standard fee schedule for the Plan Advice and Consulting Program. However, the maximum annual fee that may be charged for asset-based fees is 1.5%. In meetings with your Advisor, the fee for the advisory and/or consulting services to be provided to the Plan will be discussed. Some of the factors used to determine the appropriate fee are the nature of the services being provided, the time related to providing such services, and the complexity of the Plan. Your fee may be either a one-time project fee; an hourly rate fee payable quarterly in arrears; an annual flat fee payable in equal quarterly payments; an annual asset-based fee payable on a quarterly basis; or an annual asset-based tiered schedule fee payable on a quarterly basis, as specified in the Agreement signed by you. A flat fee is a specific dollar amount that you will pay for services. Tiered fees refer to fee schedules where, as the value of Plan assets reaches a new threshold, the assets above that threshold are charged successively lower percentages.

Fees are paid for in arrears. This means that a Plan's fees pay for services that the Plan received in the Plan Advice and Consulting Program in the prior quarter. Fees may be paid directly from Plan assets or by the client remitting a check from company assets. If fees will be paid from Plan assets, the Plan authorizes the Plan Custodian to calculate the fee appropriate under the executed Agreement and debit the fee from Plan assets and forward the fees to the Firm for payment to the Advisor. It is the Plan's responsibility to verify the accuracy of fee calculations maybe by the Plan Custodian. The value of Plan assets for fee calculations purposes will be reported by the Plan Custodian. The option to pay by check is available with the Plan selects to pay an annual flat fee, hourly rate or one-time project fee.

### **Other Fees**

In addition to the fee schedules listed above, there are additional trade related and account maintenance related fees that apply to your account. For more information, please refer to the Fee Schedule for Pershing Accounts provided to you with your new account paperwork (<https://myceterasmartworks.com/Public/Portal/Content.aspx?ContentId=30134770>).

All Accounts may invest in mutual funds that make a distribution payment referred to as a 12b-1 fee. The clearing/custodial firm credits any 12b-1 fees received to the client's Account. As a result, neither First Allied nor the Advisor shall receive 12b-1 fees from mutual funds purchased in the Accounts.

In addition, your account will be subject to other fees charged by the custodian of your account. Electronic funds and wire transfer fees, transfer taxes, account maintenance fees, margin fees, transaction charges, exchange fees, and odd lot differentials are examples of fees that may be charged by the custodian. These fees are charged by the custodian and are not included in the advisory fee that you pay to us for management of your account. In some cases, certain of these custodian fees may be paid by your IAR, on an account by account basis. Your IAR is not required to pay these fees on your behalf and your IAR may elect to not pay for any or all fees for each of his clients' accounts. First Allied may receive a portion of these fees in its capacity as introducing broker-dealer. An account service schedule detailing all these fees will be provided to you upon account opening.

### **Transaction Costs**

Transaction costs are the costs associated with purchasing or selling securities. You may pay us ticket charges for transactions in programs described in this brochure. A portion of the ticket charge is paid to the custodian of your account. Other brokerage account charges, such as stop payment fees, Fed Fund Wire Fees and margin interest will be charged to your account when applicable. A list of fees that may be charged is available at (<https://myceterasmartworks.com/Public/Portal/Content.aspx?ContentId=30134770>). and can also be requested from your IAR.

These other brokerage account fees and expenses constitute compensation to FAAS and/or First Allied. The additional compensation FAAS and/or First Allied receives represents a conflict of interest because FAAS and/or First Allied receives a financial benefit when it provides services in connection with maintaining and servicing your account. However, this compensation is retained by FAAS and/or First Allied and is not shared with your IAR, so your IAR does not have a financial incentive to recommend certain transactions or for FAAS and/or First Allied to provide such additional services.

We mark up the transaction costs that our clearing firm charges us, which is a source of additional revenue compensation. The more transactions a client enters into, the more compensation FAAS and/or First Allied receives. Transaction charges represent a conflict of interest due to the fact that we have a financial incentive to establish a PAM or Advisor Select account because of the additional revenue compensation we receive. This compensation, however, is retained by the FAAS and/or First Allied and is not shared with your IAR, so your IAR does not have a financial incentive to recommend that you open a PAM or Advisor Select Account. If the advisor pays the transaction costs for your account, a conflict of interest exists as the advisor has a financial incentive to recommend transactions in certain securities that do not carry transaction costs and to limit the overall number of transaction they recommend.

Based on the activity in your account, you may pay more or less for a managed account than if you had a brokerage account or an account directly with a mutual fund company or annuity company. Your IAR should be able to discuss with you the benefits of opening a managed account versus a brokerage or mutual fund account.

## *FundVest Mutual Funds*

The FundVest Mutual Fund Program offers a wide range of mutual funds. This program is maintained by our clearing/custodial firm, Pershing. Pershing, at its sole discretion, may add or remove mutual funds from the FundVest Program without prior notice. In the FundVest Program, transaction costs are waived on certain purchases that would normally carry a transaction charge. If your advisor pays all or a portion of your transaction cost, this presents a conflict of interest to your IAR in PAM and Advisor Select accounts because your IAR has a financial incentive to recommend a FundVest mutual fund that does not assess transaction costs over a mutual fund that does assess transaction costs.

Additionally, FAAS and/or First Allied receives the short-term redemption fees that you pay for certain FundVest mutual fund shares that are redeemed within six calendar months. This compensation is a source of revenue to FAAS and/or First Allied and presents a potential conflict of interest whenever your IAR recommends that you redeem a FundVest mutual fund within six calendar months because FAAS and/or First Allied receives a financial benefit from such transaction. This compensation, however, is retained by FAAS and/or First Allied and is not shared with your IAR, so your IAR does not have a financial incentive to recommend certain FundVest mutual funds be redeemed within six calendar months over other investments.

### *Borrowing Money (Margin Accounts)*

A margin account is an account where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider that: (i) if you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account or withdraw funds; and (ii) you are using securities that you own as collateral.

Money borrowed in a margin account is charged an interest rate determined by the Firm within a range established by Pershing, which can result in you paying more margin interest than you would otherwise if you did not have an account with us. The margin interest rate that you pay is in addition to other fees associated with your account. Pershing retains a portion of the margin interest charged and pays the Firm at a rate established by the Firm which is a source of revenue to us. This additional revenue, which increases based on the amount of margin held in your account and the aggregate amount of margin in all client accounts, represents a conflict of interest, as the Firm has a financial incentive for you and other clients to maintain a margin debt balance. However, this compensation is retained by the Firm and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend that you maintain a margin balance. Your Advisor does have a conflict of interest when recommending that you purchase or sell securities using borrowed money. This conflict occurs because your advisory fee is based on the total market value of the securities in your account. If you have a margin debit balance (in other words you have borrowed and owe money to the Firm), your margin debit balance does not reduce the total market value of your Account. In fact, since you have borrowed money to purchase additional shares, the total market value of your account will be higher, which results in a higher advisory fee.

Please also carefully review the margin disclosure document for additional risks involved in opening a margin account.

### *Cash Sweep Program*

**FDIC Insured Bank Deposit Sweep Account.** The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency insuring deposits in U.S. banks and thrifts in the event of bank failures. Two programs, the FlexInsured Account Program and the Insured Deposit Sweep Account Program (FDIC-Insured Programs), made available by the broker dealer referenced in Item 10 that is a related entity to FAAS (Related BD) enable clients' available cash balances awaiting investment or reinvestment in eligible accounts, including cash balances derived from the sale of securities, dividend payments, interest credited from bonds, and cash deposits, to be automatically deposited (swept) into interest bearing deposit accounts offered through one or more participating program banks (Program Banks). Deposits at an individual Program Bank are covered by FDIC insurance up to a maximum of \$250,000 and an aggregate total across all Program Banks of up to \$2,500,000. For purposes of calculating the available FDIC coverage at each Program Bank, cash deposited at a Program Bank is aggregated with all other deposits held by you outside of the FDIC-Insured Programs in the same insurable capacity at that Program Bank. It is your responsibility to monitor any deposits that you have at each Program Bank including deposits outside of the FDIC-Insured Programs so that you do not exceed the applicable limits on FDIC insurance coverage as described above. Funds deposited through the FDIC-Insured Programs are not eligible for SIPC protection.

**FlexInsured Account Program.** The FlexInsured Account is the default sweep vehicle for non-retirement advisory accounts. For its role in offering the FlexInsured Account Program, the Related BD earns additional compensation in the form of a payment of a portion of the earned interest received from a Program Bank (payment) which is based on the amount of money on deposit by all FlexInsured Account Program participants and the applicable interest rate paid at that time by that Program Bank. The amount of a payment to the Related BD will vary but will not exceed 4.00% on an annualized basis as applied across all FlexInsured Accounts. The maximum annual percentage to be received by the Related BD may be changed upon 30 days' prior notice to participants in the FlexInsured Account Program. The Related BD, in its discretion, may reduce the amount of a payment and vary the reductions among clients which would result in some clients getting paid a higher interest rate, and, therefore, earning more interest than other clients. Additionally, the payments the Related BD receives generally vary by Program Bank and will affect the interest rate paid to you. The interest rate you earn will generally be lower than interest rates available to depositors in interest-bearing accounts held directly at a Program Bank or other FDIC-insured depository institutions, but such institutions could require a minimum amount to establish an interest-bearing deposit account that is

maintained outside of the FDIC-Insured Programs.

**Insured Deposit Sweep Account (IDSA) Program.** The IDSA is the default sweep vehicle for advisory IRAs. For its role in offering the IDSA Program, the Related BD receives a per account fee each month. The compensation paid to the Related BD under the IDSA Program does not vary among IDSA Program participants and is not affected by the amounts deposited through the IDSA Program, including your IDSA program deposits, but will vary month-to-month based on the actual number of days in the particular month. The Related BD's compensation under the IDSA Program is determined by a fee schedule indexed to the current Federal Funds Target (FFT) Rate. The monthly fee paid to the Related BD increases and decreases by \$0.09 with every 1 basis point (a basis point is equal to 0.01%) change in the FFT Rate. In cases where the FFT Rate is a range of rates, the FFT Rate will be deemed to be the midpoint of the range rounded to the nearest thousandth of a decimal. The monthly per account fee paid to the Related BD under the IDSA Program will not exceed \$25.00, regardless of changes in the FFT Rate. The maximum monthly per account fee may only be changed upon 30 days' prior notice to participants in the IDSA Program. Although it is generally anticipated that the Related BD's fee under the IDSA Program will be offset by amounts paid by the Program Banks, the Related BD reserves the right to withdraw the monthly account fee, or a portion thereof, from participants' accounts in the event that the amount received from the Program Banks and paid over to the Related BD is less than the Firm's fee for the same period.

Program Banks do not have a duty to offer the highest rates of return available or comparable to those offered in money market funds. The FDIC-Insured Programs should not be viewed as an investment option nor as a long-term holding. If you desire to maintain a cash position in your account for something other than a short-term position awaiting investment and/or seek the highest yields currently available in the market for your cash balances, then you should contact your Advisor about your options outside the FDIC-Insured Programs.

In response to certain extraordinary economic conditions, some foreign countries have occasionally implemented a negative interest rate policy to stabilize their economies. Under such a policy, a central bank charges banks a fee to hold reserves, and, as a result, the banks then charge depositors a fee to maintain their deposits. Historically, the U.S. has not adopted policies resulting in negative interest rates, and there is no indication that the Federal Reserve Board plans to adopt such a policy in the future. If, however, such a policy is adopted in the U.S., Program Banks may begin to charge fees to maintain deposits held through bank deposit sweep programs, such as the FDIC-Insured Programs. In such an event, the Firm's related broker-dealer will charge your account a fee to defray its costs for maintaining your deposits at Program Banks through the FDIC-Insured Programs. This fee will be in addition to fees received directly from Program Banks for their participation in the FDIC-Insured Programs and can result in you experiencing a negative overall return with respect to cash reserves in a FDIC-Insured Program. The Firm's related broker-dealer will assess any fees related to negative interest rates to your account on a monthly basis for the duration of the negative interest rate period. If applicable, this fee will appear on your periodic account statement. In its discretion, the Firm's related broker-dealer will increase or decrease this fee periodically to reflect the costs incurred to maintain your deposits at Program Banks. The Firm's related broker-dealer can eliminate this fee at any time. In the event that the fees are assessed as a result of negative interest rates, additional information regarding the fees will be available at <https://www.firstallied.com> or by contacting your Advisor.

**Money Market Mutual Fund.** Some non-retirement accounts established before May 21, 2018 utilize a money market mutual fund previously designated as an alternative sweep option for non-retirement accounts (Prior MMF). The Prior MMF is no longer available as a new sweep selection; however, clients that previously chose the Prior MMF as a sweep option may continue to use it until a new election is made. The Related BD receives distribution assistance from Pershing in the form of annual compensation of up to 0.78% for assets held in the Prior MMF.

For ERISA advisory accounts, the Firm offers a money market mutual fund, which provides a return on your account balances, as a cash sweep default option. The Firm and Advisor do not receive any sweep-related compensation in connection with cash in ERISA advisory accounts that are swept into any money market mutual fund that the Firm designates for ERISA advisory accounts.

The compensation the Firm receives from the FDIC-Insured Programs and the Prior MMF constitutes a source of revenue for the Firm. This compensation presents a conflict of interest to the Firm because the Firm receives a greater financial benefit when cash is swept into the FDIC-Insured Programs and the Prior MMF than it otherwise would if your cash balance is held elsewhere, and any compensation the Firm receives reduces the interest you receive. This compensation is retained by the Firm and is not shared with your Advisor, so your Advisor does not have an additional financial incentive that is tied to the compensation from the cash sweep program to recommend that cash be held in the FDIC-Insured Programs or the Prior MMF rather than investing in securities. The asset-based fee charged in your advisory account includes cash held in the cash sweep program.

An investment in a money market mutual fund, unlike Program Bank deposits, is not insured or guaranteed by the FDIC or any other governmental agency, and it is possible to lose money by investing in a money market mutual fund. The Prior MMF, money market mutual funds held in ERISA advisory accounts, and uninvested cash held by the Firm as a "free credit balance" in all client accounts are covered by the Securities Investor Protection Corporation (SIPC), a non-profit, non-government, membership corporation, funded by member broker-dealers. SIPC's coverage protects against the custodial risk (not a decline in market value) when a brokerage firm fails by replacing missing securities and cash up to a limit of \$500,000 of which \$250,000 may be in cash per customer in each separate capacity under SIPC rules.

A money market mutual fund generally seeks to achieve a competitive rate of return (less fees and expenses) consistent with its investment

objective(s), which is described in its prospectus. Average annual rates of return of the money market mutual fund option offered as the cash sweep option will vary over time and will generally be higher than the interest rate paid on deposits to you through the FDIC-Insured Programs. The Related BD will earn more money by designating the FlexInsured Account or the IDSA as the default sweep option for eligible accounts. Accordingly, the Firm has a financial incentive to increase the Related BD's compensation and a conflict of interest in selecting cash sweep options.

For detailed information regarding the terms and conditions of the cash sweep options, see the Related BD's FlexInsured Account Program Disclosure Statement, the Related BD's Insured Deposit Sweep Account Disclosure Statement available <https://www.cetera.com/first-allied/clients/flexinsured-account>, or the applicable money market mutual fund prospectus. You can obtain copies of such product disclosures from your Advisor. Generally, each account will be eligible for a single cash sweep option, such as a FDIC-Insured Program or a money market mutual fund, based on account type. We may change the products available for your selection. Your Advisor can provide a current list of available options.

#### *Loan Advance Accounts*

A TriState Capital Bank (TriState) pledged account is collateral for a loan held through TriState. A customer may borrow money from TriState by pledging securities held and custodied in their Pershing brokerage account. Unlike a margin account, these borrowed funds cannot be used to purchase additional securities. If you decide to enter into loan arrangement with this banking entity, you should carefully consider the following:

- You are borrowing money that will have to be repaid to the bank.
- Pledge arrangement arrangements are only available for non-qualified accounts.
- You, as the borrower, are using the cash and securities that you own in the account as collateral.
- You will be charged an interest rate that is subject to change.
- TriState can force the sale of securities or other assets in the pledged account at any time and without notice to cover any deficiency in the value of the securities pledged for the loan. TriState can decide which securities to sell without consulting you.
- First Allied and our representatives have a conflict of interest when you obtain a loan from TriState. This conflict occurs because First Allied and the representative will receive a portion of the interest charged on the loan. First Allied reduces this conflict by reviewing the borrower's accounts to determine whether or not the use of TriState is appropriate and in line with the borrower's goals and objectives.
- TriState is responsible for reviewing the loan application and any other documents that TriState may require to obtain the loan. TriState, in its sole discretion, will determine the credit worthiness of the applicant, including the amount of the loan.
- Prior to establishing a loan with TriState, you should carefully review the loan agreement, loan application and any other forms required by the bank in order to process your loan.

Prior to establishing a loan with TriState, you should carefully review the disclosure form provided by First Allied.

#### *Compensation from Strategic Partners*

Although we offer thousands of mutual funds from more than 250 mutual fund companies, and hundreds of variable life and annuity contracts from more than 100 insurance companies, we concentrate our marketing and training efforts on those investments offered by a much smaller number of select and well-known companies (Strategic Partners). Strategic Partners are selected, in part, based on the competitiveness of their products, their technology, their customer service and their training capabilities. Strategic Partners have more opportunities than other companies to market and educate our IARs on investments and the products they offer. For a current list of our Strategic Partners, please see the below list of Strategic Partners.

Our Strategic Partners pay extra compensation to us and/or our affiliates in addition to the usual product compensation described in the prospectus. This presents a conflict of interest in that our IARs and we have an incentive to recommend products offered by our Strategic Partners. The additional amounts Strategic Partners pay us vary from one Strategic Partner to another and from year to year. Some Strategic Partners pay us or our affiliates up to 0.45% of your total purchase amount of a mutual fund or variable insurance product. So, for example, if you invest \$10,000 in a mutual fund, we could be paid up to \$45. Additionally, some Strategic Partners make a quarterly payment or additional quarterly payment based on the assets you hold in the fund or variable insurance product over a period of time of up to 0.15% per year. For example, on a holding of \$10,000, we could receive up to \$15.

Alternatively, we may receive compensation from the mutual fund or insurance company as: (1) a flat fee regardless of the amount of new sales or assets held in client accounts; or (2) the greater of such flat fee or amount based on assets and/or new sales as referenced above and any ticket charge payments referenced below. These payments are designed to compensate us for ongoing marketing and administration and education of our employees and IARs. You do not make these payments. They are paid by the mutual fund and insurance companies and/or their affiliates out of the assets or earnings of the funds or insurance companies or their affiliates.

It is important to note that you do not pay more to purchase Strategic Partner mutual funds or insurance products through us than you would pay to purchase those products through another broker-dealer, and your IAR does not receive additional compensation for selling a Strategic Partner product.

We also receive revenue sharing payments from companies that are not Strategic Partners, as described below.

#### *Conflicts of Interest in Receiving Revenue Sharing from Strategic Partners*

A conflict of interest exists in that we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product from one particular sponsor instead of another. Your IAR also indirectly benefits from Strategic Partner payments when the money is used to support costs relating to product review, marketing or training, or for waiver of ticket charges, as described below. Our IARs do not receive any compensation associated with the revenue sharing payments.

#### *Mutual Fund Ticket Charges*

When you purchase a mutual fund of a Strategic Partner in a Pershing brokerage account, we may absorb the nominal “ticket charge” for each transaction of approximately \$30, which would normally be paid by you or your IAR. Generally, the mutual fund families that participate in the Strategic Partner Program subsidize some of these ticket charges through the compensation mentioned above or by paying us a per trade fee of up to \$10. The type of transaction in a Strategic Partner mutual fund purchase that qualifies for a ticket charge waiver varies depending on the particular Strategic Partner. In general, the ticket charge will be waived for the purchase of certain mutual funds in an amount of \$2,500 or more. If your IAR pays your ticket charges, you should understand that this presents a conflict of interest to your IAR when deciding which securities to select, as your IAR has a financial incentive to recommend transactions in Strategic Partner mutual funds. Every mutual fund offered by us may be purchased without a ticket charge by processing the transaction with a check and application sent directly to the mutual fund company.

#### *Pershing Relationship*

Pershing is the clearing firm for our brokerage business. Due to this business relationship, Pershing shares with us a portion of the transaction costs and fees you pay to Pershing for certain transactions and services. As described in Item 4, this additional compensation we receive in connection with certain transactions and services is an additional source of compensation to the Firm. This compensation to the Firm presents a conflict of interest because the Firm and your Advisor have a greater incentive to make available, recommend, or make investment decisions regarding investments and services that provide additional compensation to the Firm and your Advisor over those investments and services that do not.

Pershing also provides consulting and other assistance to us. We also participate in other revenue Pershing is paid on the assets held in your account. Your advisory fee is not reduced or offset as a result of any revenue that Pershing shares with us. The following is a brief description of some of the revenue items received from Pershing.

Pershing receives revenue from money market funds that the Firm makes available as a cash sweep option, and for nonretirement accounts that choose to invest cash in such a money market fund Pershing shares some of that revenue with us as described in Item 5 at Cash Sweep Program.

Pershing, to help defray costs associated in transferring certain client accounts onto the Firm’s platform custodied at Pershing, reimburses the Firm a portion of the termination and transfer fees incurred by a client account that qualifies for such assistance. The Firm credits such reimbursements to the applicable Client’s account. In addition, Pershing may, from time to time, waive or discount certain customary fees and expenses in an effort to help attract client accounts and assets.

