

## ADV Part 2A

### ITEM 1 – COVER PAGE

## Cetera Advisors LLC

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Denver, Colorado 80237  
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[www.ceteraadvisors.com](http://www.ceteraadvisors.com)

January 31, 2018

This brochure provides important information about Cetera Advisors LLC (Firm, us, our, or we). You should use this brochure to understand the relationship among you, the Firm, and your investment adviser representative (Advisor). If you have any questions about the contents of this brochure, please contact us at 800.929.3485.

The Firm is registered with the Securities and Exchange Commission (SEC) as a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The information in this brochure has not been approved nor verified by the SEC or by any state securities authority.

Additional information about the Firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) (select "investment adviser firm" and type in our name).

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## ITEM 2 – 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 April 2016.

On May 23, 2016, the parent company of Cetera Advisors LLC, RCS Capital Corporation (RCS), reorganized under Chapter 11 of the Bankruptcy Code and, as a result, changed its ownership and name. As a result of this change, RCS is no longer a publicly held corporation. RCS is now known as Aretec Group, Inc.

### **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 your Advisor with whom you are working.
- 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 the Advisory Services Department at 800.929.3485.

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## ITEM 4 – ADVISORY BUSINESS

### Who We Are

Cetera Advisors LLC, headquartered in Denver, Colorado, is a full-service independent investment advisor/broker-dealer. Founded in 1981, Cetera Advisors provides industry-leading products and services to more than 1,000 financial professionals nationwide.

As of December 31, 2016, Cetera Advisors had \$10,963,478,052 in assets under management, of which \$7,299,734,156 was managed on a discretionary basis and \$3,663,743,896 was managed on a nondiscretionary basis.

We are wholly owned by Cetera Financial Group, Inc., which is wholly owned by Aretec. Please refer to Item 10 of this brochure for more information on our corporate structure.

### Getting to Know You Better

Most advisory relationships begin with an initial client meeting. Typically, meetings are done in person, over the telephone, or through email communications. The purpose of this initial meeting is to discuss with your Advisor your investment history, goals, objectives, and concerns as it relates to the management of your account.

The investment advisory services provided by Cetera Advisors depend largely on the personal information the client provides to the Advisor. For Cetera Advisors to provide appropriate investment advice to, or, in the case of discretionary accounts, make appropriate investment decisions for, the client, it is very important that clients provide accurate and complete responses to their Advisor's questions about their financial condition, needs and objectives, and any reasonable restrictions they wish to apply to the securities or types of securities to be bought, sold, or held in their managed account. It is also important that clients inform their Advisor of any changes in their financial condition, investment objectives, personal circumstances, and reasonable investment restrictions on the account, if any, which may affect the client's overall investment goals and strategies.

### Important Considerations Prior to Opening an Account

The list below is meant to provide you with general overviews of several important facts that are common with the advisory programs that we offer. While the list below is not meant to include every possible situation, we do consider and take into account the following:

#### *Reasonable Restrictions*

By stating in the Investment Policy Statement (IPS) proposal or sending a written request to your advisor, you may impose reasonable restrictions on the management of your account. For example, a reasonable restriction may indicate your desire that we do not invest in a certain sector or industry. Your advisor will also proactively reaffirm with you any modifications you may have to these restrictions at least on an annual basis during your normally scheduled client review meetings. Pursuant to any restriction(s) you may suggest, your advisor will document this upon receipt.

However, your adviser may refuse to accept or manage your account if he/she determines that such restrictions are unreasonable. In the event that your adviser is unable to accept your restriction, he/she will give you the opportunity to modify or withdraw the restriction.

#### *Deposits and/or Withdrawals*

Unless specifically stated, you may make additions to or withdrawals from your account at any time. If your account falls below the minimum required account value, we may terminate your account. You may also add securities to your account; however, note that we reserve the right to not accept particular securities into your account.

#### *Trading Authorization*

Advisory accounts typically involve the purchase and/or sale of securities. Accounts are managed either on a discretionary or non-discretionary basis, but may be solely discretionary depending on the program.

#### *Trade Confirmations*

You will receive trade confirmation from Pershing for each security transaction placed in your account. Trade confirmation suppression is available upon client request.

#### *Quarterly Performance Reports*

On a calendar quarter basis, you may receive a performance report that indicates how your account has performed over time. If you have any questions regarding the performance of your account, please contact your Advisor.

### *Minimum Account Opening Balance*

Each advisory program requires a program-specific minimum account opening balance. At its sole discretion, the Firm may waive the minimum account size. If you establish a new account and deposit funds less than the minimum opening balance requirement, your funds will not be managed until the minimum dollar amount is met. Your cash will be placed into a money market fund until the minimum opening balance requirements are met. Your balance in the money market fund is not insured or guaranteed against loss.

### *FDIC Cash Sweep Account*

FlexInsured – FDIC Insured Sweep Account permits available cash balances in eligible accounts (including those 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 at one of more participating banks. Deposits made through the FlexInsured Account are FDIC insured up to \$250,000 at each participating bank and up to \$2,500,000 for combined program deposits. Cetera will earn additional compensation for its role in offering the FlexInsured Account. Qualified advisory accounts are not eligible for investment in a FlexInsured Account. For advisory retirement accounts, including those subject to ERISA regulations, the Federated Treasury Obligation Money Market Fund will be the default options. All other accounts will default to the FlexInsured Account. If your default option is the FlexInsured Account, you may choose a sweep option other than the default option. For detailed information regarding the terms and conditions of the products, including balance limitations, see the applicable prospectus or FDIC sweep disclosure document. We may change the products available for your selection.

### **Important Note about Wrap Fee Programs**

Most third-party money management programs (TPMM), as well as all of the Firm-Sponsored programs, with the exception of Preferred Asset Management® and Advisor Select Program (under the circumstances described below), are considered “wrap fee” programs in which the client pays a specified fee for portfolio management services and trade execution. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap fee programs assess trade execution costs that are in addition to the investment advisory fees.

Prime Portfolio Services and Premier Portfolio Management accounts are managed by your Advisor in accordance with his or her own investment methodology and philosophy.

The other wrap fee programs available through Cetera Advisors are managed by a third-party money manager. Wrap fee programs are managed in accordance with the investment methodology and philosophy used by the respective third-party money manager. Cetera Advisors receives a portion of the investment advisory fee you pay to your Advisor when you participate in any of our programs.

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.

One of the affiliates to Holdings, Cetera Financial Holdings Inc., also owns multiple other investment advisers, including CIM. We use research and model portfolios provided 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 Cetera research or model portfolios, and Cetera receives no compensation when their services are used by Cetera Advisors IARs. Our IARs' recommendations must only take into account what programs or services are best for each client.

### **Program Choice Conflict of Interest**

Clients should be aware that the compensation to Cetera Advisors and your Advisor will differ according to the specific advisory program chosen. This compensation to Cetera Advisors and your Advisor may be more than the amounts we would otherwise receive 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 among the various advisory programs and services offered by Cetera Advisors and your Advisor, we have a financial incentive to recommend particular programs or services over other programs and services.

### **More Detail About our Advisor Services**

The Firm has developed several advisory services and programs to give you as much flexibility as possible. The specific advisory program selected by you may cost you more or less than purchasing program services separately. Factors that bear upon the cost of a particular advisory program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client-related services provided to the account.

The following is a list of our advisory programs:

- Firm-sponsored programs
  - a. Preferred Asset Management®
  - b. Prime Portfolio Services
  - c. Premier Portfolio Management
  - d. Managed Wealth ADVANTAGE®
  - e. Mutual Fund/Exchange Traded Funds Advisory Program
  - f. xMA® Next Generation Managed Account Program
- Co-Sponsored Programs – My Advice Architect Program
- Third-party money management programs
- Financial planning
- Consulting services
- Plan advice and consulting services

### **Preferred Asset Management and Prime Portfolio Services**

We sponsor the Preferred Asset Management (Preferred) and Prime Portfolio Services (Prime) Asset Management Programs. In these programs, your Advisor will create a mix of investments that are appropriate for your investment goals. The benefit of opening these types of accounts includes:

- Individualized management of your account
- Annual reviews of your account

#### *Types of Securities*

Your Advisor will purchase securities on your behalf based on your goals and objectives. In order to meet your needs, we provide a wide range of investment choices for you to consider. Some of the securities we may offer to you include, but are not limited to:

- General securities (stocks and bonds)
- Covered call options and protective put options
- Fixed income securities
- Mutual funds
- Structured products
- Exchange traded funds
- Unit investment trusts

#### *Minimum Account Opening Balance*

In general, we require a minimum deposit of \$25,000 to open a Preferred or Prime Account. Your opening balance may include both cash and securities.