Additionally, we receive the short term redemption fees that Pershing charges you for certain FundVest mutual fund shares that are redeemed within six calendar months. This compensation is a source of revenue to the Firm and presents a conflict of interest whenever Advisor recommends that you redeem a FundVest mutual fund within six calendar months because the Firm receives a financial benefit from such transaction. This compensation, however, is retained by the Firm and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend certain FundVest mutual funds be redeemed within six calendar months over other investments.

In addition to the compensation disclosed elsewhere in this document, Pershing pays us additional incremental compensation based on the aggregate AUM, number of accounts, and securities transactions executed through Pershing for all client accounts (each a “Benchmark” and collectively “Benchmarks”). The additional compensation associated with reaching each Benchmark presents a conflict of interest, because whenever the Firm reaches a Benchmark it receives a financial benefit which creates a financial incentive for us to reach each Benchmark. This compensation is retained by the Firm and is not shared with your Advisor. Your Advisor does not have a financial incentive to reach these Benchmarks.

Finally, under our contract with Pershing, there is a termination fee schedule with amounts that decrease over time, which provides a financial incentive for us to continue maintaining our relationship with Pershing.



Pershing allows clients to enroll in the Fully Paid Securities Lending program, which allows clients to lend certain securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with the clients and their financial advisors. If you elect to participate in this program, your IAR will receive compensation from Pershing. The receipt of this extra compensation creates a conflict in certain advisory programs in which your IAR acts as the portfolio manager. The conflict surrounds whether this extra compensation to your IAR would cause him to hold a security in your account that he otherwise would have liquidated if he was not receiving this extra compensation. This conflict is mitigated by our requirement that investment decisions made by your IAR are always in your best interests, as well as the fact that if your account holds these positions, your IAR's compensation will increase nominally, but the security will also generate income for your account. Not all accounts or client will qualify for this program.

#### *Training and Education Compensation*

We and our IARs also receive additional compensation from mutual fund and insurance companies, including Strategic Partners that is not related to individual transactions or assets held in accounts. This money is paid, in accordance with regulatory rules, to offset up to 100% of the costs of training and education of our IARs and employees. In some instances, mutual fund and insurance companies pay a flat fee in order to participate in our training and educational meeting. These meetings or events provide our IARs with comprehensive information on products, sales materials, customer support services, industry trends, practice management education, and sales ideas.

It is important to note that due to the number of mutual fund and variable insurance products we offer, not all product sponsors have the opportunity to participate in these training and educational events. In general, our Strategic Partners have greater access to participation in these events and therefore greater access to, and opportunity to build relationships with, our IARs.

Some of the training and educational meetings for which we or our IARs receive reimbursement of costs include client attendance. If you attend a training or educational meeting with your Advisor and a product sponsor is present, you should assume that the product sponsor has paid for all or a portion of the costs of the meeting or event.

#### *Other Cash and Non-Cash Compensation*

In addition to reimbursement of training and educational meeting costs, we and our IARs receive promotional items, meals or entertainment or other non-cash compensation from representatives of mutual fund companies, insurance companies, and direct participation sponsors, as permitted by regulatory rules. The sale of mutual funds, variable insurance products and other products, whether of our Strategic Partners or not, may qualify our IARs for additional business support and for attendance at seminars, conferences and entertainment events. Further, some of our home-office management and certain other employees receive a portion of their employment compensation based on sales of products of Strategic Partners.

#### *Exchange Traded Products Partner Program*

First Allied offers an exchange traded products partner program (ETP Partner Program), which as described below, has similar features to the First Allied's Strategic Partner Program. First Allied currently has entered into agreements with the ETP Partners listed below, and intends to add additional ETP Partners on an ongoing basis. For the most current list of our ETP Partners, please refer to our website at <http://www.firstallied.com> or call your Advisor.

Although we offer thousands of exchange traded products (ETPs), we concentrate our marketing and training efforts on those investments offered by select and well-known ETP Partners. An ETP Partner is selected, in part, based on the competitiveness of its products, its technology, its customer service and its training capabilities. An ETP Partner has greater exposure to our Advisors (e.g., at conferences), and more opportunities to market and educate our Advisors on investments and the products they offer.

An ETP Partner pays extra compensation to us and/or our affiliates in addition to the compensation described in the prospectus. The additional amounts may vary from one ETP Partner to another and from year to year. In general, an ETP Partner pays us the greater of an annual flat fee regardless of the amount of new sales or assets held in client accounts or up to 0.25% of the ETP's net expense ratio (as set forth in the prospectus or supplement) of your investment's average daily balance during the quarter. So, for example, for each \$10,000 average quarterly daily balance of an ETP Partners' product held by our clients, we would be paid up to \$25 on an annual basis. Further, if the annual flat fee were \$500,000 and the total asset-based fee did not reach that amount we would still be paid \$500,000.

These payments constitute compensation to the Firm. The payments are paid by the ETP Partner and/or their affiliates out of the assets or earnings of the ETP Partner or their affiliates. You do not pay more to purchase an ETP Partner's product through us than you would pay outside of the ETP Partner Program, and your representative does not receive additional compensation for selling an ETP Partner product. For the most current description of the compensation we receive from ETP Partners, please refer to the First Allied's website at <http://www.firstallied.com>.

#### *Conflicts of Interest in Receiving Revenue Sharing from ETP Partners and with Ticket Charge Waivers*

A conflict of interest exists in the recommendation of ETP Partner products since we receive additional revenue if you purchase an ETP Partner product and/or if you purchase a product from one particular sponsor instead of another. Your representative also indirectly benefits from ETP Partner payments when the money is used to support costs relating to product review, marketing or training, or

for waiver of ticket charges, as described below. Our Advisors do not receive any compensation associated with the revenue sharing payments.

When you purchase an ETP Partner product, we absorb the nominal “ticket charge” (sometimes referred to as a transaction charge) for each transaction, which would normally be paid by you or your Advisor. In general, the ticket charge will be waived for the purchase of certain ETPs in an amount of \$5,000 or more. These ticket charge waivers result in a conflict of interest between you and your Advisor in accounts where the advisor pays the ticket charge because your Advisor has a financial incentive to recommend an ETP Partner product that does not assess transaction charges over an ETP that does.

In general, if you are not comfortable with the use of ETP Partner products in your account and the resulting conflicts of interest, then you should notify your Advisor of this preference and you should not participate in any advisory program that includes ETP Partner products.

*List of Exchange Traded Products Partners:*

- First Trust Advisors L.P.
- WisdomTree Asset Management, Inc.

*Retirement Strategic Partners Program*

FAAS and/or First Allied also receives certain revenue sharing payments from third-party firms, including plan recordkeeping platforms as well as investment managers of mutual funds and the issuers of annuities (each a “Retirement Partner”). Retirement Partners participate in activities that are designed to help facilitate the distribution of their products and services, such as marketing activities and educational programs, including attendance at conferences and presentations to FAAS’ IARs. These revenue sharing payments are in the form of a fixed dollar amount that does not depend on the amount of the plan’s investment in any product utilization of any Retirement Partner’s services. Retirement Partners also pay FAAS and/or First Allied’s expenses, or provide non-cash items and services, to facilitate training and educational meetings for FAAS’ IARs, which similarly do not depend on the amount of the plan’s investment in any product or utilization of any Retirement Partners’ services. Our IARs do not receive any portion of these payments.

Retirement Partners currently include:

- American Funds
- Ameritas
- Ascensus
- Empower Retirement
- John Hancock
- J.P. Morgan Asset Management
- Lincoln Financial Group
- Mutual of Omaha
- Nationwide Financial
- Principal Financial Group
- Transamerica Retirement Solutions
- Voya

It is important to note that you do not pay more to purchase Retirement Partner products or services through FAAS than you would pay to purchase those products or services through another broker-dealer, and your IAR does not individually receive additional compensation for selling or recommending a Retirement Partner product or service.

*529 Plans*

In addition to commission-based compensation for sales of 529 plans, 529 plan assets included in the amount of total mutual fund or variable annuity assets for which revenue sharing is paid as described above. We do not separately account for these payments and do not have any 529 plan Strategic Partners.

*Direct Participation and Other Alternative Investments*

First Allied and/or FAAS, through its representatives, offer our clients a wide variety of direct participation programs and alternative products including: non-listed real estate investment trusts, limited partnerships, 1031 exchange programs, business development companies, oil and gas programs, closed-end interval funds and direct alternatives.

Whether a representative charges a commission to the client upon the sale of a direct participation program or other alternative investment, be it assessed in full, in part, or not at all, is based upon whether the investment is held in an advisory or brokerage account, and if it is on FAAS and/or First Allied’s approved products list. If a client purchases an alternative investment product from the advisory approved products list, it will be sold in an advisory program without a commission, and will be included in the billing and reporting of the account assets.

If the alternative investment product is not on the advisory approved products list, the adviser has the ability to:

- Purchase the product for the client while charging a commission and holding it directly within a brokerage account; or
- Have the product held in an advisory account solely for convenience purposes, but will be excluded from the billing and reporting of the account assets, and regular billing will continue on all other eligible assets held in the account.

In addition to commissions First Allied receives from the sale of these products, First Allied receives due diligence and/or marketing allowance payments from certain sponsors. While the additional compensation First Allied receives as well as the arrangements we have varies with each sponsor and/or share classes, some product sponsors pay a due diligence or marketing allowance fee of (i) up to 0.20% annually on assets held at the sponsor, (ii) up to 1.50% on the gross amount of each sale, depending on the product, or (iii) a flat fee from certain sponsors regardless of the amount of new sales or assets held in client accounts. Other product sponsors pay a flat administrative services fee for certain classes of shares, based on a minimum amount of trades executed through an advisory platform. These payments are designed to compensate us for ongoing marketing and administrative services and or maintenance of our advisory platform systems, as well as the training and education of our employees and Advisors regarding these types of products. You do not make these payments. They are paid by the product sponsor out of the assets or earnings of the product sponsor.

It is important to note that you do not pay more to purchase products through us than you would pay to purchase those products or class of a product's shares through another broker-dealer, and your representative does not receive additional compensation for selling products from sponsors that pay us such additional compensation.

A conflict of interest exists because we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product or class of a product's shares from one particular sponsor instead of another. Your representative also indirectly benefits from these sponsor payments when the money is used to support costs relating to product review, marketing or training.

You should read the applicable prospectus(es) or offering document(s) carefully before investing, which may be obtained from your Advisor.

#### *List of Strategic Partners*

The following is the list of Strategic Partners in alphabetical order:

#### *Mutual Fund Companies*

• Allianz Global Investors	• JP Morgan Investment Management
• American Funds Distributors	• Lord, Abbett & Co. LLC
• Blackrock Investments, LLC	• New York Life Mainstay
• Columbia Management	• Pacific Life
• DWS Securities	• PGIM
• Eaton Vance Distributors, Inc	• PIMCO
• Federated	• Pioneer Funds Distributor, Inc.
• Fidelity Investments	• Principal Funds
• Franklin Templeton Distributors, Inc	• Putnam Investments
• Goldman Sachs Asset Management	• Transamerica
• Invesco	• Virtus Investment Partners, Inc.
• Ivy Funds	• Voya Investment Management (ING Funds)
• John Hancock Funds	

For American Funds, the ticket charges are waived for purchases over \$10,000.

For Fidelity Investments, ticket charges are waived on Fidelity Advisor Funds. Fidelity Direct Funds are not included in this program. Please note that fee waivers do not apply on ERISA Title I Advisory accounts where the advisor is paying the ticket charges.

#### *Annuity Carriers:*

• AIG Annuities	• Lincoln Financial Distributors
• Allianz Life Financial Services	• Nationwide Financial
• Athene	• Pacific Life Insurance Company
• AXA Distributors	• Principal Financial Group
• Brighthouse	• Protective Life
• CUNA	• Prudential Annuities Distributors
• Delaware Life	• Sammons Financial Group
• Eagle Life	• Securian Financial Group
• Global Atlantic	• Security Benefit
• Great American	• Symetra

### *Compensation from Third-Party Money Managers*

We enter into a select number of relationships with third-party money managers (TPMMs) approved by our due diligence department (Approved TPMMs). FAAS and your IAR receive a portion of the fee that you pay the Approved TPMM whenever we refer or recommend their advisory business to you. Approved TPMMs also compensate FAAS and/or First Allied with an additional fixed annual payment for providing ongoing due diligence, operational oversight, and opportunities to market and educate our IARs on investments and the products they offer (Additional Compensation). We only offer Approved TPMMs to clients. Approved TPMMs are selected, in part, based on whether they offer competitive products, their technology, their customer service, and their training capabilities. Approved TPMMs may attend or sponsor education and training meetings for our IARs. Certain Approved TPMMs, such as SEI and AssetMark, pay us a higher level of Additional Compensation than Approved TPMMs and have more opportunities than other Approved TPMMs to market and educate our IARs on investments and the products they offer.

The following table lists our Approved TPMMs:

- Advisors Capital Management
- AssetMark
- Brinker Capital
- BTS Asset Management
- FTJ FundChoice, LLC
- Hanlon Investment Management
- Howard Capital Management
- Buckingham Strategic Partners
- Manning & Napier Advisors, LLC
- Pacific Financial Group, Inc.
- SEI

Certain IAR's may use TPMMs that do not appear on this list with permission of FAAS.

We may, from time to time, update our Approved TPMMs. Please refer to our most recent ADV Part 2A for the most up to date listing of our Approved TPMMs or request a list from your IAR.

Similar to our Strategic Partner program, our IARs do not individually receive any part of the Additional Compensation for recommending an Approved TPMM.

You similarly do not pay more to purchase an Approved TPMMs. Please refer to our most recent ADV Part 2A for the most up to date listing of our Approved TPMMs or request a list from your IAR.

Similar to our Strategic Partner program, our IARs do not individually receive any part of the Additional Compensation for recommending an Approved TPMM.

### *Unified Program Fund Strategist Portfolio Featured List*

The Unified Program offered through the MAA Platform, which is co-sponsored by our related investment adviser, CAS, and is described in CAS's ADV, offers fund strategist portfolios (comprised of both mutual funds and ETPs) from over 100 strategists, comprising over 1,000 strategies. We have created a smaller list of strategies across various investment disciplines and implementation styles (Featured List), that are offered by a number of strategists that have agreed to pay us some form of additional compensation (Featured Strategists) to help cover costs associated with marketing and education. The Featured List consists of strategies from both Strategic Partners (or affiliates of a Strategic Partner) and non-Strategic Partners. The current Featured List is provided below.

As discussed above, all Strategic Partners pay us additional compensation and receive more opportunities (such as being a Featured Strategist) than other companies to market and educate our Advisors about their products and services. Strategic Partners do not pay us any additional compensation for being a Featured Strategist, other than the overall compensation set forth previously in this Item.

For any non-Strategic Partner to be included on the Featured List, they pay us typically based on the following calculation: the greater of (1) an annual fixed flat fee or (2) up to eight basis points on client assets under management in the Featured Strategists' (or its affiliates') proprietary funds, and up to five basis points on non-proprietary funds' assets under management. As a result, the compensation paid by Featured Strategists varies from one Featured Strategist to another and from year to year, and possibly from quarter to quarter.

It is important to note that you do not pay us more to either invest in a strategy that is on the Featured List, or to purchase the underlying investment products included in the strategies on the Featured List in the Unified Program than you would pay to purchase those same products through a strategy not included on the Featured List. Your Advisor does not receive additional direct compensation for utilizing a strategy offered by a Featured Strategist

### *Conflicts of Interest in Receiving Revenue Sharing from Featured Strategists*

Because we receive compensation from Featured Strategists, a conflict of interest exists in that we are paid more revenue-sharing fees if your account uses a Featured Strategist and whenever Strategic Partner funds are part of a Featured Strategist's model portfolios. Your Advisor also indirectly benefits from Featured Strategist payments when the payments are used to support costs relating to product review, marketing or training. Our Advisors do not receive any direct compensation associated with these revenue sharing payments.

#### *List of Featured Strategists*

The Featured Strategists currently include:

- American Funds
- Auour
- BlackRock
- Columbus Macro
- Fidelity
- Goldman Sachs
- Horizon Investments
- Meeder
- New Frontier
- Russell Investments
- WisdomTree

#### *Verification of Fees*

You are always responsible for verifying that the fee you are charged is accurate. The custodian will not determine whether the fee is properly calculated. Should you find an error, please contact your IAR immediately. If you are not satisfied with the action your IAR takes, you may contact us at the number on the cover of this document.

#### *Other Conflicts of Interest*

*Program Choice Conflict of Interest* - Clients should be aware that the compensation to the Firm and your Advisor will differ according to the specific advisory program chosen. The compensation to the Firm, its Related BD and your Advisor will be more than the amounts otherwise received if you participated in another program or paid for investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules and other sources of compensation that exist among the various advisory programs and services offered by the Firm, its Related BD and your Advisor, we have a financial incentive to recommend particular programs or services over other programs and services available through the Firm.

Your IAR will receive a higher percentage of management fees for certain programs. This presents a conflict of interest in that your IAR benefits from recommending certain programs based on the difference in compensation your IAR receives rather than selecting investments without regard to compensation payable to your IAR. If your IAR qualifies for reductions in the program fee paid to us, this results in additional compensation to your IAR. To mitigate this conflict of interest, we require that any program you invest in must be suitable for your investment goals and financial needs. If your IAR qualifies for reductions in the program fee paid to us, which results in additional compensation to your IAR, your total advisory fee will not exceed the stated maximum for the programs.

In addition to advisory fees, your IAR may earn sales incentives or awards based on the value of assets under management, investment products sold, number of sales, client referrals, amount of new deposits or amount of new accounts. Your IAR may also receive forgivable loans from First Allied or its affiliates, which are conditioned on your advisor retaining First Allied's broker-dealer and/or FAAS' registered investment adviser services. This additional economic benefit creates a conflict of interest for your IAR to retain affiliation with FAAS in order to avoid re-payment on a loan.

FAAS offers its IARs a financial benefit (an "Enhanced Payout") based on an IAR's assets under management in the advisory programs that comprise the My Advice Architect Platform (MAA Platform). Your IAR is eligible to receive an Enhanced Payout on advisory assets in the MAA Platform that exceed certain fixed levels. Whenever compensation changes based on an IAR's level of assets under management, the IAR has a financial incentive to meet those asset levels. The Enhanced Payouts provide an incentive for your IAR to select the Firm for your accounts because compensation the Firm pays to the IAR may be more than that of another firm. The Enhanced Payouts also provide an incentive for the IAR to select the MAA Program over other advisory programs at FAAS and to place more assets in the MAA Program.

In certain cases, we may be compensated by unaffiliated third-parties based on the amount of assets our IARs may place with them. This represents a conflict of interest in that your IAR may be incentivized to recommend the services of the third-party from which additional compensation may be received. In other cases, your IAR may incur fewer expenses from the third-party as a result of the amount of assets the IAR has placed with the third-party. Generally, the fees that the third-party charges will be lower as the amount of assets that is placed with them increase. Therefore, your IAR may be incentivized to recommend the services of the third-party.

Your IAR may also be registered as an independent contractor registered representative with First Allied. This may create a conflict in that your IAR may be able to choose between offering you advisory programs or services and brokerage products or services. The amount and manner of compensation that your IAR receives in either of these capacities presents a conflict of interest. To mitigate this conflict of interest, we require that any advisory program or advisory service that you are offered is suitable for your investment goals and financial needs. First Allied conducts suitability reviews for brokerage product solicitations.

Furthermore, your IAR may also be registered with other related investment advisers and/or broker-dealers that are part of Cetera Financial Group's network of investment advisers and broker-dealers. This may represent a conflict of interest since your IAR may be incentivized to offer certain services through one entity over another. However, as a fiduciary, your IAR is required to act in your best interest. For more information on Cetera Financial Group, please see Item 10- Other Financial Industry Activities and Affiliations.

Your IAR may have a financial interest in certain securities. We do not permit our IARs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest. Your IAR may purchase or sell the same security he solicits for or uses discretionary trading authority for his client accounts as long as he does not have a material financial interest in the security. This presents a conflict of interest. Our Code of Ethics mitigates this conflict by detailing policies designed to ensure that clients are not disadvantaged by an IAR's trading activity.

You may be eligible to receive breakpoints, or discounts, on the fees that you pay to purchase or hold mutual funds in your account if your total investment in one or more particular mutual fund sponsors reaches certain levels. In certain cases, you can aggregate your investments in different accounts to reach these levels. We have established surveillance systems designed to help us monitor your total investments in each mutual fund sponsor. However, the person granted trading authorization over your account may select mutual funds that prevent you from reaching a breakpoint level and taking advantage of a price break. In addition, if your account is managed by a third-party, we do not have the ability to ensure that your breakpoint levels will be a consideration in their investment decisions. For more information about breakpoints for the specific mutual funds you may hold in your account, please reference the mutual fund prospectus.

Though our advisory programs are generally only available through our IARs, similar programs or investment advice may be available from other investment advisers. In addition, you have the option to obtain similar investment products through investment advisers that are not affiliated with us. These services may cost you more or less if obtained elsewhere.

One of our IARs, Michael Wegner, is part owner of the holding company that owns Howard Capital Management. This presents a conflict of interest for Mr. Wegner, other IARs in his office, and other IARs at FAAS because the selection of Howard Capital Management as the manager of an account would financially benefit Mr. Wegner. We help mitigate this conflict by ensuring that all our IARs have the option to select managers other than Howard Capital Management and by reviewing each management agreement prior to engagement to confirm that the selection of Howard Capital Management is suitable.

## Item 6- Performance-Based Fees

Performance-based fees are fees that are based on a share of capital gains on or capital appreciation of the assets in an account. Your IAR is not permitted to charge performance-based fees.

## Item 7- Types of Clients

Our IARs open accounts for individuals, high net worth individuals, banking institutions, pension plans, profit sharing plans, charitable organizations, and other corporations and businesses. The majority of these accounts are opened for individuals not considered high net worth individuals.