Depending on a number of factors, we may waive the minimum required balance, including whether or not you have other accounts with us.

#### *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. The Preferred and Prime Programs are materially the same with one important exception. In the Prime Program, your Advisor pays for any transaction costs associated with your account. In the Preferred Program, any transaction charges are paid by you. Because your Advisor pays for transaction costs in the Prime Account, the management fees that you pay may be higher. Please refer to Item 5 of this brochure for further information regarding fees.

Your Advisor has a potential conflict of interest in recommending that you open a Preferred or a Prime advisory account because he or she only pays for transaction costs in the Prime advisory program. For example, if it is anticipated that you will trade more frequently, your Advisor would receive less investment advisory compensation if you were to open a Prime advisory account, because in that program, your Advisor pays the transaction costs. If it is anticipated that you will trade infrequently, your Adviser would receive less compensation from your Prime advisory account than if you were to open a Preferred advisory account, because while you pay transaction costs in a Preferred advisory account, the maximum fee schedule for the Prime program is 0.25% higher than the maximum fee schedule for the Preferred Program. For both Preferred and Prime Programs, other brokerage account fees will be charged when applicable.

### **Premier Portfolio Management**

We sponsor a wrap fee program called Premier Portfolio Management (Premier). In this program, your Advisor will create a mix of investments that are appropriate for your investment goals. The benefit of opening these types of accounts includes:

- Individualized management of your account
- Annual reviews of your account

## *Types of Securities*

Your Advisor will purchase securities on your behalf based on your goals and objectives. In order to meet your needs, we provide a wide range of investment choices for you to consider. Some of the securities we may offer to you include, but are not limited to:

- General securities (stocks and bonds)
- Covered call options and protective put options
- Fixed income securities
- Mutual funds
- Structured products
- Exchange traded funds
- Unit investment trusts

## *Minimum Account Opening Balance*

In general, we require a minimum deposit of \$25,000 to open a Premier Account. Your opening balance may include both cash and securities. Depending on a number of factors, we may waive the minimum required balance, including whether or not you have other accounts with us.

## *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. In the Premier Program, any transaction costs associated with your account are included or wrapped into your advisory fee.

In addition to the transaction costs, IRA maintenance fees, trade confirmations fees, paper surcharge fees, SEC 31 fees, inactivity fees, dividend reinvestment fees, FundVest short-term redemptions fees, and real estate investment trust (REIT) holding fees are also covered by the advisory fees. Other brokerage account fees will be charged to your account when applicable.

## **Additional Information for Preferred, Prime and Premier Accounts**

### *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 their sole discretion, may add or remove mutual funds from the FundVest Program without prior notice. In the FundVest Program, transaction costs are waived on purchases that would normally carry a transaction charge, which may provide your Advisor with an incentive to recommend a FundVest mutual fund. This incentive is increased if you have a Prime account due to the fact that your Advisor pays for the transaction cost.

### *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 the following:

- 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.
- You are using the securities that you own as collateral.
- Money borrowed is charged an interest rate that is subject to change over time.
- Your Advisor has 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. 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.

### *Loan Advance Accounts*

A Tri State Capital Bank (Tri State) pledged account is collateral for a loan held through Tri State. A customer may borrow money from Tri State 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 Tri State.
- 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.
- Tri State 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. Tri State can decide which securities to sell without consulting you. The Firm and our representatives have a conflict of interest when you obtain a loan from Tri State. This conflict occurs because the Firm and the representative will receive a portion of the interest charged on the loan. The Firm reduces this conflict by reviewing the borrower's accounts to determine whether or not the use of Tri State is appropriate and in line with the borrower's goals and objectives.
- Tri State is responsible for reviewing the loan application and any other documents that Tri State may require to obtain the loan. Tri State, in its sole discretion, will determine the credit worthiness of the applicant, including the amount of the loan.
- Prior to establishing a loan with Tri State, 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 Tri State, you should carefully review the disclosure form provided by the Firm.

## **Managed Wealth ADVANTAGE®**

Managed Wealth ADVANTAGE (MWA) offers asset allocation models that have been developed for the Firm by Columbus Macro. CIM will independently select and add or remove the mutual funds and/or exchange traded funds that the Firm will make available through the Program (Available Funds). Columbus Macro and CIM make the investment allocation decisions for client accounts under the MWA program.

### *MWA Program Profile and Proposal Process*

The process with the Firm begins with you completing an Investment Profile Questionnaire (IPQ). The purpose of the IPQ is to assist your Advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon, and other pertinent information. The information we gather will also be used to determine your suitability for the program and to assist you in setting an appropriate investment objective and selecting an asset allocation model.

You and/or your Advisor will build an investment portfolio (Portfolio) consistent with your asset allocation model, using available funds. Your Advisor will provide ongoing advice on the selection or replacement of mutual funds and/or ETFs in your account based on your individual needs and the investment choices available in the program.

### *Investment Management Philosophy*

MWA provides you with the opportunity to participate in an asset allocation program using selected mutual funds and/or exchange traded funds.

### *Trading Authorization*

By completing the account opening documentation, you authorize us to implement transactions on a discretionary basis. You also authorize us to act as Overlay Manager and to delegate this authority to FDX Advisors, Inc. (Folio), an independent investment adviser. Folio, as the Overlay Manager, will have full discretion to place orders for the purchase and sales of securities in accordance with your selected portfolio and to rebalance your account whenever it moves up or down 25% from the target allocation.

### *Minimum Account Opening Balance*

MWA generally requires a minimum deposit of \$25,000. If you establish a new account and deposit funds less than the minimum opening balance requirement, your funds will not be managed until the minimum dollar amount is met. Your cash will be placed into a money market fund until the minimum opening balance requirements are met. Your balance in the money market fund is not insured or guaranteed against loss.

### *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. In the MWA Program, any transaction costs associated with your account are included or wrapped into your advisory fee. Other brokerage account charges, such as stop payment fees, Fed Fund Wire Fees and margin interest will be charged to your account when applicable. For a full list of fees, request a Fee Schedule from your Advisor.

## **Mutual Fund/Exchange Traded Funds Advisory Program**

We offer a portfolio management service known as the Mutual Fund/Exchange Traded Funds Advisory Program (MF/ETF Program). As of April 17, 2013, CIM (Model Provider), an affiliated investment adviser, is responsible for developing a set of tactical model portfolios of securities (Strategic PLUS Portfolios) and a set of passive model portfolios of securities (Strategic Portfolios) (the Strategic PLUS Portfolios and the Strategic Portfolios collectively referred to as the "Portfolios") available to you through the program. The Model Provider may add or remove one or more Strategic PLUS Portfolios or Strategic Portfolios from the program from time to time. Once you have determined your preference for either Strategic PLUS Portfolios or Strategic Portfolios for the program, we will recommend a portfolio that is consistent with your risk tolerance, choosing from the applicable set of portfolios made available by Model Provider for the program.



With respect to your portfolio, the Model Provider will independently select the mutual funds and/or exchange traded funds (ETFs) that constitute your asset allocation model as a provider (Strategist) of model portfolio design services to the program or, in its sole discretion, it may authorize a third-party money manager to select the funds as a Strategist to the program. In either case, the program fee payable to us and/or our affiliates with respect to the applicable set of portfolios will be the same and the cost for any third-party money manager's services as a Strategist shall be charged to us and/or its affiliates.

The following advisors currently serve as Strategists for the MF/ETF Program in addition to Model Provider:

- Wilshire Associates
- Sage Advisory
- UBS
- Columbus Macro, LLC

#### *MF/ETF Program Profile and Proposal Process*

Your relationship begins with you completing an Investor Profile Questionnaire (IPQ). The purpose of the IPQ is to assist your Advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. The information that we gather will also be used to propose an appropriate asset allocation model for your account in the MF/ETF Program. Once you receive the proposal and meet with your Advisor, you will determine whether to adopt, modify or reject the recommended asset allocation model.

#### *Investment Management Philosophy*

Our MF/ETF Program provides you with the opportunity to participate in an asset allocation program using a tactical model, a strategic model, or a combination of tactical and strategic models, which are discussed in more detail below.

#### *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 sectors, 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.