Certain account registration types prohibit investments in securities other than mutual funds. Should your account registration type restrict the kinds of securities that are purchased in your account, the performance of the account may not match the performance of the investment model selected. Should your account have one of these account registration types, your IAR will consider which investment models are best for you. Our clients may have both advisory accounts and brokerage accounts. Our representatives may offer you advisory services, brokerage services, or both, depending on your needs.

### *Account Minimums*

Most programs we offer have account minimums (if the program requires an account). The non-wrap version of PAM I and Advisor Select have account minimums of \$25,000. The PAM II program and the wrap version of Advisor Select have an account minimum of \$50,000. If you have questions about the wrap or non-wrap programs not described in this brochure, please ask your IAR to provide you with our wrap fee brochure. At our discretion, we may allow you to open an account without meeting the stated minimum. Some of our IARs impose minimum levels above those that we set. You and your IAR should discuss your level of investable assets to determine which programs are best suited for you.

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

### *Types of Risk*

Various types of risk are involved when investing in securities. Economic risk, market risk, currency risk, inflation risk, liquidity risk, and credit risk are examples of the types of risks to which your account may be subject.

### *Assessing Risk*

While some types of risk can be mitigated by investment strategies, these risks cannot be eliminated completely. Your IAR will work with you to make sure that you are comfortable with the risks associated with the type of investments that are in your account.

### *Risk of Loss*

You should know that all types of securities investing involve risk, sometimes substantial risk. Your account value can both increase and decrease over time. You should not invest in any program if you are not prepared to bear a potential loss. Past performance does not guarantee future results.

### *Liquidity Risk*

Liquidity is a financial institution's capacity to meet its cash and collateral obligations without incurring unacceptable losses. Liquidity risk is the risk to an institution's financial condition or safety and soundness arising from its inability to meet its contractual obligations. Some investments used in FAAS programs have limited liquidity, including REITs and interval funds. Some illiquid investments periodically offer to repurchase shares from shareholders. These repurchase offers may have limitations on the total number of shares being repurchased, so an individual investor may not be able to sell shares. If an investment is liquidated pursuant to a repurchase offer, penalties may also be assessed or you may not receive the full value of your investment. You should read the prospectus for any investments.

### *Our IARs*

If your Advisor Select or PAM program accounts are managed by one of our IARs, their specific management style is not discussed in this document. You can find information about your IAR's management style and method(s) of analysis in his Form ADV Part 2B disclosure document, which your IAR will provide to you with this brochure. Generally, our IARs use various securities to allocate your portfolio according to a strategy's investment objective. These securities may include stocks, bonds, mutual funds, exchange-traded funds, unit investment trusts, certificates of deposit, Treasury securities, insurance products, alternative investments, and other securities.

Each of our IARs is permitted to use his own method(s) of analysis. Many of them use asset allocation software to help them determine objectives and risk tolerance. This software seeks to optimize your portfolio and diversify risk across asset classes appropriately. Some asset allocation software can even aid in selecting specific securities. IARs are not obligated to use the same asset allocation software as other IARs use. Some IARs analyze securities individually to determine if those securities should be included in your account.

Our IARs may create investment models based on investment advice provided by Cetera Investment Management LLC ("CIM"), an affiliated registered investment adviser. This advice could include basic asset allocation advice, or advice regarding specific securities.

### *Strategic Asset Allocation*

Strategic asset allocation is a portfolio strategy that involves the periodic rebalancing of your portfolio in order to maintain a long-term goal of a chosen asset allocation mix. The initial investments are chosen based on expected returns and your risk tolerance. Because the value of the assets can change based on market conditions, the portfolio constantly needs to be re-adjusted to meet the policy. This is often called rebalancing. The emphasis is on preserving this initial chosen asset allocation mix because the mix ultimately relates to a larger performance objective based on historical data.

### *Tactical Asset Allocation*

Tactical asset allocation is a portfolio strategy that involves the rebalancing of assets held in various categories in order to take advantage of market pricing anomalies or strong market vectors, as chosen by the portfolio managers. This strategy allows the strategist the opportunity to try and create extra value by taking advantage of these potential situations in the markets. It is a moderately active strategy and may use short-term trading methods.

The investment philosophy is usually based on the belief that investor psychology and market forces can lead to periods when certain securities or classes of securities are not efficiently valued by the market. A tactical allocation process attempts to capture these pricing inefficiencies. It is not a fixed asset weight mix and the allocation and risk level of the portfolio may change quite dramatically.

### *Third-Party Managers*



If your account is managed by a third-party manager, the third-party manager is responsible for its own methodology and investment strategy. Information about each third-party manager's method of analysis and investment strategies is available in the third-party manager's disclosure brochure, which will be provided to you by your IAR.

## Item 9- Disciplinary Information

In mid-September 2019, Cetera submitted a settlement offer to the Securities and Exchange Commission (SEC), which the SEC accepted and resulted in Cetera consenting to an administrative Order dated September 26, 2019 (the "Order"). Cetera did not admit to or deny the findings in the Order, which alleges that Cetera violated Section 206(4) of the Advisers Act and Rule 206(4)-3 thereunder by paying cash fees to banks for solicitation activities and without providing certain required disclosures. The Order also includes a censure of Cetera, requires Cetera to cease and desist from violating Section 206(4) of the Advisers Act and Rule 206(4)-3 thereunder and to pay a civil penalty of \$185,000. Starting in late 2017, Cetera began the process of implementing several policies to address the practices described in the Order to treat banks as solicitors and to require that advisory clients receive a solicitor disclosure statement. Your advisory account is not affected by this Order, you are receiving notice of this because we are required to inform clients of this Order.

### *Additional Information*

More information can be found on FINRA's BrokerCheck® (<http://brokercheck.finra.org>). The Form ADV Part 2B brochure supplement that your IAR will provide to you along with this document contains information regarding any disciplinary items that we deem material to your decision to select your IAR to provide you with advisory services. Additional information about your IAR's disciplinary history can also be viewed on BrokerCheck®.

## Item 10- Other Financial Industry Activities and Affiliations

### *Broker-Dealer Affiliation*

First Allied is a related broker-dealer that we use to introduce accounts to custodians. First Allied, a New York corporation, is a broker-dealer registered with the Financial Industry Reporting Authority ("FINRA") and a registered municipal advisor with the Securities and Exchange Commission ("SEC"). Being registered does not mean that First Allied is endorsed by any regulatory authority; it simply means that First Allied is required to follow the rules established by FINRA for brokerage business and the Municipal Securities Rulemaking Board ("MSRB") for advisory business on municipal bond proceeds and debt reserve accounts. For municipal advisors, the rules are created through the MSRB and registration is required through the SEC, though FINRA enforces these rules. First Allied, headquartered in San Diego, CA, was founded in 1994.

FAAS and First Allied are a part of Cetera Financial Group, a network of independent broker-dealers, investment advisers registered with the SEC, and general insurance agencies, and are wholly-owned by Aretec Group Inc. (Aretec). Aretec is a wholly-owned subsidiary of GC Two Intermediate Holdings, Inc., and an indirect wholly-owned subsidiary of GC Two Holdings, Inc. As a broker-dealer, First Allied places trades for clients for the purchase and sale of stocks, bonds, options, mutual funds, variable insurance products, and private placements. Since the majority of our IARs are registered with First Allied, these services may be available to you if your IAR is a registered representative. Because most of our IARs are registered to offer you both advisory programs and services and brokerage products and services, a conflict of interest exists. The conflict involves the determination of whether advisory business (fee-based) or brokerage business (commission) is more suitable for the client. Because most of our IARs can offer both, your IAR could be conflicted about which business to recommend to you. We attempt to mitigate this risk by reviewing the suitability of the advisory program selected by each client. Ultimately, our IARs will discuss with you which type of business will best help you meet your goals.

You may have brokerage accounts with First Allied. The main differences between an advisory account and a brokerage account are the form of payment, the use of discretionary authority, and our level of responsibility to ensure that each transaction is appropriate for you. In an advisory account, you will pay an advisory fee based on the amount of assets in the account; in a brokerage account, you will pay a commission for each transaction. In an advisory account, you may grant us, your IAR, or a third-party discretionary trading authorization that allows us to place securities transactions on your behalf without notifying you prior to placing the transaction; in a brokerage account, we will discuss each transaction with you prior to placing the transaction. Having discretionary trading authorization allows us, your IAR, or the third-party to act quickly on your behalf should there be an opportunity that would benefit you. With a brokerage account, you have the opportunity to approve each trade before it is placed on your behalf.

As a broker-dealer, First Allied buys and sells securities in its own accounts in order to facilitate the trading activities of its clients. First Allied also buys and sells securities on behalf of other clients. First Allied's main activities include retail and institutional client services. First Allied generally uses its own execution services for advisory clients and brokerage clients, for accounts custodied at Pershing, though for certain advisory programs, third-party execution services are used.

### *Other Related Financial Industry Entities*

One of our affiliates is another investment adviser, Cetera Investment Management LLC ("CIM"). We use research and model



portfolios provide by CIM in many of our programs. A conflict of interest exists due to these affiliations. We attempt to mitigate this risk by ensuring that policies and procedures are in place requiring our IARs to exercise their fiduciary responsibilities when recommending investments to clients. Client fees are not increased if IARs use CIM research or model portfolios, and CIM receives no compensation when their services are used by FAAS IARs. Our IARs' recommendations must only take into account what programs or services are best for each client.

#### *Other Financial Industry Activities*

In addition to the related entities noted above, we also conduct business with other investment advisers that are owned or operated by registered representatives of First Allied and investment advisers that are owned by other persons. These investment advisers may enter into an agreement with us to offer our programs or use our services. We are not responsible for supervising or managing these investment advisers beyond their representatives' activities with First Allied.

Some of our IARs may work in bank or credit union locations. We do not supervise any IAR's bank or credit union responsibilities. If the bank or credit union will receive any fees that you pay, our IARs are required to disclose this to you. Some of our IARs may be real estate agents. Activities related to real estate are not undertaken as part of the IAR's representation of us. In addition to being investment adviser representatives, some of our IARs are also accountants. We do not supervise their accounting activities. Any tax advice you receive from your IAR is part of an outside business activity and is totally separate from the IAR's affiliation with us.

Some of our IARs may be involved in other outside businesses. Activities related to these outside businesses are not undertaken as part of the IAR's representation of our investment advisers. The amount of time that IARs devote to outside business activities varies. Your IAR's material outside business activities are reported on the Form ADV Part 2B Brochure Supplement that your IAR will deliver to you when he starts discussing advisory programs and services with you. Your IAR's outside business activities, including without limitation, bank or credit union responsibilities, real estate, accounting, tax and legal activities, are not endorsed or supervised by, or the responsibility of, us or First Allied or any of our affiliates.

We are involved in several industry advocacy groups. These groups generally provide a forum for industry professionals to gather and discuss current and proposed regulations. Our membership in these groups helps us to better educate and supervise our IARs.

## Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### *Overview*

Pursuant to SEC rule 204A-1, we have adopted a Code of Ethics ("COE") to establish rules of conduct for all supervised persons. Supervised persons are individuals that are associated with our firm who are involved with offering or providing advisory services. Supervised persons may also include our home office employees. Your IAR is a supervised person. The COE recognizes our IARs' fiduciary responsibility to clients. The COE instructs our IARs to conduct their affairs in such a manner as to avoid:

- Serving their own interests ahead of clients' interests
- Taking inappropriate advantage of their position
- Engaging in unacceptable actual or potential conflicts of interest

A copy of our COE is available upon request by calling our Compliance department at 800-223-0989.

We do not permit our IARs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest. Our supervised persons may, however, invest in the same securities that the IAR or another supervised person recommends to clients. This presents a conflict of interest. This conflict is mitigated by the policies and procedures set forth in our COE and Compliance Manual. Our IARs are not permitted to disadvantage clients while trading their own accounts. We also have surveillances in place designed to enforce our policies and procedures.

Our supervised persons are not permitted to recommend or use discretionary trading authority on behalf of clients at or about the same time that the IAR or another supervised person in the IAR's branch office or responsible for supervising the IAR buys or sells the same securities for their own account(s). We have established surveillance systems that check trading patterns between supervised persons and clients. These surveillances are designed to ensure that even if a supervised person unintentionally trades in the same security as a client, the client will not be disadvantaged.

## Item 12- Brokerage Practices

### *Soft Dollar Benefits*

Some firms in the industry receive benefits in exchange for delivering business to a broker-dealer, mutual fund sponsor, insurance company, or other third-party. These benefits are known as "soft dollars." Soft dollar benefits are generally defined as benefits (besides normal fees) received from a firm in exchange for doing business with the firm. These benefits may include access to software, hardware, research, and/or office space. We do not receive any soft dollar benefits from choosing the broker-dealer through

which we effect trades, nor from the mutual funds or insurance in which we invest.

#### *Directed Brokerage*

We do not permit clients to direct us to execute transactions through a specified broker-dealer other than First Allied. We believe that First Allied allows us to achieve “best execution” because of their business relationships with Pershing, our access to First Allied’s trading department, our ability to rely on First Allied’s financial stability, and First Allied’s overall service to us and our IARs. “Best execution” factors include timeliness of execution, trader expertise, pricing, and responsiveness. In addition, certain advisory programs are only available through us and our affiliates and these programs allow your IAR to offer you a product or service that you cannot obtain elsewhere, although other investment advisers may offer similar programs. For more information about the brokerage practices of a third-party money manager program, you should refer to the disclosure brochure for the applicable third-party money manager program.

#### *Selection of Brokers*

First Allied Securities, Inc. is an affiliated broker-dealer that provides brokerage services for the advisory accounts in the Firm-Sponsored programs. During the account opening process, you authorize us to open a custodial account with Pershing, a subsidiary of The Bank of New York Mellon Corporation, One Pershing Plaza, 4th Flr., Jersey City, NJ 07399.

We have negotiated competitive pricing and services with Pershing for the benefit of our clients. Pershing offers their broker-dealer clients substantial financial strength and stability, economies of scale, and reliable, state-of-the-art technology.

We do not receive research or other products or services other than execution from Pershing in connection with client securities transactions (soft dollar benefits). We do not consider, in selecting or recommending broker-dealers, whether we or a related person receives client referrals from a broker-dealer or third party. We received a one-time flat fee from Pershing for contracting with them.

Although the Firm is able to negotiate competitive pricing from Pershing that it believes is beneficial to its clients, the Firm’s clearing relationship with Pershing provides the Firm with certain economic benefits by using itself or an affiliate/related entity as the broker-dealer for its advisory program accounts rather than an unaffiliated broker-dealer. For example, as described in Item 5, the Firm adds a markup to the transaction costs in PAM accounts and marks-up certain other brokerage-related account charges and fees that are assessed to all client accounts at Pershing. The charges and fees that are marked up include, but are not limited to, paper delivery surcharge fees for client statements and confirmations, clearance and execution fees, outgoing account transfer fees, mandatory reorganization fees, checking account fees, inactive account fees, wire fees, legal transfers fees, bond redemption fees, termination fees, and IRA annual custodial maintenance fees which are set forth in the Firm’s schedule at

<https://myceterasmartworks.com/Public/Portal/Content.aspx?ContentId=30134770> and is also available from your Advisor.

The Firm also maintains two FDIC-Insured Programs. These programs create financial benefits for the Firm as described in Item 5. The Firm also receives additional compensation from Pershing for non-retirement account cash that is swept into a money market mutual fund as described in Item 5. The additional compensation received by the Firm creates a conflict of interest with the Firm’s clients.

#### *Agency Cross or Principal Trades*

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlling, controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Principal transactions arise when FAAS and First Allied act as investment adviser and broker, respectively, in a transaction between an advisory client on one side of a transaction and FAAS (including accounts of IAR’s) on the other side of the transaction. This includes buying securities from or selling any security to an advisory client from FAAS’ own account.

FAAS permits agency cross or principal trades in exceptional circumstances with approval from the FAAS compliance department. If an exception is approved, FAAS will receive consent from the client prior to executing the transaction and the agency cross and/or principal transactions will be consistent with SEC guidelines. FAAS monitors trading for potential agency and principal trades.

#### *Aggregation of Client Trades*

In an effort to both obtain best execution and deliver the best possible service to you, we will aggregate client trades when appropriate. Aggregating trades is generally defined as “bunching” or combining trade orders for the same securities. Aggregating trades will not affect the transaction charges on such transactions. We try to average price our trades, which mean that all clients that purchased the same security at the same time receive the same price, regardless of the number of shares. It is not always possible to average price trades, and some clients may receive a better price than other clients based on execution.

When an aggregated trade order cannot be filled completely, we will generally attempt to distribute the shares received proportionately based on the number of shares that were meant for each account. In certain circumstances average pricing an order that has not been filled entirely may not be in the best interest of each client. In these instances, we will allocate the shares among the

clients in a manner we believe to be fair to each client. We are under no obligation to aggregate trade orders or to average price transactions.

For the Advisor Select program, all responsibility for execution of trades is taken by Envestnet, who aggregates trades according to its policies and procedures. Envestnet's aggregation trading policies and procedures are discussed in Envestnet's Form ADV Part 2A disclosure brochure.

## Item 13- Review of Accounts

As mentioned previously, each of our IARs is supervised by another of our representatives or an employee. Advisory accounts are also reviewed by an IAR's supervisor. We have created several different surveillances to aid in this supervision. We review your account in several ways. Our account reviews include:

### *Annual Client Contact*

On at least an annual basis, your IAR will contact you to arrange a review of your advisory accounts with you. In general, this review includes any FAAS-Sponsored programs and certain third-party money manager programs.

### *Home Office Oversight and Supervision*

Your IAR's designated supervisor periodically reviews client accounts of any IAR who they supervise. If this review raises any issues associated with your account, they will investigate the issue to determine if any further action is needed or warranted. FAAS utilizes a series of surveillance, exception, trade, and other transaction reports that are designed to help facilitate the ongoing review of FAAS managed accounts. Many of these surveillances are run daily and others are run monthly or quarterly. The frequency of the surveillance is determined by the nature of the underlying event. Not all of the surveillances are used on all advisory accounts. We take into account who is managing your advisory account. For example, if a third-party manager is managing your account, some surveillances will ***not*** be used.

### *Quarterly Performance Reports*

After the end of each calendar quarter, we create performance reports and make them available to each client that is invested in our Advisor Select program. These performance reports will contain statistical information about your account. In some cases, if you have more than one account, we may be able to combine multiple accounts of the same investor. The advisory agreement that you sign will detail which party is responsible for delivering reporting information. The third-party manager may choose to not provide performance reports.

The reports we create will differ slightly based on which program you have purchased. Generally, the reports we create for you will list the beginning balance of the period, the ending balance of the period, the percentage change in asset level between the beginning and end of the period, and any deposits or withdrawals during the period. There is also information about your account's holdings as of the end of the period, a list of one or more comparable indexes and benchmarks, and important disclosure information.

The following indexes and benchmarks will be listed on the performance reports we make available to Advisor Select clients:

- S&P 500 Index- an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors), designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.
- MSCI EAFE Index- a free float-adjusted market capitalization index that is designed to measure equity market performance of developed markets, excluding the U.S. and Canada).
- Barclays Capital U.S. Aggregate Bond Index- an unmanaged index composed of the Barclays Government/Credit Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index and is generally representative of the U.S. bond market.
- Consumer Price Index- an index of prices used to measure the change in the cost of basic goods and services in comparison with a fixed-base period.

In the PAM and Advisor Select programs, your IAR also has the ability to select an additional index or a blended benchmark to which your account will be compared. This index or benchmark must be approved by us before your IAR is permitted to use it on your performance reports.

Both you and your IAR can create additional reports regarding your Advisor Select accounts upon demand. Certain of these reports also contain performance information. Your IAR may also provide you with reports created by Albridge Wealth Reporting Solutions ("Albridge"). Albridge is a reporting vendor we have contracted with to enable your IAR to create reports for your accounts. These reports may encompass different information than the quarterly performance reports we deliver to you and may include information about brokerage accounts, variable annuities and alternative investments. There may be discrepancies in the pricing of securities between Albridge reports, the performance reports we prepare for you, and the statements you receive from your custodian. These discrepancies may be the result of different calculation and reporting methods between Albridge, our reporting vendors, and your

custodian. If you have a question about a discrepancy or any other aspect of any of these reports, you should direct it to your IAR. If you are not satisfied with your IAR's explanation, please contact us at 800-223-0989.

The custodian of your account will also send account statements to you on a monthly or quarterly basis. Although the information we provide in the performance reports we deliver to you has been retrieved from sources believed to be reliable, we urge you to compare the holdings listed on the custodian's statement to those listed on any other performance reports or Albridge reports we may deliver to you. In the event of any discrepancy between our report and any statement you receive from Pershing regarding the same investment, you should rely on the statement from Pershing. Should you note any discrepancies, please contact us at 800-223-0989. In addition, the reports that we deliver to you should not be relied upon for tax calculations or any other legal representation.

## Item 14- Client Referrals and Other Compensation

Solicitors are individuals who introduce clients to an investment adviser with which the solicitor is not affiliated. Solicitor's arrangements allow individuals to receive compensation for referring a client to us. The compensation paid to a solicitor is a portion of the advisory fee that you pay. All solicitation arrangements that our IARs are involved in must be approved by us.

### *Solicitors to FAAS*

We have solicitor's arrangements with persons who are not our IARs. If a solicitor is going to receive any portion of the advisory fee that you pay, the solicitor will provide you with disclosure when he refers you to an IAR. You will sign this disclosure, acknowledging that you know a payment is being made for the introduction. We conduct a background check on solicitors to ensure they have not been disqualified from the securities industry. We mitigate any conflicts of interest in relation to these arrangements by ensuring that you will not pay higher fees because of the solicitor's agreement.

### *FAAS Acting as a Solicitor*

Our IARs have the ability to refer, or "solicit," clients to other investment advisers. Our IARs can solicit advisory business for both affiliated investment advisers and unaffiliated investment advisers. Both affiliated and unaffiliated investment advisers must be approved by us before any of our IARs are permitted to refer clients to them. If our IARs are soliciting advisory business for any investment adviser, this will be disclosed to you through a disclosure statement and a written acknowledgement. The investment advisers that we solicit for provide a variety of management services, as outlined in each investment adviser's disclosure brochure. In general, they provide management strategies and investment models to advisory clients. The investment adviser will pay a portion of the advisory fee, as disclosed to you in the written acknowledgement, to us for soliciting clients. We will share a portion of this fee with your IAR. In exchange for this fee, the IAR is providing services including investor profiling, selection of managers, and ongoing account monitoring.

Certain investment advisers to whom we solicit may make donations to charitable organizations as an award to us or our IARs. The award criteria may vary between investment advisers, but this award may incent our IARs to solicit to investment advisers offering a donation rather than those that do not. This conflict is mitigated by our requirement that any advisory program or advisory service that you are offered is suitable for your investment goals and financial needs and by our restriction on any of our IARs financially benefiting directly from any donations made by investment advisers either on their behalf or as a result of any solicitations.

### *Other Compensation Payable to Us*

We and our affiliates offer a wide variety of approved products to our IARs to serve your needs. We have designated a subset of approved products as "Product Sponsors." Product Sponsors offer an assortment of approved products. They also train and educate our representatives on products and industry-related topics. Product Sponsors pay extra compensation to us and our affiliates; however, clients do not pay more to purchase these products through us than clients would pay to purchase them elsewhere. This extra compensation is based in part on the total amount of assets that our IARs refer to their products and services. There is a financial incentive to promote certain products because of this extra compensation. Because IARs do not receive a direct financial benefit from recommending Product Sponsors to you, we believe that these relationships do not compromise the advice provided by our representatives.

Sometimes we and our affiliates receive payments from firms that are not Product Sponsors to recognize our sales efforts. All companies may pay us and our affiliates in connection with the sale of certain products. This compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. They may also pay for training, educational meetings or training events, conferences, and entertainment for our representatives and/or clients, as permitted by industry rules. In the cases where our IARs host seminars for clients or prospective clients, no fees are charged to attendees. Additional disclosure and a listing of companies who pay additional compensation to us may be obtained at [www.firstallied.com](http://www.firstallied.com) or by contacting us at 800-223-0989. Some investments pay higher commissions than others. Commissions on equities are usually greater than those on bonds. Investments in limited partnerships generally pay higher commissions than investments in equities.

## Item 15- Custody

As mentioned previously, we do not take custody of your account assets. Your account assets are custodied by Pershing, Fidelity, or another approved custodian. In addition to the reports that you will receive from us, the custodian will also send you account statements. These statements will be sent to you either quarterly or more frequently. You should review the account statements carefully and compare these account statements with the reports we or our IARs send to you. In the event of any discrepancy between our report and any statement you receive from Pershing regarding the same investment, you should rely on the statement from Pershing. Should you note any discrepancies, please contact us at 800-223-0989.

Pershing's mailing address is: Pershing LLC One Pershing Plaza, Jersey City, NJ, 07399.

Occasionally, IARs may accept stock certificates from clients and forward them to First Allied for delivery to the client's account with the custodian. In the course of business development, we may obtain custody in other forms that are not disclosed here but will be disclosed to our independent auditor. Because of these activities, we meet the regulatory definition of having custody of client securities and are required to hire an independent accounting firm to review our procedures. This audit is conducted each year. More information about the results of the audit can be found through the SEC's Investment Adviser Public Disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), by selecting "Investment Adviser Firm" and typing our name into the "Firm Name."

We ask that any checks you write for deposit into your accounts be made payable to the custodian and **not** made payable to FAAS, First Allied, or your IAR.

## Item 16- Investment Discretion

### *Overview*

When you invest in one of our advisory programs we may attain a trading authorization. Depending on which advisory program you choose, you will grant us one of three levels of trading authorization:

- Limited trading authorization
- Full trading authorization
- No trading authorization

### *Limited Trading Authorization*

Limited trading authorization is automatically granted to your IAR when you invest in the PAM program. Limited trading authorization allows your IAR to make decisions on your behalf regarding purchases and sales of approved investment company securities. Investment company securities include mutual funds, unit investment trusts, closed-end funds, and exchange-traded funds. By signing the account agreement for the PAM program, you are granting limited trading authorization to your IAR.

### *Full Trading Authorization*

Of the programs described in this brochure, our IARs can only have full trading authorization in the PAM and Advisor Select programs. Full trading authorization allows your IAR to make decisions on your behalf regarding purchases and sales of equities, investment company securities (mutual funds, exchange-traded funds, closed-end funds, unit investment trusts), fixed income products including bonds and certificates of deposit, options, and any other security traded on a national exchange.

In PAM accounts, you must initial the account agreement appropriately to grant full trading authorization. In certain cases, our IARs are only licensed to buy or sell investment company securities. For Advisor Select accounts, Envestnet and your IAR are granted full trading authority through the GPS Investment Advisory Agreement.

### *No Trading Authorization*

When you select the Consulting program, you do not grant us or your IAR any trading authority.

In certain cases, client assets have migrated into the Advisor Select program from another First Allied advisory program. For some of these accounts, the IAR may only have limited trading authorization until the client signs a new GPS Investment Advisory Agreement granting FAAS (and IAR) full trading authorization.

## Item 17- Voting Client Securities

We do not accept authority to vote client proxies. However, your IAR is permitted to aid you in the completion of the client proxies you receive. Generally, you will receive proxies directly from the custodian or transfer agent.

For TPMM Accounts, depending on the TPMM's proxy voting policies and procedures, the TPMM may require that you appoint them as your agent and attorney-in-fact with discretion to vote proxies on your behalf. Please carefully review the TPMM's disclosure brochure to understand their proxy voting policies and procedures.

## Item 18- Financial Information

### *Prepayment of Fees*

We do not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Generally, advisory fees for account management are paid quarterly in advance. For consulting or financial planning, fees are occasionally prepaid more than six months from delivery of services. In these instances, the amount of prepayment will not exceed \$1,200 per client.

### *FAAS' Financial Condition*

We are required to inform you of any financial conditions that are reasonably likely to impair our ability to meet contractual commitments to you. Currently, there are no financial conditions that would impair our ability to meet our contractual commitments to you. Should any arise, we will notify you according to SEC guidelines.



## **FORM ADV PART 2A- APPENDIX 1 WRAP BROCHURE**

**First Allied Advisory Services  
655 W. Broadway, 12<sup>th</sup> Floor  
San Diego, CA 92101  
800-499-5489  
<http://www.firstallied.com>**

This wrap brochure provides information about the qualifications and business practices of First Allied Advisory Services. If you have any questions about the contents of this wrap brochure, please contact us at 800-223-0989. The information in this wrap brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

First Allied Advisory Services is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training.

This brochure details important disclosure information about certain programs that we offer. We do offer other programs that are not discussed in this brochure.

Additional information about First Allied Advisory Services also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2- Summary of Material Changes

Item 2 provides a summary of material changes, if any, the Firm has made to this brochure since the last annual update, which occurred in March 2020.

In March 2020, we amended Item 5, Fees and Expenses, to provide additional information regarding the costs associated with our advisory programs, specifically related to the fees and expenses associated with mutual funds, ETFs and other pooled investment products. We have also provided additional information regarding mutual fund share classes and the availability of share classes in our advisory programs.

In mid-September 2019, Cetera submitted a settlement offer to the Securities and Exchange Commission (SEC), which the SEC accepted and resulted in Cetera consenting to an administrative Order dated September 26, 2019 (the "Order"). Cetera did not admit to or deny the findings in the Order, which alleges that Cetera violated Section 206(4) of the Advisers Act and Rule 206(4)-3 thereunder by paying cash fees to banks for solicitation activities and without providing certain required disclosures. The Order also includes a censure of Cetera, requires Cetera to cease and desist from violating Section 206(4) of the Advisers Act and Rule 206(4)-3 thereunder and to pay a civil penalty of \$185,000. Starting in late 2017, Cetera began the process of implementing several policies to address the practices described in the Order to treat banks as solicitors and to require that advisory clients receive a solicitor disclosure statement. Your advisory account is not affected by this Order, you are receiving notice of this because we are required to inform clients of this Order.

### **Will I receive a brochure every year?**

We may, at any time, update this Brochure. Any material changes will either be sent to you as a summary of those changes or, depending on the extent of these changes, you will receive the entire updated Brochure.

### **May I request additional copies of the brochure?**

Absolutely. You may request and receive additional copies of this Brochure in one of three ways:

- Contact the Advisor with whom you are working with
- Download the Brochure from the SEC website at [www.adviserinfo.gov](http://www.adviserinfo.gov). Select "investment adviser firm" and type in our Firm name
- Contact us at 800.223.0989





## Item 3- Table of Contents

Item 2- Summary of Material Changes.....	2
Item 3- Table of Contents .....	3
Introduction .....	4
Item 4- Services, Fees and Compensation.....	6
Item 5- Account Requirements and Types of Clients .....	21
Item 6- Portfolio Manager Selection and Evaluation.....	21
Item 7- Client Information Provided to Portfolio Managers .....	22
Item 8- Client Contact with Portfolio Managers.....	22
Item 9- Additional Information.....	22



## Introduction

### *Who We Are*

Cetera Investment Advisers LLC d/b/a First Allied Advisory Services (“FAAS”, “Cetera”, “Firm”) is an investment adviser registered with the Securities and Exchange Commission (“SEC”). Being registered does not mean that FAAS is endorsed by any regulatory authority; it simply means that FAAS is required to follow the rules for investment advisers established by the SEC. Representatives of FAAS’ investment adviser are required to be registered for advisory business in the state of their principal place of business. For advisory business in Texas, the investment adviser representative would also be required to be properly registered in that state prior to the solicitation of any advisory business in that state. Throughout the remainder of this text, “we,” “us,” and “our” refers to FAAS.

Most representatives of FAAS are also registered as independent contractor registered representatives with First Allied Securities, Inc. (“First Allied”, “Related BD”), a related registered broker-dealer, registered municipal advisor with the SEC, and member FINRA/SIPC, which allows them to offer brokerage products and services to clients. Compensation for brokerage products and services is a commission based on each transaction executed. Representatives of First Allied are registered to conduct brokerage business in each state where clients reside. Some representatives of FAAS are also registered with other related broker-dealers or registered investment advisers, or unaffiliated registered investment advisers. Please see the representative’s Form ADV Part 2B for specific information about the companies each individual is registered with.

FAAS is a wholly-owned subsidiary of Cetera Financial Group, Inc. (Cetera), a Delaware corporation, which is wholly owned by Aretex Group, Inc. (Aretex). Aretex is a wholly-owned subsidiary of GC Two Intermediate Holdings, Inc., and an indirect wholly-owned subsidiary of GC Two Holdings, Inc. Please refer to Item 9 of this brochure for more information on our corporate structure.

FAAS is not a custodian of any accounts. Accounts are custodied at Pershing, LLC (“Pershing”). The use of other custodians is limited, and may be allowed on a case by case basis with the approval of our management team and may only be approved for certain representatives. The majority of FAAS’ advisory accounts are introduced to custodians through First Allied.

### *Our Corporate Structure*

Our producing IARs are independent contractors and business owners. Each IAR is responsible for maintaining his own client relationships. The IARs contract with us to utilize our advisory programs to help their clients meet financial goals and needs. We provide services to you through these advisory programs.

Our back-office operations are split between Schaumburg, IL, San Diego, CA, El Segundo, CA, Des Moines, IA, and St. Cloud, MN. Our IARs have branch offices across the United States. Each of our IARs is supervised by another individual registered with our firm. The supervisor is called a designated registered principal (“DRP”) or designated supervisory principal (“DSP”). DRPs are registered individuals that have contracted to work with us, and are often producing IARs and representatives themselves. DSPs are our employees and are generally located in our San Diego, CA, office.

### *Devotion of Resources*

Most FAAS IARs are independent contractor registered representatives with First Allied. If your IAR is a registered representative, he may divide his time between broker-dealer activities and advisory activities and have responsibilities to both FAAS advisory clients and First Allied brokerage clients. Depending on your IAR’s individual business mix and client base, he may spend more or less time devoted to broker-dealer activities than other IARs. In addition to broker-dealer activities and responsibilities, your IAR may also be engaged in one or more outside business activities. These outside activities may or may not be related to the financial industry. Your IAR will provide you with a copy of his Form ADV Part 2B brochure supplement, which describes their business background and outside business activities.

### *Our Advisory Activities*

Through our IARs, we offer a variety of investment advisory programs and services for a fee. The following list includes some of our more common offerings:

- Assistance in selecting a portfolio manager
- Ongoing evaluation and review of portfolio managers
- Evaluation and review of portfolio composition
- Management of accounts
- Financial planning
- Consultation on client assets
- Active portfolio management

Portfolio management includes designing and implementing a portfolio through buying and selling stocks, bonds, mutual funds, options, managed futures, insurance products, private placements, and other securities. Our representatives, including your IAR, may personally buy and sell the same securities that you buy and sell. This conflict of interest is discussed fully in the Code of Ethics section of Item 9- Additional Information.



Our IARs are permitted to offer you advisory programs that are managed by the IAR, other FAAS IARs, or by unrelated third-party managers. IARs may rely on research or model portfolios provided by an affiliated third-party manager, Cetera Investment Management LLC (“CIM”). Third-party managers in the Allocation Series program are referred to as Strategists (“Strategists”); third-party managers in the Manager Series program are referred to as Investment Managers (“Investment Managers”). In the Portfolio ONE program, our IARs act as an “overlay manager.” An overlay manager is responsible for allocating assets among one or more sub-managers. In this program, our IARs allocate assets to be managed by Strategists, Investment Managers, and our IARs. All Strategists and Investment Managers are registered investment advisers. Certain Strategists and Investment Managers may not be available to all our IARs. In certain situations, usually due to legacy relationships, we will approve an IAR to use a Strategist or Investment Manager that is unavailable to other IARs. The only available manager for the PCS program is an unaffiliated registered investment adviser, Columbus Macro, LLC (“Columbus Macro, LLC”).

We consider your investment goals and needs when recommending any advisory program or service. Your IAR will collect information from you regarding your risk tolerance, investment objective(s), and investment time horizon and other factors that will assist us in determining your investment objective for each account. You may have multiple accounts with us, with differing investment objectives, particularly if you intend to use certain accounts for specific purposes (such as transferring assets to a young child, many years in the future), or you may elect to have multiple accounts managed under one investment objective.

Our intention is to provide you with programs and services that will help you to meet your goals and needs. We will gather personal information when helping you choose a program or service. This information may include:

- Your investing experience
- How soon you need the money
- Your retirement goals
- Your current financial situation and future needs
- Your annual income
- Your ability to withstand losing money
- Your ability to withstand market fluctuation
- Your personal instructions on how to invest

**Please contact your IAR if this information changes so that your IAR can review your existing accounts to see if any changes need to be made.** We encourage you to meet with your IAR annually to review your portfolio(s). You may impose reasonable investment restrictions in any of our advisory programs by written notification to and acceptance of both us and the third-party manager (if applicable).

We offer both wrap and non-wrap programs. A wrap program is one in which you pay a single “wrapped” fee for both investment advisory and brokerage execution services. This wrap fee is not based on the number of transactions made in your account. It is based on the size of the account(s) we manage for you. If you invest in a non-wrap program, you are subject to charges for each transaction in addition to the advisory fee. Because wrap programs do not have fees or charges associated with each transaction, wrap fees may be greater for similar services than non-wrap fees. Clients paying wrap fees may pay a higher percentage of the account value on an ongoing basis for similar services as non-wrap clients. Non-wrap clients may pay a higher or lower overall fee for the same services, depending on the number of trades in their account during a billing period. Non-wrap programs we offer are detailed in other disclosure brochures. Clients may request fee information on similar programs from their IAR. Your IAR will work with you to decide which program will best serve your needs.

Our IARs may also host or offer educational seminars to clients and prospective clients. In certain cases, these seminars may be “sponsored” by unaffiliated or affiliated companies who reimburse our IARs for the cost of these events. For more information about these reimbursements, please reference the Client Referrals and Other Compensation section of Item 9- Additional Information. Clients and prospective clients are not charged fees for attending educational seminars hosted by our IARs.

#### *Information on All Advisory Programs*

You pay us fees for our programs and services. We pay a portion of these fees to your IAR. The fees we retain may be different between IARs, depending on their agreement with us. You should also be aware that the compensation to FAAS and your IAR will differ according to the specific advisory program chosen. This compensation to FAAS and your IAR may be more than the amounts we would otherwise receive if you participated in another program or paid investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules and other sources of compensation that exist among the various advisory programs and services offered by FAAS and your IAR, we have a financial incentive to recommend particular programs or services over other programs and services available through FAAS.

Regardless of which advisory program or service you choose, your IAR will work with you to collect suitability information that will aid in the creation of recommendations. This suitability information is maintained on internal systems and documents. Your IAR is required to submit the completed suitability information to his supervisor for review and approval. It is your responsibility to notify your IAR if your financial circumstances change so that your IAR may work with you to determine if a change in your investment(s) may benefit you. Your IAR is also responsible for the ongoing review of your account(s) and regular communication with you, and determining that the portfolio selected is appropriate for you based on your investment objective(s). Our IARs provide advice only with respect to limited types of investments.



Custody of all accounts will be at Pershing or another approved custodian. The custodian will provide you with confirmations of all transactions and monthly or quarterly account statements. You may have the option of directing the custodian to not send you trade confirmations. This suppression will not impact the delivery of account statements.

#### *Managed Assets*

Every year we calculate the amount of assets that we manage. As of December 31, 2020, we managed:

- \$25,447,588,607 in discretionary assets
- \$2,878,304,086 in non-discretionary assets

Discretionary assets are the assets with which we have the authority to determine whether to buy or sell securities. This authority is called a trading authorization and is described in more detail in the Investment Discretion section of Item 9- Additional Information. Non-discretionary assets are assets in accounts that we provide recommendations on, as to the purchase or sale of specific securities. We do not place orders to buy or sell non-discretionary assets without first receiving your authorization.

## Item 4- Services, Fees and Compensation

#### *Fee Overview*

The fees that you pay for advisory programs or services will depend on several different factors. The fees for advisory programs are generally based on the “Assets Under Management.” This means that the account is charged a fee based on the account balance as of a certain date. These fees are negotiable between you and the IAR offering the service.

The advisory programs described in this brochure charge an advisory fee, paid quarterly, based on the account’s balance on the last day of each calendar quarter (March 31, June 30, September 30, and December 31). If the last day of the calendar quarter falls on a day that the New York Stock Exchange is closed, we use the account balance on the last business day of the calendar quarter to calculate the advisory fee. This fee is generally charged in advance (or pre-paid) for the management to be provided over the next calendar quarter. We will only charge you an advisory fee for the portion of a quarter that the account is under management. For new accounts, we will bill the account when it is opened for the remaining days in the quarter. For accounts that are terminating management, we will automatically credit you back any pre-paid fees for the portion of the quarter remaining after management has terminated. Advisory fees are generally deducted from the account. The account statements you receive from the custodian will reflect the deduction of these fees. Fees are deducted from the client account in the month following quarter end. Generally, the PCS program is implemented across more than one investment account. The advisory fee will cover the entire PCS relationship and may be allocated evenly or unevenly amongst one or more investment accounts.

A net deposit of \$5,000 or more on a single day, or net withdrawal of \$5,000 or more on a single day, will cause a re-calculation and adjustment of the fee owed for the calendar quarter. This adjustment will be calculated at the end of the month following the deposit or withdrawal.

In certain situations, we allow you to hold a product in an advisory account solely for convenience purposes, but it will be excluded from the billing of the account assets, and regular billing will continue on all other eligible assets held in the account.

If your account is billed on assets under management, the advisory fee is generally split between a program (or platform) fee and a management fee.

#### *Program Fees*

The program fee will vary depending on which program you select. The program fee is an annual percentage of assets under management, billed quarterly. The program fee is paid either to FAAS entirely or is split between us and the various Strategists or Investment Managers whose services we are utilizing. For the PCS program, a fixed portion of the program fee is paid to Columbus Macro, LLC. A portion of the program fee is also paid to service providers that we hire to help us administer the advisory program selected, including First Allied. This program fee is not negotiable. However, the program fee will be different based upon your IAR’s relationship with us. For example, if the combined value of your IAR’s client accounts exceeds a certain amount of assets under management, we will allow your IAR to have a lower program fee. If your IAR has a lower program fee, this will not change the total advisory fee you pay but presents a conflict of interest (we address this conflict of interest and others in this item and in Item 9 – Additional Information). Program fees are subject to change without notice, but these changes do not affect the fee that you pay to us.

In GPS Program accounts, the program fee may also be different based upon the Strategists, Investment Managers, and investment models selected. This difference will not affect the advisory fee that you pay to us, but it does present a conflict of interest in that your IAR may benefit from selecting Strategists, Investment Managers, or models whose fees are lower. We help mitigate this conflict of interest by ensuring that any Strategist, Investment Manager, or investment model selected by you and/or your IAR is



suitable for your investment goals and that all fees that are charged by the Strategists or Investment Managers are reasonable and competitive for the services provided. In the Portfolio ONE program, if your account is invested in multiple investment models, a different program fee may be applied to each model according to its cost and the amount of assets invested in it. While the program fee may vary as assets are moved into different investment models over time, the total advisory fee that you pay will remain the same. For additional information about conflicts of interest relating to the program fees, please see Item 9- Additional Information.