#### *Trading Authorization*

Your Advisor will assist you in determining an appropriate investment strategy to follow. By completing the account opening documentation, you authorize us to execute transactions on a discretionary basis. We, in turn, utilize FDX Advisors, Inc. (Folio), an independent investment adviser, to execute the transactions on your behalf. Folio will use discretionary authority to execute securities transactions that are recommended by the models developed by the Strategist. For both Strategic and Tactical Asset Allocations, Folio will rebalance your account whenever the account moves up or down 25% from the target allocation designed by the Strategists.

#### *Minimum Account Opening Balance*

In general, the MF/ETF Program requires a minimum deposit of \$25,000 for accounts consisting of mutual funds or \$50,000 for accounts utilizing ETF securities.

Trade confirmation suppression is available upon client request.

#### *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. In the MF/ETF Program, any transaction costs associated with your account are included or wrapped into your advisory fee. Item 5 of this brochure discusses additional costs for which you are responsible.

### *In-Kind Transfers*

Accounts may be funded with both securities and cash. The MF/ETF Program can only accept mutual funds, equities and ETFs that are approved by the Firm. Any mutual funds, equities and ETFs that are transferred into the MF/ETF Program that are not accepted by the Firm will incur a fee charged to the Advisor. This creates a conflict of interest for the Advisor as they bear the cost if this option is used.

### **xMA® Program**

We offer a portfolio management service known as Next Generation Managed Account (xMA). xMA provides access to independent investment manager(s) to design models based on investment styles. The models may consist of multiple types of securities but typically utilize some or all of the following: fixed income, open-end mutual funds, exchange-traded funds, and general securities.

#### *xMA Proposal and Investment Policy Statement Process*

Your xMA relationship begins with completing an Investor Profile Questionnaire (IPQ). The purpose of this questionnaire is to assist your Advisor in understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other pertinent information. The information that we gather will also be used to recommend an appropriate xMA Manager.

Based on the answers provided to the Firm, an Investment Policy Statement (IPS) will be generated. The IPS will present to you one of several investment styles for consideration.

#### *Trading Authorization and Discretionary Management*

This program is a discretionary program. The type of discretionary authority exercised depends on the model portfolio that you invest in. Your Advisor will have discretion to choose the xMA Manager.

By completing the account opening documentation, you authorize us, or as applicable, the manager of a fixed income model (Fixed Income Model), to act as your agent and attorney-in-fact to direct the investment and reinvestment of the assets in your account. For accounts that do not utilize a Fixed Income Model, we, in turn, authorize Folio, an independent investment adviser, to act as Overlay Manager to have full discretionary trading authority to place orders for the purchase and sale of securities recommended by the models developed by such xMA Managers.

#### *Use of Independent Investment Managers*

Your Advisor may recommend models designed by one or more xMA Managers. The xMA Manager will independently select the securities for the model selected. With the exception of Fixed Income Models, the securities that comprise the model will be sent to Folio for trading. Pershing is currently utilized for clearing and trade execution services.

#### *Fixed Income Models*

Your Advisor may recommend models designed by managers to invest in fixed income securities. If a Fixed Income Model is selected, the fixed income manager will have investment and trading discretion over the trades for that account.

#### **Minimum Account Opening Balance**

In general, we require a minimum deposit of:

1. \$100,000 for equities only
2. \$100,000 for fixed income managers who use equities and ETF investments
3. \$250,000 for managers who use individual fixed income issues, such as individual bonds

The minimum deposit may consist of both cash and securities. Managers may have different account minimums, restrictions on the types of investments they manage, and other pertinent details. Please refer to the manager's Form ADV Part 2A Brochure for additional information.

#### *Transaction Costs*

Transaction costs are the costs associated with purchasing or selling securities. In the xMA Program, any transaction costs associated with your account are included or wrapped into your advisory fee. Item 5 of this brochure will also discuss the standard fee schedule that applies to your account.

### **My Advice Architect Program**

Cetera Advisors is a co-advisor to the My Advice Architect Program (Program) and is responsible for supervising the activities of the investment adviser representatives who use the Program for clients. For a more detailed description of the Program and the role of Cetera Advisors and its investment adviser representatives, please see our affiliate's and Cetera Advisory Services' Form ADV Part 2A.

## Third-Party Money Manager Programs

Our third-party money manager (TPMM) programs provide you with the opportunity to have your portfolio professionally managed by outside money managers. TPMM programs offer clients access to a variety of model portfolios with varying levels of risk from which they may choose. TPMM program accounts are not managed by Cetera Advisors; rather, they are managed by one or more third-party portfolio managers on a discretionary basis, and they may consist of a variety of different securities types, including stocks, bonds, and mutual funds. Cetera Advisors is not the sponsor of these TPMM programs.

Cetera Advisors may act in either a “solicitor” or “subadviser” capacity when it offers TPMM programs to Advisors’ clients, as described below:

**Solicitor:** When acting as a solicitor for the TPMM program, Cetera Advisors and your Advisor do not provide advisory services in relation to the TPMM program. Instead, your Advisor will assist you in selecting one or more TPMM programs believed to be suitable for you based on your stated financial situation, investment objectives, and financial goals. The TPMM will be responsible for assessing the suitability of their products against your risk profile. Cetera Advisors and your Advisor are compensated for referring you to the TPMM program. This compensation generally takes the form of the TPMM sharing a percentage of the advisory fee you pay to the TPMM with Cetera Advisors and your Advisor. When we act as a solicitor for a TPMM program, you will receive a written solicitor disclosure statement describing the nature of our relationship with the TPMM program, if any; the terms of our compensation arrangement with the TPMM program, including a description of the compensation that we will receive for referring you to the TPMM program; and the amount, if any, that you will be charged in addition to the advisory fee that you will pay to the TPMM as a result of our referral of you to the TPMM program.

**Adviser or Subadviser:** Under an adviser or subadviser relationship between Cetera Advisors and the sponsor of the TPMM program, we are jointly responsible for the ongoing management of the account. Your Advisor is responsible for assisting you with completing the investor profile questionnaire. While each TPMM may have a different name for their questionnaire, your responses will assist your Advisor with understanding your investment objectives, financial situation, risk tolerance, investment time horizon and other personal information. Based on the answers that you provide to your Advisor, he or she will assist you in determining which TPMM model or portfolio strategy is appropriate for you. As part of establishing a new account, you will receive both our disclosure brochure as well as the TPMM’s disclosure brochure.

Since each TPMM is uniquely structured with different investment products, please ensure that you carefully review all documents provided to you on behalf of the TPMM. These include, but are not limited to:

- The TPMM’s Form ADV Part 2A or Disclosure Brochure for specific program descriptions.
- The TPMM’s Client Agreement as well as any other agreement entered into regarding a TPMM program, for specific contractual terms (including fees, billing methods, administrative and other fees, etc.).
- Any additional disclosure or offering documents provided by the TPMM in connection with investment products.

## Financial Planning

Financial planning typically involves providing a variety of services to individuals or entities regarding the management of their financial resources based upon an analysis of their individual needs. Generally, financial planning services involve preparing a financial program for a client based on the client’s financial circumstances and objectives. The information provided as part of this service would normally cover present and anticipated assets and liabilities, including insurance, savings, investments, and anticipated retirement or other employee benefits.

The advice that is provided to you by your Advisor may include general recommendations for a course of activity, or specific actions, to be taken by you.

Traditional financial planning involves meeting with you to determine your financial goals and objectives. We then develop and deliver to you a written financial plan. At that point, our advisory relationship is typically concluded.

### *Initial Client Meeting*

The purpose of this meeting is to discuss with you specific areas of concern and potential planning areas. During this meeting, your Advisor will work with you to determine whether or not a financial plan is appropriate for your specific circumstance.

As part of your initial meeting, or as a separate meeting, your Advisor will review all necessary documents for him/her to develop a financial plan for you. These documents may include, among other things, brokerage statements, income tax statements, a current will, other financial plans, business agreements, retirement information, etc.

### *Developing a Financial Plan*

Based on the information that your Advisor gathers about your specific circumstance, a financial plan will be developed for you. Your Advisor may use various computer software tools to assist them in creating the financial plan. While our Advisors will not provide tax or legal advice, with written permission from you, they may speak with your attorney and/or tax professional.

Financial plans may consist of:

**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.

**Retirement Planning** – Retirement planning typically consists of analyzing your current or expected future retirement needs. Based on your current level of retirement savings, additional retirement 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 a 401(k), defined benefit plan, etc.), your Advisor 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 Advisor 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 Advisor 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.