#### *Management Fee*

The management fee is paid to the IAR servicing the account and may be discounted upon agreement with your IAR. You and your IAR will negotiate this fee for each program account and it may not be the same for each account. It may also be different than the fees your IAR has negotiated with other clients, or the fees other IARs have negotiated with other clients for similar services. We retain a portion of the management fee as compensation for various services that we provide to your IAR and to you.

Once negotiated with you, your IAR's management fee is fixed. However, your IAR's costs associated with managing your account will vary depending on the investment choices that he decides are appropriate for your account. This creates a conflict of interest because your IAR has an incentive to select investments or investment models that will maximize his compensation rather than selecting investments or investment models without regard to compensation payable to him. This difference in your IAR's compensation will not affect the advisory fee that you pay to us. We help mitigate this conflict of interest by requiring that your IAR adheres to his fiduciary obligation of selecting investments or investment models solely based on the best interests of clients and by establishing a maximum advisory fee for each advisory program. We address this conflict of interest in detail in Item 9- Additional Information.

#### *Total Advisory Fee*

You and your IAR will agree on your total advisory fee for each account prior to establishing the account. The total advisory fee is the sum of the program fee and the management fee. At any time, you and your IAR may agree to amend the original fee and submit a new advisory agreement (PAM II) or statement of investment selection with a different total advisory fee listed. There are maximum allowable advisory fees for each program, and we will not allow you to be charged more than this amount. The maximum allowable advisory fee differs among programs but is consistent for all IARs and all clients in each program. This maximum advisory fee is noted on the investment advisory agreement and in the fee schedules listed in this section.

#### *Fee Schedules*

Each advisory program we offer has its own fee schedule. The fee schedule will outline the program fee and the management fee. Generally, the management fee is negotiable with your IAR. The program fee is paid to us and is non-negotiable. The amount of your advisory fee, as a percentage, may remain the same regardless of the size of your account, or the percentage may decrease as your account balance increases. Your advisory fee will not increase, as a percentage, as your account balance increases.

### **My Advice Architect Programs**

FAAS is a co-sponsor of the My Advice Architect Platform (MAA Platform) and is responsible for supervising the activities of the investment adviser representatives who use the MAA Platform for clients. For a more detailed description of the Platform, please see Form ADV Appendix 1 of Cetera Advisory Services, the related investment advisory firm who also co-sponsors the Platform.

### **Guided Portfolio Solutions (GPS) Programs**

The GPS platform hosts a variety of advisory programs that are sponsored by First Allied Advisory Services. Envestnet Asset Management, Inc. ("Envestnet") provides the technology platform for all GPS platform accounts. Envestnet is an unaffiliated registered investment adviser.

#### ***Allocation Series***

The Allocation Series program allows you and your IAR to select one of several different Strategists to manage your advisory account from a comprehensive, top-down perspective. We offer several Strategists to give you access to a variety of investment models including mutual fund-based models, exchange-traded fund-based models, and models with multiple types of investment vehicles, including mutual funds, exchange-traded funds, and separately managed accounts. You and your IAR will initially choose one of the available investment models. After the initial selection, your IAR has the flexibility to select a different model for your account at his discretion without your prior consent as long as the overall risk profile for all the accounts associated with the statement of investment selection is consistent with your selected risk profile.

The Allocation Series program includes several investment models that we formerly offered in legacy programs. The Allocation Series program allows you and your IAR to select Strategists and/or investment models that were not previously available. Please ask your IAR for a complete listing of Strategists and investment models available in the Allocation Series program. For more





information about each Strategist and investment model, please review the Strategist's Form ADV disclosure brochure, which can be provided to you by your IAR.

The following table details the fee schedule for the Allocation Series program. The program fee for the Allocation Series program is dependent on which Strategist and/or investment model is selected. The advisory fee that you pay for your Allocation Series program account will be detailed on the statement of investment selection that you will sign when opening your account. Your total advisory fee will not change when your IAR changes Strategists or investment models.

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
First \$250,000	0.55% - 0.75%	1.75% - 1.95%	2.50%
\$250,000 - \$500,000	0.50% - 0.70%	1.65% - 1.85%	2.35%
\$500,000 - \$1,000,000	0.45% - 0.65%	1.65% - 1.85%	2.30%
\$1,000,000 - \$2,000,000	0.35% - 0.60%	1.40% - 1.65%	2.00%
Over \$2,000,000	0.30% - 0.60%	1.40% - 1.70%	2.00%

Please refer to the **Other Fees** section below for additional fees that apply to Allocation Series accounts.

### ***Manager Series***

The Manager Series program allows you and your IAR to select one of several Investment Managers to manage your advisory account. These Investment Managers generally focus on a specific asset class or sector and will typically invest in individual stocks and/or bonds, but can also utilize exchange-traded funds and/or mutual funds. You and your IAR will initially choose one of the available investment models. After the initial selection, your IAR has the flexibility to select a different model for your account at his discretion without your prior consent as long as the overall risk profile for all the accounts associated with the statement of investment selection is consistent with your selected risk profile.

The Manager Series program includes several investment models that we formerly offered in legacy programs. The Manager Series program allows you and your IAR to select Investment Managers that were not previously available. Please ask your IAR for a complete listing of Investment Managers available in the Manager Series program. For detailed information about each investment manager, please review the Manager's Form ADV disclosure brochure, which can be provided to you by your IAR.

The following table details the fee schedule for the Manager Series program. The program fee for the Manager Series program is dependent on which Investment Manager and/or investment model is selected. The advisory fee that you pay for your Manager Series program account will be detailed on the statement of investment selection that you will sign when opening your account. Your total advisory fee will not change when your IAR changes Investment Managers or investment models.

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
First \$250,000	0.63% - 1.35%	1.15% - 1.87%	2.50%
\$250,000 - \$500,000	0.63% - 1.35%	1.00% - 1.72%	2.35%
\$500,000 - \$1,000,000	0.58% - 1.30%	1.00% - 1.72%	2.30%
\$1,000,000 - \$2,000,000	0.53% - 1.25%	0.75% - 1.47%	2.00%
Over \$2,000,000	0.53% - 1.25%	0.75% - 1.47%	2.00%

Please refer to the **Other Fees** section below for additional fees that apply to Manager Series accounts.

### ***Portfolio ONE***

The Portfolio ONE program allows you to access multiple investment models in one custodian account. In the Portfolio ONE program our IARs act as an "overlay manager" to your account, allocating your assets to one or more investment models that are available in the Allocation Series, Manager Series, and/or other advisory programs. The ability to include more than one investment model in the same account expands your ability to properly diversify, enhances your ability to monitor the performance of your assets with both account-level and investment model-level performance reporting, and limits the paperwork relating to establishing and maintaining your custodial account, including the number of 1099s you receive each year. Your IAR also has the benefit of being able to adjust your account's allocation to multiple investment models at the same time on the GPS platform and also complement your account's allocation with customized investment models.

You and your IAR will initially agree on an allocation for your Portfolio ONE account. After the initial selection, your IAR has the flexibility to select a different allocation for your account at his discretion without your prior consent as long as the overall risk profile for all the accounts associated with the statement of investment selection is consistent with your selected risk profile.

The following table details the fee schedule for the Portfolio ONE program. The program fee for the Portfolio ONE program is dependent on which investment models are selected. The advisory fee that you pay for your Portfolio ONE program account will



be detailed on the statement of investment selection that you will sign when opening your account. Your total advisory fee will not change when your IAR changes your account's allocation to various investment models.

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
First \$250,000	0.47% - 1.42%	1.08% - 2.03%	2.50%
\$250,000 - \$500,000	0.37% - 1.42%	1.08% - 2.13%	2.50%
\$500,000 - \$1,000,000	0.30% - 1.35%	1.00% - 2.05%	2.35%
\$1,000,000 - \$2,000,000	0.23% - 1.28%	1.02% - 2.07%	2.30%
Over \$2,000,000	0.16% - 1.26%	0.74% - 1.84%	2.00%

Please refer to the **Other Fees** section below for additional fees that apply to Portfolio ONE accounts.

### ***First Allied Advisor Select ("Advisor Select") Program***

The Advisor Select program allows your IAR to manage your assets on a discretionary basis. This trading authorization may be limited to investment company securities (limited trading authorization) or extend to any security traded on a national or regional exchange (full trading authorization). IARs who wish to have full trading authorization in your account must be approved by us to offer full trading authorization. (More information about limited and full trading authorization is available in the Investment Discretion section of Item 9- Additional Information.)

We require that a Statement of Investment Selection be completed prior to the opening of any Advisor Select program account. In addition to the responsibilities listed above, when you invest in the Advisor Select program, our IAR(s) will be responsible for selecting the investments in the account, as necessary. The minimum account size for the wrap version of the Advisor Select program is \$50,000. Under certain circumstances, this minimum can be waived by our acceptance. For existing accounts that are transitioned into the Advisor Select program from legacy advisory programs, we may elect to waive the account minimum.

You should know that we offer a non-wrap version of the Advisor Select program as well. The non-wrap version of the Advisor Select program has transaction charges associated with the purchase and sale of each security, but it has a lower program fee and a lower required minimum account size. Depending on the trading activity in the account and the type of securities purchased and sold, the non-wrap version may be less expensive for you. Your IAR should consider which version of the Advisor Select program would suit you better. In both wrap and non-wrap programs, we will receive a portion of the fees that you pay.

Your IAR must be approved to offer the Advisor Select program. If your IAR is approved to offer this program, he may not be approved to offer other advisory programs described in different brochures. The following table details the advisory fee schedule for the wrap version of the Advisor Select program. The management fee may be discounted upon agreement with your IAR. Some IAR's have an agreement with us whereby the program fee is less than the amounts listed below.

Account Size	Program Fee (annually)	Management fee (annually)	Total Advisory Fee (annually)
First \$100,000	0.40%	2.10%	2.50%
\$100,000 - \$250,000	0.40%	2.10%	2.50%
\$250,000 - \$500,000	0.30%	2.05%	2.35%
\$500,000 - \$1,000,000	0.25%	2.05%	2.30%
\$1,000,000 - \$2,000,000	0.20%	1.80%	2.00%
Over \$2,000,000	0.15%	1.85%	2.00%

Please refer to the **Other Fees** section below for additional fees that apply to Advisor Select accounts.

### **Prime Asset Management II ("PAM II") Program**

The PAM II program allows your IAR to manage your assets on a discretionary basis. This trading authorization is limited to investment company securities (limited trading authorization), however, you may choose to extend your advisor's trading authorization to any security traded on a national or regional exchange (full trading authorization). IARs who wish to have full trading authorization in your account must receive your written permission on the investment advisory agreement.

We require that an investor profile be completed prior to the opening of any PAM II program account. In addition to the responsibilities listed above, when you invest in the PAM II program, your IAR will be responsible for managing the account as necessary.

The minimum account size for the PAM II program is \$50,000. Under certain circumstances, this minimum can be waived by us. You should know that we offer a non-wrap version of the PAM program, PAM I, that has a different program minimum and fee structure than PAM II. Depending on the trading activity in the account and the type of securities purchased and sold, the non-wrap



version may be less expensive for you. Your IAR should consider which version of the PAM program would suit you better. If you would like more information about the non-wrap version, please request it from your IAR.

The following table details the advisory fee schedule for the PAM II program. The management fee may be discounted upon agreement with your IAR. Some IAR's have an agreement with us whereby the program fee is less than the amounts listed below.

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$150,000	0.45%	2.05%	2.50%
\$150,000 - \$250,000	0.30%	2.20%	2.50%
\$250,000 - \$400,000	0.30%	1.95%	2.25%
\$400,000 - \$750,000	0.10%	2.15%	2.25%
\$750,000 - \$900,000	0.10%	1.65%	1.75%
\$900,000 - \$2,000,000	0.05%	1.70%	1.75%
Over \$2,000,000	Negotiable	Negotiable	Negotiable

Please refer to the **Other Fees** section below for additional fees that apply to PAM II accounts.

### **Private Client Services ("PCS") Program**

We created the PCS program to provide high-net-worth clients the opportunity to have some, or all, of their assets managed in one place. We have hired Columbus Macro, LLC to act as an overlay manager in the PCS program. An overlay manager coordinates the various investments included in PCS program portfolios with client-specific needs in order to implement a single, holistic investment solution for each individual client. Columbus Macro, LLC will work with your IAR to determine the most optimal allocations of your investable assets.

The PCS program establishes a portfolio that will be invested in an array of stocks, bonds, exchange-trades funds, closed-end funds, mutual funds, and/or other securities directly or through strategies managed by Columbus Macro, LLC or other third-party managers. In addition, certain option and/or structured product strategies may also be utilized, which have unique risk profiles. The fee schedule for the PCS program is:

PCS Asset Level	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Under \$1,000,000	0.75%	1.25%	2.00%
\$1,000,000 - \$5,000,000	0.70%	1.05%	1.75%
\$5,000,000 - \$10,000,000	0.65%	0.60%	1.25%
Over \$10,000,000	0.60%	0.40%	1.00%

Please refer to the **Other Fees** section below for additional fees that apply to PCS accounts.

### **SEI Investment Management Corp. ("SEI") Program**

We have entered into an agreement that allows your IAR to offer portfolio management services in a SEI account. SEI is a company that creates mutual funds and mutual fund portfolios. SEI is an unaffiliated registered investment adviser. In the SEI program, your IAR selects the mutual fund allocation for your SEI program account. SEI program accounts are custodied at SEI Private Trust Company, a firm related to SEI Investment Management Corp.

The fee schedule for SEI program accounts is below. Your advisory fee for your SEI program account(s) is negotiable and may be less than the amounts listed below.

Account Size	Program Fee (annually)	Management fee (annually)	Total Advisory Fee (annually)
Up to \$250,000	0.00%	1.50% - 2.00%	1.50% - 2.00%
\$250,000 - \$500,000	0.00%	1.25% - 1.50%	1.25% - 1.50%
\$500,000 - \$1,000,000	0.00%	1.00% - 1.25%	1.00% - 1.25%
\$1,000,000 - \$2,500,000	0.00%	0.85% - 1.00%	0.85% - 1.00%
Over \$2,500,000	0.00%	0.75%	0.75%

In addition to the SEI program advisory fee noted, you may pay other fees associated with the SEI program, including an annual custodial fee. SEI is not compensated via a program fee. Instead, SEI receives compensation through the SEI mutual funds that are included in your portfolio. You may pay less overall if you were to invest in SEI funds in a different program or directly with SEI. SEI program accounts are billed according to SEI's procedures.

### **Orion Portfolio Solutions Program**





We have entered into an agreement that allows your IAR to offer you the Orion Portfolio Solutions Program. Orion Portfolio Solutions (“Orion”) is an unaffiliated registered investment adviser that provides re-balancing of model portfolios of mutual funds. Your IAR is the manager of your portfolio. These accounts are custodied at Huntington National Bank, LLC or TD Ameritrade, Inc.

Your IAR will receive compensation from Orion for providing you with services in the Orion Portfolio Solutions program. Clients may pay lower fees for accounts over \$5 million. Your total advisory fee for your Orion Portfolio Solutions program account(s) may be less than the amounts listed below.

Account Size	Program Fee (annually)	Management Fee (annually)	Total Advisory Fee (annually)
Up to \$5,000,000	0.30%	1.70%	2.00%
Over \$5,000,000	Negotiable	Negotiable	Negotiable

### **Other Fees**

In addition to the fee schedules listed above, there are additional account maintenance related fees that apply to your account. For more information relating to account maintenance fees, please refer to the Fee Schedule for Pershing Accounts provided to you with your new account paperwork (<https://myceterasmartworks.com/Public/Portal/Content.aspx?ContentId=30134770>).

All Accounts may invest in mutual funds that make a distribution payment referred to as a 12b-1 fee. The clearing/custodial firm credits any 12b-1 fees received to the client’s Account. As a result, neither First Allied nor the Advisor shall receive 12b-1 fees from mutual funds purchased in the Accounts.

In addition, your account will be subject to other fees charged by the custodian of your account. Electronic funds and wire transfer fees, transfer taxes, account maintenance fees, margin fees, transaction charges, exchange fees, and odd lot differentials are examples of fees that may be charged by the custodian. These fees are charged by the custodian and are not included in the advisory fee that you pay to us for management of your account. In some cases, certain of these custodian fees may be paid by your IAR, on an account by account basis. Your IAR is not required to pay these fees on your behalf and your IAR may elect to not pay for any or all fees for each of his clients’ accounts. First Allied may receive a portion of these fees in its capacity as introducing broker-dealer. An account service schedule detailing all these fees will be provided to you upon account opening.

Based on the activity in your account, you may pay more or less for a managed account than if you had a brokerage account or an account directly with a mutual fund company. Your IAR should be able to discuss with you the benefits of opening a managed account versus a brokerage or mutual fund account.

### **FundVest Mutual Funds**

The FundVest Mutual Fund Program offers a wide range of mutual funds. This program is maintained by our clearing/custodial firm, Pershing. Pershing, at its sole discretion, may add or remove mutual funds from the FundVest Program without prior notice. In the FundVest Program, transaction costs are waived on certain purchases that would normally carry a transaction charge. If your advisor pays all or a portion of your transaction cost, this presents a conflict of interest to your IAR in PAM and Advisor Select accounts because your IAR has a financial incentive to recommend a FundVest mutual fund that does not assess transaction costs over a mutual fund that does assess transaction costs.

Additionally, FAAS and/or First Allied receives the short-term redemption fees that you pay for certain FundVest mutual fund shares that are redeemed within six calendar months. This compensation is a source of revenue to FAAS and/or First Allied and presents a potential conflict of interest whenever your IAR recommends that you redeem a FundVest mutual fund within six calendar months because FAAS and/or First Allied receives a financial benefit from such transaction. This compensation, however, is retained by FAAS and/or First Allied and is not shared with your IAR, so your IAR does not have a financial incentive to recommend certain FundVest mutual funds be redeemed within six calendar months over other investments.

Fixed income transactions may include the commission in the price of the security. This is a principal transaction. We will obtain your signed consent prior to settlement for a principal transaction and disclose to you any compensation we receive for the transaction.

### **Borrowing Money (Margin Accounts)**

A margin account is an account where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider that: (i) if you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account or withdraw funds; and (ii) you are using securities that you own as collateral.



Money borrowed in a margin account is charged an interest rate determined by the Firm within a range established by Pershing, which can result in you paying more margin interest than you would otherwise if you did not have an account with us. The margin interest rate that you pay is in addition to other fees associated with your account. Pershing retains a portion of the margin interest charged and pays the Firm at a rate established by the Firm which is a source of revenue to us. This additional revenue, which increases based on the amount of margin held in your account and the aggregate amount of margin in all client accounts, represents a conflict of interest, as the Firm has a financial incentive for you and other clients to maintain a margin debt balance. However, this compensation is retained by the Firm and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend that you maintain a margin balance. Your Advisor does have a conflict of interest when recommending that you purchase or sell securities using borrowed money. This conflict occurs because your advisory fee is based on the total market value of the securities in your account. If you have a margin debit balance (in other words you have borrowed and owe money to the Firm), your margin debit balance does not reduce the total market value of your Account. In fact, since you have borrowed money to purchase additional shares, the total market value of your account will be higher, which results in a higher advisory fee.

Please also carefully review the margin disclosure document for additional risks involved in opening a margin account.

#### *Cash Sweep Program*

**FDIC Insured Bank Deposit Sweep Account.** The Federal Deposit Insurance Corporation (FDIC) is an independent federal agency insuring deposits in U.S. banks and thrifts in the event of bank failures. Two programs, the FlexInsured Account Program and the Insured Deposit Sweep Account Program (FDIC-Insured Programs), made available by the broker dealer referenced in Item 10 that is a related entity to FAAS (Related BD) enable clients' available cash balances awaiting investment or reinvestment in eligible accounts, including cash balances derived from the sale of securities, dividend payments, interest credited from bonds, and cash deposits, to be automatically deposited (swept) into interest bearing deposit accounts offered through one or more participating program banks (Program Banks). Deposits at an individual Program Bank are covered by FDIC insurance up to a maximum of \$250,000 and an aggregate total across all Program Banks of up to \$2,500,000. For purposes of calculating the available FDIC coverage at each Program Bank, cash deposited at a Program Bank is aggregated with all other deposits held by you outside of the FDIC-Insured Programs in the same insurable capacity at that Program Bank. It is your responsibility to monitor any deposits that you have at each Program Bank including deposits outside of the FDIC-Insured Programs so that you do not exceed the applicable limits on FDIC insurance coverage as described above. Funds deposited through the FDIC-Insured Programs are not eligible for SIPC protection.

**FlexInsured Account Program.** The FlexInsured Account is the default sweep vehicle for non-retirement advisory accounts. For its role in offering the FlexInsured Account Program, the Related BD earns additional compensation in the form of a payment of a portion of the earned interest received from a Program Bank (payment) which is based on the amount of money on deposit by all FlexInsured Account Program participants and the applicable interest rate paid at that time by that Program Bank. The amount of a payment to the Related BD will vary but will not exceed 4.00% on an annualized basis as applied across all FlexInsured Accounts. The maximum annual percentage to be received by the Related BD may be changed upon 30 days' prior notice to participants in the FlexInsured Account Program. The Related BD, in its discretion, may reduce the amount of a payment and vary the reductions among clients which would result in some clients getting paid a higher interest rate, and, therefore, earning more interest than other clients. Additionally, the payments the Related BD receives generally vary by Program Bank and will affect the interest rate paid to you. The interest rate you earn will generally be lower than interest rates available to depositors in interest-bearing accounts held directly at a Program Bank or other FDIC-insured depository institutions, but such institutions could require a minimum amount to establish an interest-bearing deposit account that is maintained outside of the FDIC-Insured Programs.

**Insured Deposit Sweep Account (IDSA) Program.** The IDSA is the default sweep vehicle for advisory IRAs. For its role in offering the IDSA Program, the Related BD receives a per account fee each month. The compensation paid to the Related BD under the IDSA Program does not vary among IDSA Program participants and is not affected by the amounts deposited through the IDSA Program, including your IDSA program deposits, but will vary month-to-month based on the actual number of days in the particular month. The Related BD's compensation under the IDSA Program is determined by a fee schedule indexed to the current Federal Funds Target (FFT) Rate. The monthly fee paid to the Related BD increases and decreases by \$0.09 with every 1 basis point (a basis point is equal to 0.01%) change in the FFT Rate. In cases where the FFT Rate is a range of rates, the FFT Rate will be deemed to be the midpoint of the range rounded to the nearest thousandth of a decimal. The monthly per account fee paid to the Related BD under the IDSA Program will not exceed \$25.00, regardless of changes in the FFT Rate. The maximum monthly per account fee may only be changed upon 30 days' prior notice to participants in the IDSA Program. Although it is generally anticipated that the Related BD's fee under the IDSA Program will be offset by amounts paid by the Program Banks, the Related BD reserves the right to withdraw the monthly account fee, or a portion thereof, from participants' accounts in the event that the amount received from the Program Banks and paid over to the Related BD is less than the Firm's fee for the same period.



Program Banks do not have a duty to offer the highest rates of return available or comparable to those offered in money market funds. The FDIC-Insured Programs should not be viewed as an investment option nor as a long-term holding. If you desire to maintain a cash position in your account for something other than a short-term position awaiting investment and/or seek the highest yields currently available in the market for your cash balances, then you should contact your Advisor about your options outside the FDIC-Insured Programs.

In response to certain extraordinary economic conditions, some foreign countries have occasionally implemented a negative interest rate policy to stabilize their economies. Under such a policy, a central bank charges banks a fee to hold reserves, and, as a result, the banks then charge depositors a fee to maintain their deposits. Historically, the U.S. has not adopted policies resulting in negative interest rates, and there is no indication that the Federal Reserve Board plans to adopt such a policy in the future. If, however, such a policy is adopted in the U.S., Program Banks may begin to charge fees to maintain deposits held through bank deposit sweep programs, such as the FDIC-Insured Programs. In such an event, the Firm's related broker-dealer will charge your account a fee to defray its costs for maintaining your deposits at Program Banks through the FDIC-Insured Programs. This fee will be in addition to fees received directly from Program Banks for their participation in the FDIC-Insured Programs and can result in you experiencing a negative overall return with respect to cash reserves in a FDIC-Insured Program. The Firm's related broker-dealer will assess any fees related to negative interest rates to your account on a monthly basis for the duration of the negative interest rate period. If applicable, this fee will appear on your periodic account statement. In its discretion, the Firm's related broker-dealer will increase or decrease this fee periodically to reflect the costs incurred to maintain your deposits at Program Banks. The Firm's related broker-dealer can eliminate this fee at any time. In the event that the fees are assessed as a result of negative interest rates, additional information regarding the fees will be available at <https://www.firstallied.com> or by contacting your Advisor.

**Money Market Mutual Fund.** Some non-retirement accounts established before May 21, 2018 utilize a money market mutual fund previously designated as an alternative sweep option for non-retirement accounts (Prior MMF). The Prior MMF is no longer available as a new sweep selection; however, clients that previously chose the Prior MMF as a sweep option may continue to use it until a new election is made. The Related BD receives distribution assistance from Pershing in the form of annual compensation of up to 0.78% for assets held in the Prior MMF.

For ERISA advisory accounts, the Firm offers a money market mutual fund, which provides a return on your account balances, as a cash sweep default option. The Firm and Advisor do not receive any sweep-related compensation in connection with cash in ERISA advisory accounts that are swept into any money market mutual fund that the Firm designates for ERISA advisory accounts.

The compensation the Firm receives from the FDIC-Insured Programs and the Prior MMF constitutes a source of revenue for the Firm. This compensation presents a conflict of interest to the Firm because the Firm receives a greater financial benefit when cash is swept into the FDIC-Insured Programs and the Prior MMF than it otherwise would if your cash balance is held elsewhere, and any compensation the Firm receives reduces the interest you receive. This compensation is retained by the Firm and is not shared with your Advisor, so your Advisor does not have an additional financial incentive that is tied to the compensation from the cash sweep program to recommend that cash be held in the FDIC-Insured Programs or the Prior MMF rather than investing in securities. The asset-based fee charged in your advisory account includes cash held in the cash sweep program.

An investment in a money market mutual fund, unlike Program Bank deposits, is not insured or guaranteed by the FDIC or any other governmental agency, and it is possible to lose money by investing in a money market mutual fund. The Prior MMF, money market mutual funds held in ERISA advisory accounts, and uninvested cash held by the Firm as a "free credit balance" in all client accounts are covered by the Securities Investor Protection Corporation (SIPC), a non-profit, non-government, membership corporation, funded by member broker-dealers. SIPC's coverage protects against the custodial risk (not a decline in market value) when a brokerage firm fails by replacing missing securities and cash up to a limit of \$500,000 of which \$250,000 may be in cash per customer in each separate capacity under SIPC rules.

A money market mutual fund generally seeks to achieve a competitive rate of return (less fees and expenses) consistent with its investment objective(s), which is described in its prospectus. Average annual rates of return of the money market mutual fund option offered as the cash sweep option will vary over time and will generally be higher than the interest rate paid on deposits to you through the FDIC-Insured Programs. The Related BD will earn more money by designating the FlexInsured Account or the IDSA as the default sweep option for eligible accounts. Accordingly, the Firm has a financial incentive to increase the Related BD's compensation and a conflict of interest in selecting cash sweep options.

For detailed information regarding the terms and conditions of the cash sweep options, see the Related BD's FlexInsured Account Program Disclosure Statement, the Related BD's Insured Deposit Sweep Account Disclosure Statement available <https://www.cetera.com/first-allied/clients/flexinsured-account>, or the applicable money market mutual fund prospectus. You can obtain copies of such product disclosures from your Advisor. Generally, each account will be eligible for a single cash sweep



option, such as a FDIC-Insured Program or a money market mutual fund, based on account type. We may change the products available for your selection. Your Advisor can provide a current list of available options.

#### *Loan Advance Accounts*

A TriState Capital Bank (TriState) pledged account is collateral for a loan held through TriState. A customer may borrow money from TriState by pledging securities held and custodied in their Pershing brokerage account. Unlike a margin account, these borrowed funds cannot be used to purchase additional securities. If you decide to enter into loan arrangement with this banking entity, you should carefully consider the following:

- You are borrowing money that will have to be repaid to the bank.
- Pledge arrangement arrangements are only available for non-qualified accounts.
- You, as the borrower, are using the cash and securities that you own in the account as collateral.
- You will be charged an interest rate that is subject to change.
- TriState can force the sale of securities or other assets in the pledged account at any time and without notice to cover any deficiency in the value of the securities pledged for the loan. TriState can decide which securities to sell without consulting you.
- First Allied and our representatives have a conflict of interest when you obtain a loan from TriState. This conflict occurs because First Allied and the representative will receive a portion of the interest charged on the loan. First Allied reduces this conflict by reviewing the borrower's accounts to determine whether or not the use of TriState is appropriate and in line with the borrower's goals and objectives.
- TriState is responsible for reviewing the loan application and any other documents that TriState may require to obtain the loan. TriState, in its sole discretion, will determine the credit worthiness of the applicant, including the amount of the loan.
- Prior to establishing a loan with TriState, you should carefully review the loan agreement, loan application and any other forms required by the bank in order to process your loan.

Prior to establishing a loan with TriState, you should carefully review the disclosure form provided by First Allied."

#### *Compensation from Strategic Partners*

Although we offer thousands of mutual funds from more than 250 mutual fund companies, and hundreds of variable life and annuity contracts from more than 100 insurance companies, we concentrate our marketing and training efforts on those investments offered by a much smaller number of select and well-known companies (Strategic Partners). Strategic Partners are selected, in part, based on the competitiveness of their products, their technology, their customer service and their training capabilities. Strategic Partners have more opportunities than other companies to market and educate our IARs on investments and the products they offer. For a current list of our Strategic Partners, please refer to our list of Strategic Partners in this Item.

Our Strategic Partners pay extra compensation to us and/or our affiliates in addition to the usual product compensation described in the prospectus. This presents a conflict of interest in that our IARs and we have an incentive to recommend products offered by our Strategic Partners. The additional amounts Strategic Partners pay us vary from one Strategic Partner to another and from year to year. Some Strategic Partners pay us or our affiliates up to 0.45% of your total purchase amount of a mutual fund or variable insurance product. So, for example, if you invest \$10,000 in a mutual fund, we could be paid up to \$45. Additionally, some Strategic Partners make a quarterly payment or additional quarterly payment based on the assets you hold in the fund or variable insurance product over a period of time of up to 0.15% per year. For example, on a holding of \$10,000, we could receive up to \$15.

Alternatively, we may receive compensation from the mutual fund or insurance company as: (1) a flat fee regardless of the amount of new sales or assets held in client accounts; or (2) the greater of such flat fee or amount based on assets and/or new sales as referenced above and any ticket charge payments referenced below. These payments are designed to compensate us for ongoing marketing and administration and education of our employees and IARs. You do not make these payments. They are paid by the mutual fund and insurance companies and/or their affiliates out of the assets or earnings of the funds or insurance companies or their affiliates.

It is important to note that you do not pay more to purchase Strategic Partner mutual funds or insurance products through us than you would pay to purchase those products through another broker-dealer, and your IAR does not receive additional compensation for selling a Strategic Partner product.

We also receive revenue sharing payments from companies that are not Strategic Partners, as described below.





### *Conflicts of Interest in Receiving Revenue Sharing from Strategic Partners*

A conflict of interest exists in that we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product from one particular sponsor instead of another. Your IAR also indirectly benefits from Strategic Partner payments when the money is used to support costs relating to product review, marketing or training, or for waiver of ticket charges, as described below. Our IARs do not receive any compensation associated with the revenue sharing payments.

### *Exchange Traded Products Partner Program*

First Allied offers an exchange traded products partner program (ETP Partner Program), which as described below, has similar features to the First Allied's Strategic Partner Program. First Allied currently has entered into agreements with the ETP Partners listed below, and intends to add additional ETP Partners on an ongoing basis. For the most current list of our ETP Partners, please refer to our website at <http://www.firstallied.com> or call your Advisor.

Although we offer thousands of exchange traded products (ETPs), we concentrate our marketing and training efforts on those investments offered by select and well-known ETP Partners. An ETP Partner is selected, in part, based on the competitiveness of its products, its technology, its customer service and its training capabilities. An ETP Partner has greater exposure to our Advisors (e.g., at conferences), and more opportunities to market and educate our Advisors on investments and the products they offer.

An ETP Partner pays extra compensation to us and/or our affiliates in addition to the compensation described in the prospectus. The additional amounts may vary from one ETP Partner to another and from year to year. In general, an ETP Partner pays us the greater of an annual flat fee regardless of the amount of new sales or assets held in client accounts or up to 0.25% of the ETP's net expense ratio (as set forth in the prospectus or supplement) of your investment's average daily balance during the quarter. So, for example, for each \$10,000 average quarterly daily balance of an ETP Partners' product held by our clients, we would be paid up to \$25 on an annual basis. Further, if the annual flat fee were \$500,000 and the total asset-based fee did not reach that amount we would still be paid \$500,000.

These payments constitute compensation to the Firm. The payments are paid by the ETP Partner and/or their affiliates out of the assets or earnings of the ETP Partner or their affiliates. You do not pay more to purchase an ETP Partner's product through us than you would pay outside of the ETP Partner Program, and your representative does not receive additional compensation for selling an ETP Partner product. For the most current description of the compensation we receive from ETP Partners, please refer to the First Allied's website at <http://www.firstallied.com>.

### *Conflicts of Interest in Receiving Revenue Sharing from ETP Partners and with Ticket Charge Waivers*

A conflict of interest exists in the recommendation of ETP Partner products since we receive additional revenue if you purchase an ETP Partner product and/or if you purchase a product from one particular sponsor instead of another. Your representative also indirectly benefits from ETP Partner payments when the money is used to support costs relating to product review, marketing or training, or for waiver of ticket charges, as described below. Our Advisors do not receive any compensation associated with the revenue sharing payments.

When you purchase an ETP Partner product, we absorb the nominal "ticket charge" (sometimes referred to as a transaction charge) for each transaction, which would normally be paid by you or your Advisor. In general, the ticket charge will be waived for the purchase of certain ETPs in an amount of \$5,000 or more. These ticket charge waivers result in a conflict of interest between you and your Advisor in accounts where the advisor pays the ticket charge because your Advisor has a financial incentive to recommend an ETP Partner product that does not assess transaction charges over an ETP that does.

In general, if you are not comfortable with the use of ETP Partner products in your account and the resulting conflicts of interest, then you should notify your Advisor of this preference and you should not participate in any advisory program that includes ETP Partner products.

### *List of Exchange Traded Products Partners:*

- First Trust Advisors L.P.
- WisdomTree Asset Management, Inc.

### *Training and Education Compensation*

We and our IARs also receive additional compensation from mutual fund and insurance companies, including Strategic Partners that is not related to individual transactions or assets held in accounts. This money is paid, in accordance with regulatory rules, to offset up to 100% of the costs of training and education of our IARs and employees. In some instances, mutual fund and insurance companies pay a flat fee in order to participate in our training and educational meeting. These meetings or events provide our IARs



with comprehensive information on products, sales materials, customer support services, industry trends, practice management education, and sales ideas.

It is important to note that due to the number of mutual fund and variable insurance products we offer, not all product sponsors have the opportunity to participate in these training and educational events. In general, our Strategic Partners have greater access to participation in these events and therefore greater access to, and opportunity to build relationships with, our IARs.

Some of the training and educational meetings for which we or our IARs receive reimbursement of costs include client attendance. If you attend a training or educational meeting with your Advisor and a product sponsor is present, you should assume that the product sponsor has paid for all or a portion of the costs of the meeting or event.

#### *Other Cash and Non-Cash Compensation*

In addition to reimbursement of training and educational meeting costs, we and our IARs receive promotional items, meals or entertainment or other non-cash compensation from representatives of mutual fund companies, insurance companies, and direct participation sponsors, as permitted by regulatory rules. The sale of mutual funds, variable insurance products and other products, whether of our Strategic Partners or not, may qualify our IARs for additional business support and for attendance at seminars, conferences and entertainment events. Further, some of our home-office management and certain other employees receive a portion of their employment compensation based on sales of products of Strategic Partners.

#### *Retirement Strategic Partners Program*

FAAS and/or First Allied also receives certain revenue sharing payments from third-party firms, including plan recordkeeping platforms as well as investment managers of mutual funds and the issuers of annuities (each a "Retirement Partner"). Retirement Partners participate in activities that are designed to help facilitate the distribution of their products and services, such as marketing activities and educational programs, including attendance at conferences and presentations to FAAS' IARs. These revenue sharing payments are in the form of a fixed dollar amount that does not depend on the amount of the plan's investment in any product utilization of any Retirement Partner's services. Retirement Partners also pay FAAS and/or First Allied's expenses, or provide non-cash items and services, to facilitate training and educational meetings for FAAS' IARs, which similarly do not depend on the amount of the plan's investment in any product or utilization of any Retirement Partners' services. Our IARs do not receive any portion of these payments.

Retirement Partners currently include:

- American Funds
- Ameritas
- Ascensus
- Empower Retirement
- John Hancock
- J.P. Morgan Asset Management
- Lincoln Financial Group
- Mutual of Omaha
- Nationwide Financial
- Principal Financial Group
- Transamerica Retirement Solutions
- Voya

It is important to note that you do not pay more to purchase Retirement Partner products or services through FAAS than you would pay to purchase those products or services through another broker-dealer, and your IAR does not individually receive additional compensation for selling or recommending a Retirement Partner product or service.

#### *529 Plans*



In addition to commission-based compensation for sales of 529 plans, 529 plan assets included in the amount of total mutual fund or variable annuity assets for which revenue sharing is paid as described above. We do not separately account for these payments and do not have any 529 plan Strategic Partners.

#### *Direct Participation and Other Alternative Investments*

First Allied and/or FAAS, through its representatives, offer our clients a wide variety of direct participation programs and alternative products including: non-listed real estate investment trusts, limited partnerships, 1031 exchange programs, business development companies, oil and gas programs, closed-end interval funds and direct alternatives.

Whether a representative charges a commission to the client upon the sale of an alternative investment, be it assessed in full, in part, or not at all, is based upon whether the investment is held in an advisory or brokerage account, and if it is on First Allied's approved products list. If a client purchases an alternative investment from the advisory approved products list, it will be sold in an advisory program without a commission and will be included in the billing and reporting of the account assets.

If the alternative investment product is not on the advisory approved products list, the representative has the ability to:

- Purchase the product for the client while charging a commission and holding it directly within a brokerage account; or
- Have the product held in an advisory account solely for convenience purposes, but will be excluded from the billing and reporting of the account assets, and regular billing will continue on all other eligible assets held in the account.

In addition to commissions First Allied receives from the sale of these products, First Allied receives due diligence and/or marketing allowance payments from certain sponsors. While the additional compensation First Allied receives as well as the arrangements we have varies with each sponsor and/or class of shares, some product sponsors pay a due diligence or marketing allowance fee of (i) up to 0.20% annually on assets held at the sponsor, (ii) up to 1.50% on the gross amount of each sale, depending on the product, or (iii) a flat fee from certain sponsors regardless of the amount of new sales or assets held in client accounts. Other product sponsors pay a flat administrative services fee for certain classes of shares, based on a minimum amount of trades executed through an advisory platform. These payments are designed to compensate us for ongoing marketing and administrative services, and/or maintenance of our advisory platform systems, as well as the training and education of our employees and Advisors regarding these types of products. You do not make these payments. They are paid by the product sponsor out of the assets or earnings of the product sponsor.

It is important to note that you do not pay more to purchase products through us than you would pay to purchase those products or class of a product's shares through another broker-dealer, and your representative does not receive additional compensation for selling products from sponsors that pay us such additional compensation.

A conflict of interest exists because we are paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product or class of a product's shares from one particular sponsor instead of another. Your representative also indirectly benefits from these sponsor payments when the money is used to support costs relating to product review, marketing or training.

You should read the applicable prospectus(es) or offering document(s) carefully before investing, which may be obtained from your Advisor.

#### *List of Strategic Partners*

The following is the list of Strategic Partners in alphabetical order:

##### *Mutual Fund Companies*

• Allianz Global Investors	• JP Morgan Investment Management
• American Funds Distributors	• Lord, Abnett & Co. LLC
• Blackrock Investments, LLC	• New York Life Mainstay
• Columbia Management	• Pacific Life
• DWS Securities	• PGIM
• Eaton Vance Distributors, Inc	• PIMCO
• Federated	• Pioneer Funds Distributor, Inc.
• Fidelity Investments	• Principal Funds
• Franklin Templeton Distributors, Inc	• Putnam Investments
• Goldman Sachs Asset Management	• Transamerica
• Invesco	• Virtus Investment Partners, Inc.
• Ivy Funds	• Voya Investment Management (ING Funds)



• John Hancock Funds	
----------------------	--

For American Funds, the ticket charges are waived for purchases over \$10,000.

For Fidelity Investments, ticket charges are waived on Fidelity Advisor Funds. Fidelity Direct Funds are not included in this program.

Please note that fee waivers do not apply on ERISA Title I Advisory accounts where the advisor is paying the ticket charges.

#### *Annuity Carriers:*

• AIG Annuities	• Lincoln Financial Distributors
• Allianz Life Financial Services	• Nationwide Financial
• Athene	• Pacific Life Insurance Company
• AXA Distributors	• Principal Financial Group
• Brighthouse	• Protective Life
• CUNA	• Prudential Annuities Distributors
• Delaware Life	• Sammons Financial Group
• Eagle Life	• Securian Financial Group
• Global Atlantic	• Security Benefit
• Great American	• Symetra
• Jackson National	• Transamerica Capital

#### *Unified Program Fund Strategist Portfolio Featured List*

The Unified Program offered through the MAA Platform, which is co-sponsored by our related investment adviser, CAS, and is described in CAS's ADV, offers fund strategist portfolios (comprised of both mutual funds and ETPs) from over 100 strategists, comprising over 1,000 strategies. We have created a smaller list of strategies across various investment disciplines and implementation styles (Featured List), that are offered by a number of strategists that have agreed to pay us some form of additional compensation (Featured Strategists) to help cover costs associated with marketing and education. The Featured List consists of strategies from both Strategic Partners (or affiliates of a Strategic Partner) and non-Strategic Partners. The current Featured List is provided below.

As discussed above, all Strategic Partners pay us additional compensation and receive more opportunities (such as being a Featured Strategist) than other companies to market and educate our Advisors about their products and services. Strategic Partners do not pay us any additional compensation for being a Featured Strategist, other than the overall compensation set forth previously in this Item.

For any non-Strategic Partner to be included on the Featured List, they pay us typically based on the following calculation: the greater of (1) an annual fixed flat fee or (2) up to eight basis points on client assets under management in the Featured Strategists' (or its affiliates') proprietary funds, and up to five basis points on non-proprietary funds' assets under management. As a result, the compensation paid by Featured Strategists varies from one Featured Strategist to another and from year to year, and possibly from quarter to quarter.