**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 Advisor may suggest the need to increase or decrease the amount of insurance you currently have. Certain states do not allow us to charge you a separate fee to review your insurance needs.

**Education Planning** – Your Advisor may review your current or future needs as it relates to paying for education expenses for you or your dependents. This type of review typically analyzes the amount of money you are saving for education expenses.

**Tax Efficient Investing Strategies** – As part of the consulting services, your Advisor may not provide you with tax advice. However, your Advisor may assist you in designing an investment strategy to maximize the tax efficiency of your portfolio.

#### *Advice Provided*

The financial plan will provide you with 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 affiliated with us.

#### *Delivering the Plan*

Your Advisor will deliver and explain the financial plan or a letter recapping the advice that is being provided to you.

#### *Consulting Services*

Consulting services, while similar to traditional financial planning, provide you with several distinct services. These include the ability for your Advisor to provide a broader range of financial advice and services, including the ability to provide specific security recommendations. The services are offered to you over a longer period of time (up to three years).

#### *Consulting Services Term*

Consulting services allow our Advisors to provide continuous advice to you for the duration of the consulting service contract. The contract is in effect for three years from the time you initially sign the contract. The contract may be terminated earlier at the request of you or us. If you wish to continue the consulting arrangement after the contract expires, you will need to execute a new contract with another three year term.

#### *Initial Client Meeting*

The purpose of this meeting is to discuss your current and future goals and objectives. During this meeting, your Advisor will explain the consulting process, set reasonable expectations with you, and discuss any initial concerns that you may have.

As part of your initial meeting, or as a separate meeting, your Advisor will review all necessary documents for him/her to develop a course of action for you. These documents may include, among others, brokerage statements, income tax statements, current will, other financial plans, businesses agreements, retirement information, etc.

#### *Subsequent Review Meetings*

Based on the services provided to you, your Advisor will schedule subsequent meetings to discuss the status of recommended actions. These meetings occur in a number of ways, including over the telephone, in person, or via email.

## *Advice 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 affiliated with us.

## *Fee Invoice*

On a quarterly, semi-annual or annual basis, you will receive an invoice from your Advisor describing the services provided to you and the cost of the services or advice. Your consulting fee is paid for in arrears. This means that your fees pay for advisory services that you received in the prior quarter, six months or 12 months.

## **Plan Advice and Consulting Services**

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

### *Plan Advice and Consulting Program*

Fiduciary advisory services available under the Plan Advice and Consulting 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. Cetera Advisors 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.

Non-fiduciary consulting services available under the Plan Advice and Consulting Program include:

- 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 recordkeeper 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 Cetera Advisors are acting solely as an agent and at the plan's direction.

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 Cetera Advisors 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.

## ITEM 5 – FEES AND COMPENSATION

The Firm and/or your Advisor are compensated in several ways. We want to ensure that you understand how we, as a Firm, and our Advisors are compensated, as well as the other costs associated with your account. Here are a few important facts about the fees and costs associated with your account:

Your Advisor will typically earn compensation for managing these accounts by charging you an advisory fee. This fee is called an "assets under management" (AUM) fee. Essentially, this means that on a quarterly basis, we will charge you a fee that is calculated as a percentage of the market value of the assets held within your advisory account.

### *Advisory Fee Schedules*

Prime Fee Schedule	
Account Size	Maximum Annual Fee
First \$0 – \$250,000	2.75%
Next \$250,001 – \$500,000	2.50%
Next \$500,001 – \$1,000,000	2.00%
Next \$1,000,001 – \$2,500,000	1.75%
Next \$2,500,001 – \$5,000,000	1.50%
Next \$5,000,001 – Over	1.25%

In addition to the AUM fee, if you close a Prime Account within the first year, you will pay a separate administrative fee of \$200.

Preferred Fee Schedule	
Account Size	Maximum Annual Fee
First \$0 – \$250,000	2.50%
Next \$250,001 – \$500,000	2.25%
Next \$500,001 – \$1,000,000	1.75%
Next \$1,000,001 – \$2,500,000	1.50%
Next \$2,500,001 – \$5,000,000	1.25%
Next \$5,000,001 – Over	1.00%

You will also be responsible for any transaction costs associated with purchasing securities in a Preferred Account. With the exception of ERISA accounts, we mark up the transaction costs that our clearing firm charges us. This additional revenue represents a potential conflict of interest due to the fact that we have an incentive to establish a Preferred Account. Please refer to your executed advisory services agreement for the transaction costs associated with your account.

In addition to the AUM fee, if you close a Prime Account within the first year, you will pay a separate administrative fee of \$200.

Premier Fee Schedule	
Account Size	Maximum Annual Fee
First \$0 – \$250,000	2.75%
Next \$250,001 – \$500,000	2.50%
Next \$500,001 – \$1,000,000	2.00%
Next \$1,000,001 – \$2,500,000	1.75%
Next \$2,500,001 – \$5,000,000	1.50%
Next \$5,000,001 – Over	1.25%

In addition to the AUM fee, if you close a Premier Account within the first year, you will pay a separate administration fee of \$200.

Managed Wealth ADVANTAGE® Fee Schedule	
Account Size	Maximum Annual Fee
First \$0 – \$250,000	2.75%
Next \$250,001 – \$500,000	2.50%
Next \$500,001 – \$750,000	2.00%
Next \$750,001 – \$1,000,000	1.75%
Next \$1,000,001 – \$2,000,000	1.50%
Next \$2,000,001 – Over	1.25%

MF/ETF Fee Schedule	
Account Size	Maximum Annual Fee
First \$0 – \$250,000	2.75%
Next \$250,001 – \$500,000	2.50%
Next \$500,001 – \$750,000	2.00%
Next \$750,001 – \$1,000,000	1.75%
Next \$1,000,001 – Over	1.50%

xMA® Standard Fee Schedule	
Account Size	Maximum Annual Fee
First \$0 – \$250,000	2.90%
Next \$250,001 – \$500,000	2.90%
Next \$500,001 – \$1,000,000	2.70%
Next \$1,000,001 – \$2,000,000	2.00%
Next \$2,000,001 – Over	1.50%

### Consolidated Billing

If you have multiple accounts, you may be able to consolidate account assets for fee billing purposes and performance reporting, while receiving a reduced management fee based on a tiered fee schedule of total advisory assets under management. This tiered fee schedule could have a mix, or “blend,” of advisory fees that consist of lower calculated percentage rates for progressively higher investment amounts that exceed each threshold.

You may consolidate, or “household,” these accounts (when multiple account holders reside in the same primary residence or household) if within the household there are multiple accounts for the same program with the same fee schedule. The default billing method is to debit advisory fees for each account respectively, although you may be offered the option to have a consolidated management fee deducted from one primary account, instead of having management fees deducted from each account, provided this primary account is not a retirement account and that the accounts have the same fee schedules and advisors. The primary account will have lower performance

returns than it would otherwise have, and your other accounts will have higher returns than they would otherwise have. To determine whether or not this election to consolidate household accounts is appropriate, your advisor will review with you its applicability to your particular situation, so that you may make an informed decision in whether to make this election.

Generally, householding your accounts will result in a financial benefit to you due to reduced overall management fees and should be considered where applicable.

#### *Negotiable Fees*

While we have a maximum fee that can be charged to manage your account, you and your Advisor may negotiate a lower fee. Because our fees are negotiated between you and your Advisor, individual clients may pay different fees for receiving the same or similar advisory services.

#### *You Pay Your Advisory Fees in Advance*

Unless specifically stated below, our AUM fees are assessed on a quarterly basis in advance. This means that you are charged for the following calendar quarter's advice and not for past advice. Fees are generally automatically deducted from your advisory account. You may also pay your advisory fees by check. If you terminate your account prior to the end of a quarter, we will refund any advisory fees owed to you on a prorated basis. The prorated fee is based on the number of days remaining in the quarter.

#### *Advisory Programs May Be More Expensive*

The advisory fees you pay to us are for the investment advisory services that we provide to assist you with selecting your investment allocation. Because most advisory programs purchase investments that have their own internal or management fees (such as mutual funds), the total cost of the program will be more than if you were to buy the securities individually.

You may purchase certain investment products that we recommend through other brokers or agents that are not affiliated with Cetera Advisors.

#### *Additional Compensation*

These programs may invest in companies, such as our Strategic Partners, that also provide us with additional revenue. Regardless of this additional compensation, these products do not cost you more by purchasing them from us versus another firm. Our Strategic Partner program and the revenue received are described in more detail further in this section.

All accounts may invest in mutual funds that make a distribution payment referred to as a 12b-1 fee. The clearing/custodial firm has been instructed to credit any 12b-1 fees received to the client's account. As a result, neither Cetera nor the Advisor shall receive 12b-1 fees from mutual funds purchased in the accounts.

In addition to advisory fees, your Advisor 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 Advisor may also receive forgivable loans from Cetera, which are conditioned on your advisor retaining Cetera's broker-dealer and/or registered investment advisor services. This additional economic benefit creates a conflict of interest for your Advisor to retain affiliation with Cetera in order to avoid re-payment on a loan. Cetera Advisors maintains a Code of Ethics requiring your Advisor to always act in your best interest, and maintains a supervisory structure to monitor the advisory activities of your Advisor in order to reduce potential conflicts of interest.

#### *Fee Schedules May Change*

In general, we may change our standard fee schedules at any time by providing you with 30 days advance notice.

#### *Quarterly Performance Reports*

As we mentioned in Item 4 of this brochure, you may be sent a quarterly report listing the performance of your account as well as the advisory fee that was deducted from your account for the quarter.

#### *Additional Fees and/or Expenses*

Products such as certain mutual funds and variable annuities are required to be held by you for a period of time. If you sell a security prior to the required holding period, the issuer may assess a fee. These fees commonly referred to as contingent deferred sales charges

(CDSCs) or surrender charges are described in detail within the product's prospectus. Please read the prospectus or statement of additional information carefully so that you fully understand any fees you may incur when selling a security.

In addition to your advisory fee, your accounts may include additional costs. These costs may include, but are not limited to, account maintenance fees, transaction costs, wire transfer fees, costs associated with exchanging currencies, and return check fees. For a description of transaction costs charged to your account, see the information specific to your account in Item 4 and see a further description of brokerage practices in Item 12.



### Additions and Withdrawals

You may make additions to or withdrawals from an account in any of the Firm's sponsored programs at any time, subject to the Firm's right to terminate the account if it falls below the minimum account value as determined by the Firm from time to time or as otherwise provided in your advisory agreement. Additions may be in cash or securities, provided that the Firm reserves the right to decline to accept particular securities into the account or to impose a waiting period before certain securities may be deposited.

If cash or securities are accepted for management in your account during the quarter, a prorated asset-based fee based on the value of the assets may be charged upon deposit. You may request periodic withdrawals; and alternatively, may withdraw account assets subject to the usual and customary securities settlement procedures. You must acknowledge that your account is responsible for any charges, including contingent deferred sales charges, surrender charges, or redemption fees, that apply to redemptions or liquidations of securities held in the account. No asset-based fee adjustment will be made during any quarter for appreciation or depreciation in account asset value during that period, nor shall any adjustment or refund be made with respect to partial additions or withdrawals, which when aggregated, total less than \$10,000 per day.

### Financial Planning Fees

Because financial planning can range in complexity, we do not have a fee schedule for financial planning services. During your initial or subsequent meetings with your Advisor, you will discuss an appropriate fee for the services provided to you. Some of the factors used to determine the appropriate fee are the time needed to create a customized plan as well as the complexity of the plan. Your Advisor will charge you either a flat fee or an hourly fee for financial planning work done on your behalf. A flat fee is a specific dollar amount that you will pay for financial planning services. An hourly fee is a fee that is based on an hourly rate (as negotiated between you and your Advisor) multiplied by the number of hours that your Advisor needs to create your plan.

The fee will be collected by your Advisor either at the time that the financial planning contract is signed or when he or she delivers the final plan to you. In either case, all checks should be made payable to the Firm and not your Advisor. You pay your financial planning fee when you sign the financial planning agreement either 100 percent of the total fee up-front, or half of the fee at the time the financial planning agreement is signed, and then pay the remaining half of the total fee when your financial plan is provided to you by your Advisor.

We do not take prepayment of more than \$1,200 in fees, six months or more in advance.

### Consulting Service Fees

As with financial planning, we do not have a standard fee schedule for consulting services. During your initial or subsequent meetings with your Advisor, you will discuss an appropriate fee for the service. Some of the factors used to determine the appropriate fee are the time needed to review your situation as well as the complexity of your situation. Your fee will be either a flat amount or based on an hourly rate. A flat fee is a specific dollar amount that you will pay for consulting services. An hourly fee is a fee that is based on an hourly rate (as negotiated between you and your Advisor) multiplied by the number of hours that your Advisor needs to spend on your situation.

We do not take prepayment of more than \$1,200 in fees, six months or more in advance.

### Plan Participant Advice Program Fees

Advisors charge either an hourly rate payable quarterly in arrears; annual flat dollar fee payable quarterly in arrears; or an annual asset-based fee payable quarterly in arrears.

You may elect an asset-based fee according to the following tiered schedule.

Plan Participant Advice Program Service Fees	
Plan Account Assets	Maximum Annual Fee
First \$0 – \$250,000	2.25%
Next \$250,001 – \$500,000	2.00%
Next \$500,001 – \$Over	1.50%

This means that your fees pay for advisory services that you received in the prior quarter. The method for remitting payment may include:

- Invoice
- ACH debit payment
- Journal from another account

The consulting fee may be paid for you by check, or in limited circumstances, by deducting the fee from your bank account by completing an ACH Request form. In either case, the fee should be made payable to the Firm and not your Advisor.

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

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, an appropriate 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. 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.

## **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 Advisors 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. The additional amounts Strategic Partners pay us vary from one Strategic Partner to another and from year to year. Some Strategic Partners pay Advisors 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 its employees and Advisors. 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 Advisor does not receive additional compensation for selling a Strategic Partner product.

We also receive revenue sharing payments from companies that are not Strategic Partners.

### *Potential Conflicts Of Interest In Receiving Revenue Sharing From Strategic Partners*

A potential 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 Advisor 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 Advisors 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 Advisor. 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. 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. We believe that these ticket charge waivers do not result in a conflict of interest between you and your Advisor.

### *Pershing Relationship*

Pershing is the clearing firm for our brokerage business. Due to this business relationship, Pershing shares with us a portion of the commissions and fees you pay to Pershing. Also, Pershing provides consulting and other assistance to us. We also participate in other revenue Pershing is paid on the assets held in your account. The following is a brief description of some of the revenue items received from Pershing.

Pershing receives revenue from money market funds, and may share that revenue with us for money market funds made available to you for cash sweeps in your brokerage account. We may share some of the revenue received from Pershing with your Advisor.

Additionally, Pershing pays us a share of the service fees it receives from mutual fund companies that participate in Pershing's FUNDVEST® no-transaction-fee program. Under the FUNDVEST® program, many no-load mutual funds may be purchased subject to program requirements and other restrictions.

### *Training and Education Compensation*

We and our Advisors 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 Advisors 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 Advisors 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 Advisor.

Some of the training and educational meetings for which we or our Advisors 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 Advisors 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 Advisors 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**

The Firm 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 the Firm's Advisors. 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 or utilization of any Retirement Partner's services. Retirement Partners also pay the Firm's expenses, or provide non-cash items and services, to facilitate training and educational meetings for the Firm's Advisors, which similarly do not depend on the amount of the plan's investment in any product or utilization of any Retirement Partners' services. Our Advisors do not receive any portion of these payments.

Retirement Partners currently include:

- American Funds
- Empower Retirement
- John Hancock
- J.P. Morgan Asset Management
- Lincoln Financial Group
- Mutual of Omaha
- Nationwide Financial
- Oppenheimer
- 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 the Firm, than you would pay to purchase those products or services through another broker-dealer, and your Advisor 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 are 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 Programs and Other Alternative Investments

We, through our 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, and oil and gas programs. We, through our 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, and oil and gas programs.

Whether an adviser 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 Cetera'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 we receive from the sale of these products, we receive due diligence and/or marketing allowance payments from certain sponsors. While the additional compensation we receive as well as the arrangements we have varies with each sponsor, 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. These payments are designed to compensate us for ongoing marketing and administration as well as 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 through another broker-dealer, and your Advisor 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 from one particular sponsor instead of another. Your Advisor also indirectly benefits from these sponsor payments when the money is used to support costs relating to product review, marketing or training.