It is important to note that you do not pay us more to either invest in a strategy that is on the Featured List, or to purchase the underlying investment products included in the strategies on the Featured List in the Unified Program than you would pay to purchase those same products through a strategy not included on the Featured List. Your Advisor does not receive additional direct compensation for utilizing a strategy offered by a Featured Strategist

#### *Conflicts of Interest in Receiving Revenue Sharing from Featured Strategists*

Because we receive compensation from Featured Strategists, a conflict of interest exists in that we are paid more revenue-sharing fees if your account uses a Featured Strategist and whenever Strategic Partner funds are part of a Featured Strategist's model portfolios. Your Advisor also indirectly benefits from Featured Strategist payments when the payments are used to support costs relating to product review, marketing or training. Our Advisors do not receive any direct compensation associated with these revenue sharing payments.

#### *List of Featured Strategists*

The Featured Strategists currently include:

- American Funds
- Auour
- BlackRock
- Columbus Macro
- Fidelity





- Goldman Sachs
- Horizon Investments
- Meeder
- New Frontier
- Russell Investments
- WisdomTree

#### *Verification of Fees*

You are always responsible for verifying that the fee you are charged is accurate. The custodian will not determine whether the fee is properly calculated. Should you find an error, please contact your IAR immediately. If you are not satisfied with the action your IAR takes, you may contact us at the number on the cover page of this document.

#### *Pershing Relationship*

Pershing is the clearing firm for our brokerage business. Due to this business relationship, Pershing shares with us a portion of the transaction costs and fees you pay to Pershing for certain transactions and services. As described in Item 4, this additional compensation we receive in connection with certain transactions and services is an additional source of compensation to the Firm. This compensation to the Firm presents a conflict of interest because the Firm and your Advisor have a greater incentive to make available, recommend, or make investment decisions regarding investments and services that provide additional compensation to the Firm and your Advisor over those investments and services that do not.

Pershing also provides consulting and other assistance to us. We also participate in other revenue Pershing is paid on the assets held in your account. Your advisory fee is not reduced or offset as a result of any revenue that Pershing shares with us. The following is a brief description of some of the revenue items received from Pershing.

Pershing receives revenue from money market funds that the Firm makes available as a cash sweep option, and for nonretirement accounts that choose to invest cash in such a money market fund Pershing shares some of that revenue with us as described in Item 5 at Cash Sweep Program.

Pershing, to help defray costs associated in transferring certain client accounts onto the Firm's platform custodied at Pershing, reimburses the Firm a portion of the termination and transfer fees incurred by a client account that qualifies for such assistance. The Firm credits such reimbursements to the applicable Client's account. In addition, Pershing may, from time to time, waive or discount certain customary fees and expenses in an effort to help attract client accounts and assets.

Additionally, we receive the short-term redemption fees that Pershing charges you for certain FundVest mutual fund shares that are redeemed within six calendar months. This compensation is a source of revenue to the Firm and presents a conflict of interest whenever Advisor recommends that you redeem a FundVest mutual fund within six calendar months because the Firm receives a financial benefit from such transaction. This compensation, however, is retained by the Firm and is not shared with your Advisor, so your Advisor does not have a financial incentive to recommend certain FundVest mutual funds be redeemed within six calendar months over other investments.

In addition to the compensation disclosed elsewhere in this document, Pershing pays us additional incremental compensation based on the aggregate AUM, number of accounts, and securities transactions executed through Pershing for all client accounts (each a "Benchmark" and collectively "Benchmarks"). The additional compensation associated with reaching each Benchmark presents a conflict of interest, because whenever the Firm reaches a Benchmark it receives a financial benefit which creates a financial incentive for us to reach each Benchmark. This compensation is retained by the Firm and is not shared with your Advisor. Your Advisor does not have a financial incentive to reach these Benchmarks.

Finally, under our contract with Pershing, there is a termination fee schedule with amounts that decrease over time, which provides a financial incentive for us to continue maintaining our relationship with Pershing.

Pershing allows clients to enroll in the Fully Paid Securities Lending program, which allows clients to lend certain securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with the clients and their financial advisors. If you elect to participate in this program, your IAR will receive compensation from Pershing. The receipt of this extra compensation creates a conflict in certain advisory programs in which your IAR acts as the portfolio manager. The conflict surrounds whether this extra compensation to your IAR would cause him to hold a security in your account that he otherwise would have liquidated if he was not receiving this extra compensation. This conflict is mitigated by our requirement that investment decisions made by your IAR are always in your best interests, as well as the fact that if your account holds these positions, your IAR's compensation will increase nominally, but the security will also generate income for your account. Not all accounts or client will qualify for this program.

#### *Other Conflicts of Interest*



*Program Choice Conflict of Interest* - Clients should be aware that the compensation to the Firm and your Advisor will differ according to the specific advisory program chosen. The compensation to the Firm, its Related BD and your Advisor will be more than the amounts otherwise received if you participated in another program or paid for investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules and other sources of compensation that exist among the various advisory programs and services offered by the Firm, its Related BD and your Advisor, we have a financial incentive to recommend particular programs or services over other programs and services available through the Firm.

Your IAR will receive a higher percentage of management fees for certain programs. This presents a conflict of interest in that your IAR benefits from recommending certain programs based on the difference in compensation he receives rather than selecting investments without regard to compensation payable to him. If your IAR qualifies for reductions in the program fee paid to us, this results in additional compensation to your IAR. To mitigate this conflict of interest, we require that any program you invest in must be suitable for your investment goals and financial needs. If your IAR qualifies for reductions in the program fee paid to us, which results in additional compensation to your IAR, your total advisory fee will not exceed the stated maximum for the programs.

In addition to advisory fees, your IAR may earn sales incentives or awards based on the value of assets under management, investment products sold, number of sales, client referrals, amount of new deposits or amount of new accounts. Your IAR may also receive forgivable loans from First Allied or its affiliates, which are conditioned on your advisor retaining First Allied's broker-dealer and/or FAAS' registered investment adviser services. This additional economic benefit creates a conflict of interest for your IAR to retain affiliation with FAAS in order to avoid re-payment on a loan.

In certain cases, we may be compensated by unaffiliated third-parties based on the amount of assets our IARs may place with them. This represents a conflict of interest in that your IAR may be incentivized to recommend the services of the third-party from which additional compensation may be received. In other cases, your IAR may incur fewer expenses from the third-party as a result of the amount of assets the IAR has placed with the third-party. Generally, the fees that the third-party charges will be lower as the amount of assets that is placed with them increase. Therefore, your IAR may be incentivized to recommend the services of the third-party.

In the Portfolio ONE program, your IAR's compensation is directly affected by the investment models he selects as the overlay manager because he receives a fixed portion of the total advisory fee. If your IAR uses third-party managers' investment models for your account, he pays the third-party manager a fee based on the amount of assets to be managed by the third-party manager. The fees charged by the third-party managers for access to their investment models vary. However, in all cases, the greater the portion of your account's assets invested in third-party managers' investment models, the less your IAR will earn for overlay management of your account. Therefore, your IAR has an incentive to allocate greater percentage of your assets to himself to manage rather than utilizing third party managers' investment models. This conflict is mitigated by your IAR's requirement to act as a fiduciary and to select investments that are in the best interests of each client. In addition, the maximum program fee for Portfolio ONE limits the amount of compensation to which your IAR is entitled. For certain clients, more third-party strategies will be employed than others; for others, none will be employed. This is largely driven by functions beyond the IAR's control, including client suitability and investment goals, asset minimums for certain third-party manager investment models, client account sizes and structure (i.e. taxable vs. qualified). The greater the amount of assets in accounts and among accounts, the greater the likelihood that your IAR will utilize third-party managers. Because these factors often lead to different allocations among clients, your IAR's costs (and therefore net compensation) will differ between clients. However, the advisory fee that you pay is not affected by your IAR's selection of investments.

Your IAR may also be registered as an independent contractor registered representative with First Allied. This may create a conflict in that your IAR may be able to choose between offering you advisory programs or services and brokerage products or services. The amount and manner of compensation that your IAR receives in either of these capacities presents a conflict of interest. To mitigate this conflict of interest, we require that any advisory program or advisory service that you are offered is suitable for your investment goals and financial needs. First Allied conducts suitability reviews for brokerage product solicitations.

Furthermore, your IAR may also be registered with other related investment advisers and/or broker-dealers that are part of Cetera Financial Group's network of investment advisers and broker-dealers. This may represent a conflict of interest since your IAR may be incentivized to offer certain services through one entity over another. However, as a fiduciary, your IAR is required to act in your best interest. For more information on Cetera Financial Group, please see Item 9- Additional Information.

Your IAR may have a financial interest in certain securities. We do not permit our IARs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest. Your IAR may purchase or sell the same security he solicits for or uses discretionary trading authority for his client accounts as long as he does not have a material financial interest in the security. This presents a conflict of interest. Our Code of Ethics mitigates this conflict by detailing policies designed to ensure that clients are not disadvantaged by an IAR's trading activity.

You may be eligible to receive breakpoints, or discounts, on the fees that you pay to purchase or hold mutual funds in your account if your total investment in one or more particular mutual fund sponsors reaches certain levels. In certain cases, you can aggregate your investments in different accounts to reach these levels. We have established surveillance systems designed to help us monitor



your total investments in each mutual fund sponsor. However, the person granted trading authorization over your account may select mutual funds that prevent you from reaching a breakpoint level and taking advantage of a price break. In addition, if your account is managed by a third-party, we do not have the ability to ensure that your breakpoint levels will be a consideration in their investment decisions. For more information about breakpoints for the specific mutual funds you may hold in your account, please reference the mutual fund prospectus.

Though our advisory programs are generally only available through our IARs, similar programs or investment advice may be available from other investment advisers. In addition, you have the option to obtain similar investment products through investment advisers that are not affiliated with us. These services may cost you more or less if obtained elsewhere.

One of our IARs, Michael Wegner, is part owner of the holding company that owns Howard Capital Management. This presents a conflict of interest for Mr. Wegner, other IARs in his office, and other IARs at FAAS because the selection of Howard Capital Management as the manager of an account would financially benefit Mr. Wegner. We help mitigate this conflict by ensuring that all our IARs have the option to select managers other than Howard Capital Management and by reviewing each management agreement prior to engagement to confirm that the selection of Howard Capital Management is suitable.

## Item 5- Account Requirements and Types of Clients

Most programs we offer have account minimums (if the program requires an account). The Allocation Series program has a minimum of \$25,000, but certain investment models available in the Allocation Series program have higher minimums. The Manager Series program has a minimum of \$25,000, but most Investment Managers available in the Manager Series program have higher minimums. The Portfolio ONE program's minimum is derived from the minimums of the investment model(s) selected. The lowest the minimum could be for Portfolio ONE would be \$25,000, however, based on the investment models selected, it could be many times higher. The wrap version of Advisor Select has an account minimum of \$50,000.

The PCS program has a relationship minimum of \$500,000. We generally will not accept clients into the PCS program that do not meet this minimum. Generally, the PCS program is implemented across more than one investment account and the program minimum can be met by adding together the amount of assets in all included investment accounts.

We generally will not allow accounts into these programs that do not meet all applicable minimums. However, at our discretion, we may allow you to open an account without meeting the stated minimum. Some of our IARs impose minimum levels above those that we set. You and your IAR should discuss your level of investable assets to determine which programs are best suited for you.

Certain account registration types prohibit investments in securities other than mutual funds. Should your account registration type restrict the kinds of securities that are purchased in your account, the performance of the account may not match the performance of the investment model selected. In addition, there may be some Strategists, Investment Managers, and investment models that may not be appropriate for these accounts. Should your account have one of these account registration types, your IAR will consider which Strategists, Investment Managers, and investment models are best for you.

Our IARs open accounts for individuals, high net worth individuals, banking institutions, pension plans, profit sharing plans, charitable organizations, and other corporations and businesses. The majority of these accounts are opened for individuals not considered high net worth individuals. Our clients may have both advisory accounts and brokerage accounts. Our representatives may offer you advisory services, brokerage services, or both, depending on your needs.

## Item 6- Portfolio Manager Selection and Evaluation

A review is conducted of each third-party manager or platform that provides management services to our clients. We call this process "due diligence." The Strategists and Investment Managers that are available in the Allocation Series, Manager Series, and Portfolio ONE programs have been reviewed by either us or Envestnet.

Our due diligence process starts with the third-party manager completing a comprehensive questionnaire designed to provide us with information about the third-party manager and its investment process. We review each third-party manager based on guidelines we have developed to allow us to offer you reputable management, based largely on its answers to the questionnaire.

Along with reviewing the questionnaire, a more detailed review of the initial data is conducted, including:

- The ownership structure
- Employees, including investment professionals, marketing and client service staff
- Regulatory, legal, and compliance issues of the adviser
- The manager's performance, both current and historical
- In some cases, the investment adviser's financial statements

We have an internal review committee that reviews this information and decides if the third-party manager will be approved to manage our program accounts.



In the Advisor Select and PAM II programs, you are choosing one or more of our IARs to make investment decisions for your account. You will be provided with a Form ADV Part 2B brochure supplement that will describe the investment methodology of the IARs that provide portfolio management services to your account. The IARs that provide portfolio management services to you may have a different investment methodology than some of our other IARs.

For the Allocation Series, Manager Series, and Portfolio ONE programs, the Strategists and Investment Managers available for your account are all third-party managers. We have conducted due diligence in accordance with the process outlined above for certain unaffiliated third-party managers. Envestnet has conducted due diligence on the majority of third-party managers available for your account. All third-party managers who did not go through Envestnet's due diligence process were reviewed by us. Information about Envestnet's due diligence process is available in its disclosure brochure, which will be provided to you when you select a third-party manager for which Envestnet conducted due diligence.

Columbus Macro, LLC is the only choice for overlay manager for the PCS program. By investing in the PCS program, you are choosing Columbus Macro, LLC as the party who will make investment decisions for your investment account(s). Other programs that we offer give you the ability to choose from a selection of managers. These other programs are detailed in separate disclosure brochures that your IAR can provide to you upon request.

When managing each PCS relationship, Columbus Macro, LLC may utilize its own investment models, investment models created and managed by third-party managers, or strategies managed entirely by third-party managers. We have conducted due diligence in accordance with the process outlined above for Columbus Macro, LLC. Columbus Macro, LLC may also utilize due diligence conducted by Envestnet for third-party managers in the PCS program. Information about Envestnet's due diligence process is available in its disclosure brochure, which will be provided to you upon request.

## Item 7- Client Information Provided to Portfolio Managers

The information about you that we provide to other parties depends on the advisory program selected. For most of our advisory programs, the information that we provide to third-party managers varies depending on the amount of information the manager requests. For Allocation Series, Manager Series, Portfolio ONE, and PCS program accounts, information about you is only provided to affiliates, Envestnet, and third-party managers servicing your accounts. Non-public information is information about you that is not available to the public. Your social security number, your net worth, and your annual income are examples of non-public information. Public information is information about you that is readily accessible to the public. Public information may include your name, phone number, and address. For Advisor Select program accounts, we will only provide your information to the parties described in the GPS Investment Advisory Agreement, which you will sign when establishing the advisory relationship.

For all accounts, including those in the programs described in this brochure, your IAR will have access to all of the non-public information you provided when opening the client account. This information is protected in accordance with our Privacy Policy. A copy of our Privacy Policy is available on our website (<https://www.cetera.com/privacy-policy>), and is provided to you after you open an account with us and annually thereafter.

## Item 8- Client Contact with Portfolio Managers

Your IAR serves as the contact point for any questions or changes you have related to your accounts. Strategists and Investment Managers are not generally available for to speak with you. However, your IAR may be able to facilitate contact with a Strategist or Investment Manager on your behalf. In the Advisor Select and PAM II programs, you will work directly with the IAR(s) managing your account.

## Item 9- Additional Information

### **Performance-Based Fees**

Performance-based fees are fees that are based on a share of capital gains on or capital appreciation of the assets in an account. Your IAR is not permitted to charge performance-based fees.

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

#### *Types of Risk*

Various types of risk are involved when investing in securities. Economic risk, market risk, currency risk, inflation risk, liquidity risk, and credit risk are examples of the types of risks to which your account may be subject.

#### *Assessing Risk*

While some types of risk can be mitigated by investment strategies, these risks cannot be eliminated completely. Your IAR will work with you to make sure that you are comfortable with the risks associated with the type of investments that are in your account.





## *Risk of Loss*

You should know that all types of securities investing involve risk, sometimes substantial risk. Your account value can increase or decrease over time. You should not invest in any product if you are not prepared to bear a potential loss. Past performance does not guarantee future results.

## *Liquidity Risk*

Liquidity is a financial institution's capacity to meet its cash and collateral obligations without incurring unacceptable losses. Liquidity risk is the risk to an institution's financial condition or safety and soundness arising from its inability to meet its contractual obligations. Some investments used in FAAS programs have limited liquidity, including REITs and interval funds. Some illiquid investments periodically offer to repurchase shares from shareholders. These repurchase offers may have limitations on the total number of shares being repurchased, so an individual investor may not be able to sell shares. If an investment is liquidated pursuant to a repurchase offer, penalties may also be assessed or you may not receive the full value of your investment. You should read the prospectus for any investments.

## *Management Philosophy*

The advisory programs detailed in this brochure are managed by either a third-party manager or our IAR(s). You can find information about your IAR's management style and method(s) in the managing IAR's Form ADV Part 2B disclosure brochure, which your IAR will provide to you. For programs managed by third-party managers, you can find information regarding the third-party manager's methods of analysis and investment strategy by reviewing its Form ADV disclosure brochure, which your IAR will provide to you. Your IAR will also provide you with a copy of his Form ADV Part 2B brochure supplement, which contains important information about your IAR.

In the Portfolio ONE program, your IAR serves as the overlay manager for your account. Each of our IARs is permitted to use his own method(s) of analysis. Many of them use asset allocation software to help them determine objectives and risk tolerance. This software seeks to optimize your portfolio and diversify risk across asset classes appropriately. Some asset allocation software can even aid in selecting specific securities. IARs are not obligated to use the same asset allocation software as other IARs use. Some IARs analyze securities individually to determine if those securities should be included in your account.

Our IARs may create investment models based on investment advice provided by Cetera Investment Management LLC ("CIM"), an affiliated registered investment adviser. This advice could include basic asset allocation advice, or advice regarding specific securities. Your IAR will provide you with a copy of his Form ADV Part 2B brochure supplement, which contains important information about your IAR's management philosophy.

The PCS program is managed by Columbus Macro, LLC. You can find information on Columbus Macro, LLC's methods of analysis and investment strategy by reviewing its Form ADV disclosure brochure, which is attached to this brochure.

## **Disciplinary Information**

In mid-September 2019, Cetera submitted a settlement offer to the Securities and Exchange Commission (SEC), which the SEC accepted and resulted in Cetera consenting to an administrative Order dated September 26, 2019 (the "Order"). Cetera did not admit to or deny the findings in the Order, which alleges that Cetera violated Section 206(4) of the Advisers Act and Rule 206(4)-3 thereunder by paying cash fees to banks for solicitation activities and without providing certain required disclosures. The Order also includes a censure of Cetera, requires Cetera to cease and desist from violating Section 206(4) of the Advisers Act and Rule 206(4)-3 thereunder and to pay a civil penalty of \$185,000. Starting in late 2017, Cetera began the process of implementing several policies to address the practices described in the Order to treat banks as solicitors and to require that advisory clients receive a solicitor disclosure statement. Your advisory account is not affected by this Order, you are receiving notice of this because we are required to inform clients of this Order.

## *Additional Information*

More information on all of these items, and other items not summarized above, can be found on FINRA's BrokerCheck® (<http://brokercheck.finra.org>). The Form ADV Part 2B brochure supplement that your IAR will provide to you along with this document contains information regarding any disciplinary items that we deem material to your decision to select your IAR to provide you with advisory services. Additional information about your IAR's disciplinary history can also be viewed on BrokerCheck®.

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

### *Broker-Dealer Affiliation*

First Allied is a related broker-dealer that we use to introduce accounts to custodians. First Allied, a New York corporation, is a broker-dealer registered with the Financial Industry Reporting Authority ("FINRA") and a registered municipal advisor with the Securities and Exchange Commission ("SEC"). Being registered does not mean that First Allied is endorsed by any regulatory authority; it simply means that First Allied is required to follow the rules established by FINRA for brokerage business and the



Municipal Securities Rulemaking Board (“MSRB”) for advisory business on municipal bond proceeds and debt reserve accounts. For municipal advisors, the rules are created through the MSRB and registration is required through the SEC, though FINRA enforces these rules. First Allied, headquartered in San Diego, CA, was founded in 1994.

FAAS and First Allied are a part of Cetera Financial Group, a network of independent broker-dealers, investment advisers registered with the SEC, and general insurance agencies, and are wholly-owned by Aretex Group Inc. (Aretex). Aretex is a wholly-owned subsidiary of GC Two Intermediate Holdings, Inc., and an indirect wholly-owned subsidiary of GC Two Holdings, Inc.

As a broker-dealer, First Allied places trades for clients for the purchase and sale of stocks, bonds, options, mutual funds, variable insurance products, and private placements. Since the majority of our IARs are registered with First Allied, these services may be available to you if your IAR is a registered representative. Because most of our IARs are registered to offer you both advisory programs and services and brokerage products or services, a conflict of interest exists. The conflict involves the determination of whether advisory business (fee-based) or brokerage business (commission) is more suitable for the client. Because most of our IARs can offer both, your IAR could be conflicted about which business to recommend to you. We attempt to mitigate this risk by reviewing the suitability of the advisory program selected by each client. Ultimately, our IARs will discuss with you which type of business will best help you meet your goals.