### *List of Strategic Partners*

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

- Allianz Global Investors
- American Funds Distributors<sup>1</sup>
- Blackrock Investments, LLC
- BMO Funds
- Columbia Management
- Deutsche Asset and Wealth Management
- Eaton Vance Distributors, Inc
- Federated
- Fidelity Investments<sup>2</sup>
- Franklin Templeton Distributors, Inc.
- Goldman Sachs Asset Management
- Invesco
- Ivy Funds
- John Hancock Funds
- JP Morgan Investment Management
- Lord, Abbett & Co. LLC
- Mainstay Investments
- Natixis Global Asset Management<sup>3</sup>
- Neuberger Berman
- Oppenheimer Funds Distributors, Inc
- Pacific Life
- PIMCO
- Pioneer Funds Distributor, Inc.
- Principal Funds
- Prudential Financial, Inc.
- Putnam Investments
- Transamerica
- Virtus Investment Partners, Inc.
- Voya Investment Management (ING Funds)

<sup>1</sup> For American Funds, the ticket charges are waived for purchases over \$10,000.

<sup>2</sup> For Fidelity Investments, ticket charges are waived on Fidelity Advisor Funds. Fidelity Direct Funds are not included in this program.

<sup>3</sup> Natixis Global Asset Management ticket charges are not waived on Oakmark and Loomis Sayles funds.

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
- Allianz Life Financial Services
- AXA Distributors
- Global Atlantic (formerly know as Forethought)
- Great West
- Hartford Life
- Jackson National
- Jefferson National
- Lincoln Financial Distributors
- Metlife
- Nationwide Financial
- Pacific Life Insurance Company
- Protective Life
- Prudential Annuities Distributors
- Sammons Financial Group and Midland
- National Life Insurance Company
- Securian Financial Group
- Transamerica Capital
- Voya

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

We also receive compensation from certain third-party money managers (TPMM) that are not Strategic Partners. These TPMMs compensate us in the same manner as described above. Similar to our Strategic Partner program, our Advisors do not individually receive additional compensation for recommending a TPMM that provides us with this additional payment.

You similarly do not pay more to purchase a TPMM-offered product through us than you would pay to purchase those products through the TPMM directly and your Advisor does not receive additional compensation for recommending or selling products from TPMMs that pay us this additional compensation. Your Advisor is paid by the TPMM out of the assets or earnings of the TPMM.

Nevertheless, this additional compensation creates a conflict of interest because it incentivizes Advisors to promote these TPMMs over other TPMMs. A conflict of interest also exists in that the Firm is paid more revenue-sharing fees if you purchase one type of product instead of another and/or you purchase a product from one TPMM instead of another. Your Advisor indirectly benefits from these payments when the money is used to support costs relating to product review, marketing or training. To mitigate this conflict of interest, we routinely review our client accounts to ensure that the recommended services and products are consistent with your stated goals and objectives.

These TPMMs currently include:

- AssetMark
- Loring Ward
- SEI
- WBI Investments

The Firm's Advisors receive reimbursements from TPMM program sponsors for the costs of marketing expenses and costs incurred by the Advisor. Such reimbursements will be paid to the Advisor from the program sponsor's own resources and not from client funds or assets. Such arrangements will have no impact on the fees being charged to clients by the Firm, the Advisor, or the program sponsor.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not participate in any programs that charge performance-based fees.

## ITEM 7 – TYPES OF CLIENTS

The Firm generally provides advisory services to individuals, tax-qualified retirement plans, and other institutions.

Our advisory accounts may require a minimum opening deposit. Depending on the specific program, the opening deposit may vary between \$25,000 and \$250,000. The minimum account opening balance required for each program is described in more detail in Item 4 of this brochure.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### **Method of Analysis**

Our Advisors may use various methods to determine an appropriate investment strategy for your portfolio. During your initial and subsequent meetings with your Advisor, they will discuss the methods they used. The analysis performed may include the following:

#### *Technical Analysis*

This type of analysis utilizes statistics to determine trends in security prices. Technical analysis tends to focus on factors such as trading volume, demand, and security price fluctuations. This type of analysis is also commonly referred to as chart analysis due to the fact that this analysis tends to review various historical charts and graphs.

### *Fundamental Analysis*

This type of analysis concentrates on earnings, a company's financial statements, and the quality of a company's management. These quantitative factors are then used to attempt to determine the financial strength of a company.

### *Asset Allocation*

Asset allocation investment strategies attempt to optimize the risk and reward of your portfolio by investing among several asset classes.

### *Timing Service*

While not a standard analysis method used by our Advisors, some Advisors may offer advisory services that attempt to time security performance. This essentially means they try to purchase or sell immediately preceding an increase or decrease in the security's price. This type of investing can substantially increase the amount of your brokerage transaction costs due to the frequency that transactions are occurring. Also, many mutual funds or variable annuities specifically prohibit excessive buying and selling within their fund in a short period of time. We monitor our accounts for excessive trading activity to ensure that you are aware of and comfortable with the level of trading as well as to ensure that the investments are appropriate for you.

### *Third-Party Money Manager Programs (TPMM)*

Clients should review Form ADV 2A of the investment advisers who provide TPMM programs for information on the investment strategies used.

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

Most of the advisory services we provide involve the purchase or sale of securities. All investing involves some level of risk. In many cases, the risks include the potential to lose your entire principal value. All securities sold have disclosure documents that discuss these risks. This disclosure document is commonly referred to as a prospectus, but may be called something else depending on the type of security you have purchased. In any case, it is extremely important that you read these documents in their entirety. If you have any additional questions regarding your investments, please speak with your Advisor immediately.

Described below are some risks associated with investing and with some types of investments that are available through our advisory programs:

### *Management Risk*

The services we offer involve your Advisor developing and implementing an investment strategy for you. Developing and implementing a profitable investment strategy inherently involves making decisions about the future behavior of, among other things, the securities markets as a whole and the market for individual securities. Because there is no available methodology for accurately predicting future events over time, there can be no guarantee that your Advisor will be successful in developing a profitable investment strategy for you or in implementing the strategy he or she develops.

### *Market Risk*

This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.

### *Equity Securities*

In general, prices of equity securities are more volatile than those of fixed income securities. The prices of equity securities will rise and fall in response to a number of different factors, including events that affect particular issuers as well as events that affect entire financial markets or industries.

### *Interest Rate Risk*

This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.

### *Credit Risk*

This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.

### *Concentrated Investment Strategies*

Certain investment strategies may be concentrated in a specific sector or industry. If you invest in a portfolio or strategy that is made up of a concentrated position, sector or industry, your portfolio will be more likely to sharply increase or decrease in value with changes in the markets. Concentrated strategies are more volatile because the risk associated with each company represents a large percentage of your overall portfolio value.

## *Options*

Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.

## *Exchange-Traded Funds (ETFs)*

ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the "spread." The spread varies over time based on the ETF's trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company. ETFs may be closed and liquidated at the discretion of the issuing company.

## *Structured Products*

Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.]

## *Alternative Investments*

Non-traded REITS, non-traded business development companies (BDCs), limited partnerships, and direct alternatives (Alternative Investments) are subject to various risks such as limitations on liquidity, pricing mechanisms, and specific risk factors associated with the particular product, which for products associated with real estate, would include, but not be limited to, property devaluation based on adverse economic and real estate market conditions. Alternative Investments may not be suitable for all investors. A prospectus that discloses all risks, fees and expenses, and risk factors associated with a particular Alternative Investment may be obtained from your Advisor. Read the prospectus carefully before investing.

Investors considering an investment strategy utilizing Alternative Investments should understand that Alternative Investments are generally considered speculative in nature and involve a high degree of risk, particularly if concentrating investments in one or few alternative investments or within a particular industry. The risks associated with Alternative Investments are potentially greater and substantially different than those associated with traditional equity or fixed income investments.

## **ITEM 9 – DISCIPLINARY INFORMATION**

On May 30, 2006, the Firm, without admitting or denying the NASD's findings, executed an Acceptance, Waiver and Consent in which the NASD found that the Firm for the period January 2004 through November 2004 failed to establish a supervisory system or written supervisory procedures reasonably designed to enable the Firm to prevent the charging of excessive commissions on mutual fund liquidations in violation of NASD Conduct Rules 2110 and 3010. The NASD further determined that in violation of NASD Conduct Rules 2110 and 3011 and MSRB Rule g-41, the Firm failed to implement the Firm's anti-money laundering procedures: i) relating to the processing of FINCEN requests for information from February 18, 2003 to January 2004 and for the month of May 2004; and ii) relating to checking the OFAC list in relation to new accounts for the period July 2003 through May 2004. Additionally, the Firm was censured and required to pay a fine in the amount of \$17,500.

On July 27, 2006, the Firm, without admitting or denying the NASD's findings, executed an Acceptance, Waiver and Consent in which the NASD found that the Firm, along with three of its then affiliated firms, maintained a strategic partners program (the SP Program) where each firm received directed brokerage commissions from mutual funds to pay for participation in the SP Program, which violated NASD Rules 2830(K)(l) and 2110. The Firm was also censured and required to pay a fine in the amount of \$1,228,000.

On September 21, 2007, the Firm, without admitting or denying the findings, executed an Acceptance, Waiver and Consent in which FINRA found that the Firm failed to report trace transactions in trace-eligible securities executed on a business day during trace system hours within 45 minutes following the time of execution and the Firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws, regulation and FINRA Rules 2110, 3010, and 6230(A) concerning reporting of transactions in trace-eligible securities. Additionally, the Firm was censured, required to pay a fine in the amount of \$10,000 and required to revise its written supervisory procedures with respect to reporting of transactions in trace-eligible securities within 30 business days of acceptance of this Acceptance, Waiver and Consent by the NAC.

On October 30, 2007, the Firm, without admitting or denying FINRA's findings, executed an Acceptance, Waiver and Consent in which FINRA found that the Firm failed to have adequate supervisory systems and procedures to detect unapproved private securities transactions by a former registered representative who raised approximately \$1,154,000 from 14 individuals in exchange for promissory notes [in violation of FINRA Rules 3010 and 2110]. Additionally, Cetera Advisors was censured and required to pay a fine in the amount of \$12,000.

On January 27, 2009, a Stipulation and Consent [Order] was entered into against the Firm in which the Firm, without admitting or denying the State of New York Insurance Department's findings, failed to timely provide information regarding securities administrative actions as required on its insurance renewal applications dated June 16, 2006 and May 2, 2007. Additionally, the Firm was required to pay a \$10,000 penalty and to take all necessary steps to prevent the reoccurrence of similar violations.

On March 23, 2009, the Firm, without admitting or denying FINRA's findings, executed an Acceptance, Waiver and Consent in which FINRA found that the Firm failed to accurately complete its 2003 breakpoint self-assessment in that it underreported the number of missed breakpoints in violation of FINRA Conduct Rule 2110. FINRA also alleged that in 2003 the Firm failed to accurately complete a trade-by-trade review of transactions for missed breakpoints for the Firm and Vestax, a broker-dealer acquired by the Firm in 2004. Additionally, the Firm was censured and required to pay a fine in the amount of \$150,000.

On October 19, 2015, the Firm, without admitting or denying the findings, executed an Acceptance, Waiver and Consent in which FINRA found that, from May 1, 2009 to April 30, 2014, the Firm failed to apply sales charge discounts to certain customers' eligible purchases of unit investment trusts (UITs) in violation of FINRA Rule 2010. In addition, FINRA found that the Firm failed to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases in violation of NASD Conduct Rule 3010 and FINRA Rule 2010. The Firm was censured, fined \$250,000 and required to provide restitution to affected customers in the total amount of \$452,622.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### *Corporate Structure*

Cetera Advisors is part of Cetera Financial Group, Inc., a network of independent broker-dealers. Cetera Advisors is registered as a broker-dealer with the SEC, FINRA, and with all 50 states and the District of Columbia. Cetera Advisors is also an investment adviser registered with the SEC. Certain affiliated companies of Cetera Advisors are also general insurance agencies.

Cetera Advisors is wholly owned by Cetera Financial Group, Inc., which is wholly owned by Cetera Financial Holdings, Inc. Cetera Financial Holdings, Inc. is principally owned by Aretec.

### *Affiliated Products*

If assets in a Firm-Sponsored program are invested in shares of one or more mutual funds or variable contract products or similar pooled products (Affiliated Products) for which an affiliate of the Firm serves as investment adviser or other service provider (Affiliated Service Provider), then the Affiliated Service Provider will generally receive a management fee from the Affiliated Product as set forth in the Affiliated Product's prospectus or other offering documents, and it or its affiliates may receive other compensation in connection with the operation and/or sale of the Affiliated Product, to the extent permitted by applicable law. Assets invested in Affiliated Products may be included in the advisory fee assessed by the Firm. If an Affiliated Product is used in a Firm-Sponsored program, and the assets invested in the Affiliated Product are subject to Title I of ERISA or is an IRA, the Firm will waive the advisory fees for the assets invested in the Affiliated Product.

A conflict of interest exists in that the Firm and its Affiliated Service Provider may be paid more compensation if you invest in an Affiliated Product instead of a non-Affiliated Product. To mitigate this conflict of interest, we routinely review our client accounts to ensure that the recommended services and products are consistent with your stated goals and objectives.

### *Broker-Dealer Affiliation*

Most of our Advisors are also registered with us or a related broker-dealer as a registered representative, which allows them to perform brokerage services for you by executing specific security transactions. Our Advisors may also be licensed insurance agents appointed with various insurance companies. In their capacity as registered representatives and/or licensed insurance agents, they may offer securities and insurance products and receive commissions as a result of such transactions, which presents a conflict of interest because the Advisor has an interest in making commissions.



The Advisor has an incentive to advise you to purchase such products and the purchase may not be in your best interest and may not be suitable for your account. To mitigate this conflict of interest, we routinely review our client accounts to ensure that the recommended services and products are consistent with your stated goals and objectives.

Due to the fact that your Advisor has the ability to offer advisory and brokerage services, your Advisor may be conflicted as to the investment options they recommend. In a brokerage account, your Advisor is paid on a transactional basis. In an advisory account, your Advisor is compensated based on an advisory fee that may be flat, fixed, or a percentage of the assets under management. Your investment needs should influence your decision whether to open an advisory or a brokerage account. An advisory account is likely more suitable if you are looking for a long-term investment strategy, quarterly performance reporting, and an ongoing relationship with your Advisor.

While accounts are reviewed for suitability by an appointed supervisor and the Firm monitors for certain in appropriate trading, you should be aware of the incentives we have to sell certain account types and investment products for which Cetera Advisors receives compensation (as described above) and you are encouraged to ask us about any conflict presented. Please be aware that you are under no obligation to purchase products or services recommended by us, members of our Firm, or a related entity in connection with providing you with any advisory services.

#### *Other Affiliations*

We have an agreement with Advisors Asset Management, Inc., our trade execution affiliate, whereby we receive a payment based on the number of fixed income trades placed through them. These payments incentivize Cetera Advisors to have fixed income trades placed with Advisors Asset Management, Inc.

Our Advisors may operate their own independent companies outside of Cetera Advisors. These unaffiliated companies include other investment advisory firms, accounting/tax practices, insurance services and legal and compliance services, among others.

We may also enter into certain arrangements to offer brokerage and advisory services to the clients of independent unaffiliated financial institutions (credit unions, credit union service organizations, banks and savings banks). A portion of the client advisory fee will be paid by us to the financial institution pursuant to a fee sharing arrangement as long as the client agreement is in effect. The financial institution does not provide any advisory services to the client.

## ITEM 11 – CODE OF ETHICS

We are committed to providing brokerage services and investment advice with the utmost professionalism and integrity.

To help us avoid potential conflicts we have developed a Code of Ethics designed to protect our professional reputation and comply with federal or other applicable securities laws. This Code of Ethics sets forth guidelines and restrictions for personal securities trading, including an absolute prohibition of trading on the basis of “inside” (i.e., material, non-public) information. Adherence to our code of ethics is a condition of employment or affiliation with the Firm. Our Code of Ethics is summarized as follows:

#### *Personal Investing by Your Advisor*

Your Advisor may purchase or sell the same security as you. This type of trading activity creates a conflict between your Advisor and you because your Advisor’s transaction may receive a better price than your transaction. Our Code of Ethics places restrictions on your Advisor’s personal trading activities. These restrictions include a prohibition on trading based on non-public information, pre-clearance requirements for certain personnel transactions with advance knowledge of model transactions and a requirement that any personal securities transactions do not disadvantage clients or otherwise raise fiduciary or antifraud issues.

Also, your Advisor may not purchase securities in an initial public offering or participate in a private placement without our written approval.