You may have brokerage accounts with First Allied. The main differences between an advisory account and a brokerage account are the form of payment, the use of discretionary authority, and our level of responsibility to ensure the transaction is appropriate for you. In an advisory account, you will pay an advisory fee based on the amount of assets in the account; in a brokerage account, you will pay a commission for each transaction. In an advisory account, you may grant us, your IAR, or a third-party discretionary trading authorization that allows us to place securities transactions on your behalf without notifying you prior to placing the transaction; in a brokerage account, we will discuss each transaction with you prior to placing the transaction. Having discretionary trading authorization allows us, your IAR, or the third-party to act quickly on your behalf should there be an opportunity that would benefit you. With a brokerage account, you have the opportunity to approve each trade before it is placed on your behalf.

As a broker-dealer, First Allied buys and sells securities in its own accounts in order to facilitate the trading activities of its clients. First Allied also buys and sells securities on behalf of other clients. First Allied’s main activities include retail and institutional client services. First Allied generally uses its own execution services for advisory clients and brokerage clients, for accounts custodied at Pershing, though for advisory programs on the GPS platform, Envestnet’s execution services are used.

#### *Other Related Financial Industry Entities*

One of our affiliates is another investment adviser, Cetera Investment Management LLC (“CIM”). We use research and model portfolios provide by CIM in many of our programs. A conflict of interest exists due to these affiliations. We attempt to mitigate this risk by ensuring that policies and procedures are in place requiring our IARs to exercise their fiduciary responsibilities when recommending investments to clients. Client fees are not increased if IARs use CIM research or model portfolios, and CIM receives no compensation when their services are used by FAAS IARs. Our IARs’ recommendations must only take into account what programs or services are best for each client.

#### *Other Financial Industry Activities*

In addition to the related entities noted above, we also conduct business with other investment advisers that are owned or operated by registered representatives of First Allied and investment advisers that are owned by other persons. These investment advisers may enter into an agreement with us to offer our programs or use our services. We are not responsible for supervising or managing these investment advisers beyond their representatives’ activities with First Allied.

Some of our IARs work in a bank or credit union location. We do not supervise any IAR’s bank or credit union responsibilities. If the bank or credit union will receive any fees that you pay, our IARs are required to disclose this to you. Some of our IARs may be real estate agents. Activities related to real estate are not undertaken as part of the IAR’s representation of us. In addition to being investment adviser representatives, some of our IARs are also accountants. We do not supervise their accounting activities. Any tax advice you receive from your IAR is part of an outside business activity and is totally separate from the IAR’s affiliation with us.

Some of our IARs may be involved in other outside businesses. Activities related to these outside businesses are not undertaken as part of the IAR’s representation of us. The amount of time that IARs devote to outside business activities varies. Your IAR’s material outside business activities are reported on the Form ADV Part 2B brochure supplement that your IAR will deliver to you when he starts discussing advisory programs and services with you. Your IAR’s outside business activities, including without limitation, bank or credit union responsibilities, real estate, accounting, tax and legal activities, are not endorsed or supervised by, or the responsibility of, us or First Allied or any of our affiliates.

We are involved in several industry advocacy groups. These groups generally provide a forum for industry professionals to gather and discuss current and proposed regulations. Our membership in these groups helps us to better educate and supervise our IARs.

### **Code of Ethics**

#### *Overview*



Pursuant to SEC rule 204A-1, we have adopted a Code of Ethics (“COE”) to establish rules of conduct for all supervised persons. Supervised persons are individuals that are associated with our firm who are involved with offering or providing advisory services. Supervised persons may also include our home office employees. Your IAR is a supervised person. The COE recognizes our IARs’ fiduciary responsibility to clients. The COE instructs our IARs to conduct their affairs in such a manner as to avoid:

- Serving their own interests ahead of clients’ interests
- Taking inappropriate advantage of their position
- Engaging in unacceptable actual or potential conflicts of interest

A copy of our COE is available upon request by calling our Compliance department at 800-223-0989.

We do not permit our IARs to solicit for or use discretionary trading authority in any purchases or sales in a security in which that IAR has a material financial interest. Our supervised persons may, however, invest in the same securities that the IAR or another supervised person recommends to clients. This presents a conflict of interest. This conflict is mitigated by the policies and procedures set forth in our COE and Compliance Manual. Our IARs are not permitted to disadvantage clients while trading their own accounts. We also have surveillances in place designed to enforce our policies and procedures.

Our supervised persons are not permitted to recommend or use discretionary trading authority on behalf of clients at or about the same time that the IAR or another supervised person in the IAR’s branch office or responsible for supervising the IAR buys or sells the same securities for their own account(s). We have established surveillance systems that check trading patterns between supervised persons and clients. These surveillances are designed to ensure that even if a supervised person unintentionally trades in the same security as a client, the client will not be disadvantaged.

## **Brokerage Practices**

### *Soft Dollar Benefits*

Some firms in the industry receive benefits in exchange for delivering business to a broker-dealer, mutual fund sponsor, insurance company, or other third-party. These benefits are known as “soft dollars.” Soft dollar benefits are generally defined as benefits (besides normal fees) received from a firm in exchange for doing business with the firm. These benefits may include access to software, hardware, research, and/or office space. We do not receive any soft dollar benefits from choosing the broker-dealer through which we effect trades, nor from the mutual funds or insurance in which we invest.

### *Directed Brokerage*

We do not permit clients to direct us to execute transactions through a specified broker-dealer other than First Allied. We believe that First Allied allows us to achieve “best execution” because of their business relationships with Pershing, our access to First Allied’s trading department, our ability to rely on First Allied’s financial stability, and First Allied’s overall service to us and our IARs. “Best execution” factors include timeliness of execution, trader expertise, pricing, and responsiveness. In addition, certain advisory programs are only available through us and our affiliates and these programs allow your IAR to offer you a product or service that you cannot obtain elsewhere, although other investment advisers may offer similar programs. For more information about the brokerage practices of a third-party money manager program, you should refer to the disclosure brochure for the applicable third-party money manager program.

### *Selection of Brokers*

First Allied Securities, Inc. is a related broker-dealer that provides brokerage services for the advisory accounts in the Firm-Sponsored programs. During the account opening process, you authorize us to open a custodial account with Pershing, a subsidiary of The Bank of New York Mellon Corporation, One Pershing Plaza, 4th Flr., Jersey City, NJ 07399.

We have negotiated competitive pricing and services with Pershing for the benefit of our clients. Pershing offers their broker-dealer clients substantial financial strength and stability, economies of scale, and reliable, state-of-the-art technology.

We do not receive research or other products or services other than execution from Pershing in connection with client securities transactions (soft dollar benefits). We do not consider, in selecting or recommending broker-dealers, whether we or a related person receives client referrals from a broker-dealer or third party. We received a one-time flat fee from Pershing for contracting with them.

Although the Firm is able to negotiate competitive pricing from Pershing that it believes is beneficial to its clients, the Firm’s clearing relationship with Pershing provides the Firm with certain economic benefits by using itself or an affiliate/related entity as the broker-dealer for its advisory program accounts rather than an unaffiliated broker-dealer. For example, as described in Item 5, the Firm adds a markup to the transaction costs in PAM accounts and marks-up certain other brokerage-related account charges and fees that are assessed to all client accounts at Pershing. The charges and fees that are marked up include, but are not limited to, paper delivery surcharge fees for client statements and confirmations, clearance and execution fees, outgoing account transfer fees, mandatory reorganization fees, checking account fees, inactive account fees, wire fees, legal transfers fees, bond redemption fees, termination fees, and IRA annual custodial maintenance fees which are set forth in the Firm’s schedule at <https://myceterasmartworks.com/Public/Portal/Content.aspx?ContentId=30134770> and is also available from your Advisor.



The Firm also maintains two FDIC-Insured Programs. These programs create financial benefits for the Firm as described in Item 5. The Firm also receives additional compensation from Pershing for non-retirement account cash that is swept into a money market mutual fund as described in Item 5. The additional compensation received by the Firm creates a conflict of interest with the Firm's clients.

#### *Agency Cross or Principal Trades*

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlling, controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Principal transactions arise when FAAS and First Allied act as investment adviser and broker, respectively, in a transaction between an advisory client on one side of a transaction and FAAS (including accounts of IAR's) on the other side of the transaction. This includes buying securities from or selling any security to an advisory client from FAAS' own account.

FAAS permits agency cross or principal trades in exceptional circumstances with approval from the FAAS compliance department. If an exception is approved, FAAS will receive consent from the client prior to executing the transaction and the agency cross and/or principal transactions will be consistent with SEC guidelines. FAAS monitors trading for potential agency and principal trades.

#### *Aggregation of Client Trades*

In an effort to both obtain best execution and deliver the best possible service to you, we will aggregate client trades when appropriate. Aggregating trades is generally defined as "bunching" or combining trade orders for the same securities. Aggregating trades will not affect the transaction charges on such transactions. We try to average price our trades, which means that all clients that purchased the same security at the same time receive the same price, regardless of the number of shares. It is not always possible to average price trades, and some clients may receive a better price than other clients based on execution.

When an aggregated trade order cannot be filled completely, we will generally attempt to distribute the shares received proportionately based on the number of shares that were meant for each account. In certain circumstances average pricing an order that has not been filled entirely may not be in the best interest of each client. In these instances, we will allocate the shares among the clients in a manner we believe to be fair to each client. We are under no obligation to aggregate trade orders or to average price transactions. For the GPS programs, all responsibility for execution of trades is taken by either Envestnet or the third-party manager. Depending on the method of trading chosen by the third-party manager, trades are aggregated according to either Envestnet's trading policies and procedures or the third-party manager's trading policies and procedures. Envestnet's and any third-party manager's aggregation trading policies and procedures are discussed in their respective Form ADV Part 2A disclosure brochures.

For trades in the PCS program, responsibility for execution of trades is taken by either Envestnet, First Allied, or the third-party managers selected by Columbus Macro, LLC. Trades will be aggregated according to the trading policies and procedures of these entities.

#### **Review of Accounts**

As mentioned previously, each of our IARs is supervised by another of our representatives or an employee. Advisory accounts are also reviewed by an IAR's supervisor. We have created several different surveillances to aid in this supervision. We review your account in several ways. Our account reviews include:

##### *Annual Client Contact*

On at least an annual basis, your IAR will contact you to arrange a review of your advisory accounts with you. In general, this review includes any FAAS-Sponsored programs and certain third-party money manager programs.

##### *Home Office Oversight and Supervision*

Your IAR's designated supervisor periodically reviews client accounts of any IAR who he or she supervises. If this review raises any issues associated with your account, they will investigate the issue to determine if any further action is needed or warranted. FAAS utilizes a series of surveillance, exception, trade, and other transaction reports that are designed to help facilitate the ongoing review of FAAS managed accounts. Many of these surveillances are run daily and others are run monthly or quarterly. The frequency of the surveillance is determined by the nature of the underlying event. Not all of the surveillances are used on all advisory accounts. We take into account who is managing your advisory account. For example, if a third-party manager is managing your account, some surveillances will ***not*** be used.

##### *Quarterly Performance Reports*

After the end of each calendar quarter, we create performance reports and make them available to each client that is invested in our Advisor Select, Allocation Series, Manager Series, and/or Portfolio ONE programs. These performance reports will contain





statistical information about your account. In some cases, if you have more than one GPS platform account, we may be able to combine multiple accounts on the same performance report.

The reports we create will differ slightly based on which program you have purchased. Generally, the reports we create for you will list the beginning balance for the period, the ending balance for the period, the percentage change in asset level between the beginning and end of the period, and any deposits or withdrawals during the period. There is also information about your account's holdings as of the end of the period, a list of one or more comparable benchmarks, and important disclosure information.

For Allocation Series, Manager Series, and Portfolio ONE program accounts, the following benchmarks will be listed on the performance reports:

- S&P 500 Index- an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors), designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.
- MSCI EAFE Index- a free float-adjusted market capitalization index that is designed to measure equity market performance of developed markets, excluding the U.S. and Canada).
- Barclays Capital U.S. Aggregate Bond Index- an unmanaged index composed of the Barclays Government/Credit Bond Index, Mortgage-Backed Securities Index, and Asset-Backed Securities Index and is generally representative of the U.S. bond market.
- Consumer Price Index- an index of prices used to measure the change in the cost of basic goods and services in comparison with a fixed-base period.

If your account or a portion of your account is managed by a third-party manager, an additional benchmark selected by the third-party manager may be listed on your performance reports. For more information on each third-party manager's selection of benchmarks, please review the third-party manager's Form ADV disclosure brochure, which will be provided to you upon request. In addition, in the Advisor Select program, your IAR has the ability to select an additional index or a blended benchmark to which your account will be compared. This index or benchmark must be approved by us before your IAR is permitted to use it on your performance reports.

Both you and your IAR have the ability to create additional reports regarding your GPS platform accounts upon demand. Certain of these reports also contain performance information. Your IAR may also provide you with reports created by Albridge Wealth Reporting Solutions ("Albridge"). Albridge is a reporting vendor we have contracted with to enable your IAR to create reports for your accounts. These reports may encompass different information than the quarterly performance reports we deliver to you and may include information about brokerage accounts, variable annuities and alternative investments. There may be discrepancies in the pricing of securities between Albridge reports, the performance reports we prepare for you, and the statements you receive from your custodian. These discrepancies may be the result of different calculation and reporting methods between Albridge, our reporting vendors, and your custodian. If you have a question about a discrepancy or any other aspect of any of these reports, you should direct it to your IAR. If you are not satisfied with your IAR's explanation, please contact us at 800-223-0989.

The custodian of your account will also send account statements to you on a monthly or quarterly basis. Although the information we provide in the performance reports we deliver to you has been retrieved from sources believed to be reliable, we urge you to compare the holdings listed on the custodian's statement to those listed on any GPS performance reports or Albridge reports we may deliver to you. In the event of any discrepancy between our report and any statement you receive from Pershing regarding the same investment, you should rely on the statement from Pershing. Should you note any discrepancies, please contact us at 800-223-0989. In addition, the reports that we deliver to you should not be relied upon for tax calculations or any other legal representation.

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

Solicitors are individuals who introduce clients to an investment adviser with which the solicitor is not affiliated. Solicitor's arrangements allow individuals to receive compensation for referring a client to us. The compensation paid to a solicitor is a portion of the advisory fee that you pay. All solicitation arrangements that our IARs are involved in must be approved by us.

#### *Solicitors to FAAS*

We have solicitor's arrangements with persons who are not our IARs. If a solicitor is going to receive any portion of the advisory fee that you pay, the solicitor will provide you with disclosure when he refers you to an IAR. You will sign this disclosure, acknowledging that you know a payment is being made for the introduction. We conduct a background check on solicitors to ensure they have not been disqualified from the securities industry. We mitigate any conflicts of interest in relation to these arrangements by ensuring that you will not pay higher fees because of the solicitor's agreement.

#### *FAAS Acting as a Solicitor*

Our IARs have the ability to refer, or "solicit," clients to other investment advisers. Our IARs can solicit advisory business for both affiliated investment advisers and unaffiliated investment advisers. Both affiliated and unaffiliated investment advisers must be



approved by us before any of our IARs are permitted to refer clients to them. If our IARs are soliciting advisory business for any investment adviser, this will be disclosed to you by issuance of a disclosure statement and a written acknowledgement. The investment advisers that we solicit for provide a variety of management services, as outlined in each investment adviser's disclosure brochure. In general, they provide management strategies and investment models to advisory clients. The investment adviser will pay a portion of the advisory fee, as disclosed to you in the written acknowledgement, to us for soliciting clients. We will share a portion of this fee with your IAR. In exchange for this fee, the IAR is providing services including investor profiling, selection of managers, and ongoing account monitoring.

In certain cases, we may be compensated by unaffiliated third-parties based on the amount of assets our IARs may place with them. This represents a conflict of interest in that your IAR may be incentivized to recommend the services of the third-party from which additional compensation may be received. In other cases, your IAR may incur fewer expenses from the third-party as a result of the amount of assets the IAR has placed with the third-party. Generally, the fees that the third-party charges will be lower as the amount of assets that is placed with them increase. Therefore, your IAR may be incentivized to recommend the services of the third-party.

Certain investment advisers to whom we solicit may make donations to charitable organizations as an award to us or our IARs. The award criteria may vary between investment advisers, but this award may incent our IARs to solicit to investment advisers offering a donation rather than those that do not. This conflict is mitigated by our requirement that any advisory program or advisory service that you are offered is suitable for your investment goals and financial needs and by our restriction on any of our IARs financially benefiting directly from any donations made by investment advisers either on their behalf or as a result of any solicitations.

#### *Other Compensation Payable to FAAS*

We and our affiliates offer a wide variety of approved products to our IARs to serve your needs. We have designated a subset of approved products as "Product Sponsors." Product Sponsors offer an assortment of approved products. They also train and educate our representatives on products and industry-related topics. Product Sponsors pay extra compensation to us and our affiliates; however, clients do not pay more to purchase these products through us than clients would pay to purchase them elsewhere. This extra compensation is based in part on the total amount of assets that our IARs refer to their products and services. There is a financial incentive to promote certain products because of this extra compensation. Because IARs do not receive a direct financial benefit from recommending Product Sponsors to you, we believe that these relationships do not compromise the advice provided by our representatives.

Sometimes we and our affiliates receive payments from firms that are not Product Sponsors to recognize our sales efforts. All companies may pay us and our affiliates in connection with the sale of certain products. This compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. They may also pay for training, educational meetings or training events, conferences, and entertainment for our representatives and/or clients, as permitted by industry rules. In the cases where our IARs host seminars for clients or prospective clients, no fees are charged to attendees. Additional disclosure and a listing of companies who pay additional compensation to us may be obtained at [www.firstallied.com](http://www.firstallied.com) or by contacting us at 800-223-0989. Some investments pay higher commissions than others. Commissions on equities are usually greater than those on bonds. Investments in limited partnerships generally pay higher commissions than investments in equities.

#### **Custody**

As mentioned previously, we do not take custody of your account assets. GPS platform account assets are custodied by Pershing. Pershing will send account statements to you either quarterly or more frequently. You should review the account statements carefully and compare these account statements with any GPS performance reports or Albridge reports that your IAR may provide to you. In the event of any discrepancy between our report and any statement you receive from Pershing regarding the same investment, you should rely on the statement from Pershing. Should you note any discrepancies, please contact us at 800-223-0989.

Pershing's mailing address is: Pershing LLC One Pershing Plaza, Jersey City, NJ, 07399.

Occasionally, IARs may accept stock certificates from clients and forward them to First Allied for delivery to the client's account with the custodian. In the course of business development, we may obtain custody in other forms that are not disclosed here but will be disclosed to our independent auditor. Because of these activities, we meet the regulatory definition of having custody of client securities and are required to hire an independent accounting firm to review our procedures. This audit is conducted each year. More information about the results of the audit can be found through the SEC's Investment Adviser Public Disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), by selecting "Investment Adviser Firm" and typing our name into the "Firm Name."

We ask that any checks you write for deposit into your accounts be made payable to Pershing and **not** made payable to FAAS, First Allied, or your IAR.

#### **Investment Discretion**

##### *Overview*



When you invest in one of our advisory programs we may attain a trading authorization. Depending on which advisory program you choose, you will grant us one of two levels of trading authorization:

- Limited trading authorization
- Full trading authorization

#### *Limited Trading Authorization*

Limited trading authorization is automatically granted to your IAR when you invest in the PAM II or SEI programs. Limited trading authorization allows your IAR or us to make decisions on your behalf regarding purchases and sales of approved investment company securities. Investment company securities include mutual funds, unit investment trusts, closed-end funds, and exchange-traded funds. By signing the account agreement for the PAM II or SEI, you are granting limited trading authorization to your IAR.

#### *Full Trading Authorization*

Full trading authorization allows third-party managers or your IAR to make decisions on your behalf regarding purchases and sales of equities, mutual funds, exchange-traded funds, fixed income products including bonds and certificates of deposit, options, and any other security traded on a national exchange, including investment company securities.

When you select the Allocation Series or Manager Series program, you are granting your IAR the authority to select Strategists, Investment Managers, and models for your account without your consent. In the Portfolio ONE program, you are granting your IAR the authority to select Strategists, Investment Managers, and investment models, including investment models that are managed by your IAR, for your account without your consent.

When you invest in the PCS program, you are granting discretion in the form of a full trading authorization to Columbus Macro, LLC.

The trading authorization granted in the GPS and PCS programs also allows Envestnet to execute trades for your account without your consent.

When you invest in the Advisor Select program, you are granting us a full trading authorization. In certain cases, our IARs are only licensed to buy or sell investment company securities. In certain cases, client assets have migrated into the Advisor Select program from another First Allied advisory program. For some of these accounts, the IAR may only have limited trading authorization until the client signs a new GPS Investment Advisory Agreement granting FAAS (and IAR) full trading authorization.

In PAM II accounts, you must initial the account agreement appropriately to grant full trading authorization.

#### **Voting Client Securities**

We do not accept authority to vote client proxies. In the Allocation Series and Manager Series program accounts, a third-party manager will vote proxies on your behalf in accordance with its policies and procedures. In the Portfolio ONE program, either Envestnet or third-party managers will vote proxies for the securities held in the portion of the account that is allocated to the investment models of third-party managers. Envestnet and/or some third-party managers may hire another firm to vote proxies on their behalf. You may revoke this voting authorization at any time by sending us written notice.

We do not accept authority to vote client proxies in any of our advisory program accounts. However, your IAR is permitted to aid you in the completion of the client proxies you receive.

#### **Financial Information**

##### *Prepayment of Fees*

We do not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Generally, advisory fees for account management are paid quarterly in advance.

##### *Our Financial Condition*

We are required to inform you of any financial conditions that are reasonably likely to impair our ability to meet contractual commitments to you. Currently, there are no financial conditions that would impair our ability to meet our contractual commitments to you. Should any arise, we will notify you according to SEC guidelines.