#### *Personal Holdings and Transaction Reporting*

We receive information of the security transactions purchased and/or sold by your Advisor in their personal accounts. We also receive a information listing all securities that they currently own in their personal securities accounts. We also use monitoring systems to supervise trading in Advisor personal accounts that are held through Cetera Advisors. Certain investments are not required to be reported to us by your Advisor, such as mutual funds holdings and securities issued by the Government of the United States.

You may request a copy of our Code of Ethics at any time by contacting your Advisor.

## ITEM 12 – BROKERAGE PRACTICES

#### *Selection of Brokers*

Cetera Advisors is also a broker-dealer that provides brokerage services for the advisory accounts in the firm-sponsored programs. During the account opening process, you authorize Cetera Advisors 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, and to transfer your account to such other clearing firm as Cetera Advisors may determine, including a clearing broker affiliated with the Firm and Cetera Advisors.

In addition, you do not generally have the option to direct securities brokerage transactions to other broker-dealers or other account custodians. If, however, you should request, and we approve, the use of a broker-dealer other than Pershing for securities transaction execution, you should be aware that we will generally be unable to negotiate commissions or other fees and charges for your account, and we would not be able to combine your transactions with those of other clients purchasing or selling the same securities in a block trade. As a result of your directing trades to a broker-dealer, we would be unable to ensure that your trades receive "best execution". By directing brokerage to a broker, we may be unable to achieve the most favorable execution of your transactions and you may pay more in transaction charges than if you executed trades through Pershing or another broker-dealer. Therefore, directed brokerage may cost you more money. 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.

Most of our Advisors are also registered with our broker-dealer as a registered representative, which allows them to perform brokerage services for you by executing specific security transactions. See the section titled "Broker-Dealer Affiliation" in Item 11 for further discussion of the conflict this presents.

#### *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 the Firm acts as an investment adviser and broker in a transaction between an advisory client on one side of a transaction and the Firm (including accounts of Firm representatives) on the other side of the transaction. This includes buying securities from or selling any security to an advisory client from the Firm's own account.

The Firm permits agency cross or principal trades in exceptional circumstances with approval from an Advisor's supervisor and the Firm's compliance department. If an exception is approved, the Firm 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. The Firm monitors trading for potential agency and principal trades and reviews every permitted agency cross and principal transaction for suitability. Some of the items that the Firm reviews include, but are not limited to, security pricing and trade volume in order to determine if an agency cross or principal transaction is in the client's best interest. No commission is received for the execution of agency cross or principal transactions.

It is important to note that if you have a retail brokerage account in addition to your advisory account, agency cross transactions executed as a buy and sell between retail brokerage accounts under the control of the same Advisor are permitted without prior approval. Such a transaction will not result in a sales credit or commission payable to the Advisor for the transactions.

#### *Block Trading*

Block Trading refers to the aggregation of multiple orders from different clients, for the same securities for submission as a single order for execution. When the purchase or sale of a particular security is appropriate for more than one client account, trades for advisory clients may be aggregated. This is done principally to ensure that clients are treated fairly and that one client is not advantaged at the expense of another client. Trades with advisory clients may be aggregated with those of other clients of your Advisor, the personal trades of supervised persons and trades in proprietary accounts.

Aggregate orders may be filled through multiple executions at different prices during the course of a trading day. If your order is aggregated with other orders, you will receive an average price. Aggregate orders will not reduce your transaction costs.

When an aggregated order is not fully filled (i.e., when an aggregated order is only partially filled), the Firm's trading system will allocate to each account participating in the order the pro-rata amount of shares to each account in accordance with the account's proportion of the overall order.

Block trading in an advisor-directed advisory account is only available if the account is being managed on a discretionary basis, the account is held with Pershing LLC, and the aggregated trades are submitted through Smartworks Advisor. For accounts where Folio is the overlay manager, Folio will generally block trades when a transaction is appropriate for several client accounts. For accounts managed by your Advisor (Advisor-managed accounts), your Advisor may aggregate all, none or some of his or her client trades in the Preferred, Prime, and Premier programs based on, among other things, a client's investment guidelines and restrictions (including those on the use of discretion by the Advisor), the type of securities and the size of the order.

It is the Firm's policy that the order allocation between participating clients may not be changed after the order has been executed.

The Firm's policies do not require your Advisor to block trade client orders. When an Advisor chooses not to aggregate client orders for the same security a conflict of interest exists. In such instances, the Advisor must decide which client order to place first which may result in one client receiving a better execution price over another client and could lead to certain client accounts receiving more favorable order executions over time. The Firm does not monitor Advisors choosing not to aggregate orders to determine whether any one client or group of clients is systematically disadvantaged over time.

Clients that are not included in block trading of other client accounts may receive a higher or lower price than clients that have been included in a block trading order. In order to ensure that no client or group of clients is favored over another, the Firm monitors the block trading activity with respect to clients that are not included in block trades with other clients of an Advisor.

### *Trading Errors*

Occasionally, a trading error may occur where either we, or our Advisors, are at fault. If this occurs in your account, the error will be corrected and your account will be restored to where it would have been had the error never occurred. However, in the process of restoring your account, we may realize a profit or suffer a loss in connection with correcting this error. Neither losses nor gains realized by us will be passed on to you.

### *Best Execution*

The Firm is obligated to ensure orders are being sent to the markets in an efficient manner and to execute any transactions in the manner it believes is in the client's best interest. The Firm's primary consideration with regard to purchases and sales for its clients is obtaining the most favorable execution of the transactions needed to implement client's investment strategy. The determinative factor is whether the transaction represents the best qualitative execution for the client account and not whether the lowest possible price is obtained. The Firm reviews reports that help analyze the quality of the executions of the orders that are sent to the market. Most of our Advisors are also registered with our broker-dealer as a registered representative, which allows them to perform brokerage services for you by executing specific security transactions through Pershing. An Advisor can, upon recommending a transaction, direct the affiliated broker-dealer to execute the order in the market. In these situations, a client may be unable to achieve the most favorable execution of a transaction and it may cost the client more money than if the client were able to execute transactions through another broker-dealer.

## ITEM 13 – REVIEW OF ACCOUNTS

We review your account in several ways. Our account reviews include:

**Annual Client Contact** – On at least an annual basis, your Advisor will contact you to arrange a review of your advisory accounts with you. In general, this review includes any Firm-Sponsored programs and certain third-party money manager programs.

**Supervision** – Your Advisor's designated supervisor periodically reviews client accounts of any Advisor 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.

**Home Office Oversight** – Cetera Advisors utilizes a series of surveillance, exception, trade, and other transaction reports that are designed to help facilitate the ongoing review of Cetera Advisors managed accounts.

**Quarterly Performance Reports** – We may send you a written quarterly performance report, which among other things, lists your account holdings and performance.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

We have individuals who are not affiliated with us introduce prospective clients to us. The individuals (called Solicitors) are paid a fee that is based on the advisory fee that you pay. If you are introduced to us through a Solicitor, we will provide you with a separate written disclosure statement indicating that a referral fee is being paid to an individual who is unaffiliated with our Firm. Please refer to Item 5 of this brochure for additional information on our sources of revenue.

Our Advisors may receive compensation from Third-Party Money Managers (TPMMs) that creates a conflict of interest. This compensation may include training, educational meetings, training events, industry conferences and entertainment for our Advisors and/or clients, as permitted by industry rules. The conflict of interest exists in that this compensation may provide your Advisor with an incentive to recommend one TPMM versus another TPMM. However, clients do not pay more to purchase TPMM products through us than clients would pay to purchase the same TPMM products elsewhere.

## ITEM 15 – CUSTODY

Pershing LLC (Pershing) will execute and clear all transactions, maintain sole custody of assets in your account and perform custodial functions, including, but not limited to, crediting interest and dividends. You shall retain ownership of all cash, securities, and other assets in your account. Transactions in your account may incur additional transaction fees, commissions, and/or other charges.

By selecting Cetera Advisors as your brokerage firm, Cetera Advisors will open a custodial account with Pershing as the clearing firm, a subsidiary of The Bank of New York Mellon Corporation, One Pershing Plaza, 4th Flr.—Jersey City, NJ 07399. Your assets will be held in this Account.

For certain types of client accounts, we are considered to have custody of your funds, and in certain instances, your securities, even though Pershing, our clearing firm, maintains those assets as the qualified custodian. Pershing will send your account statements, which you should carefully review. In addition to the account statements Pershing sends you, we may send you a quarterly performance report,

which among other things, lists your account holdings and performance. You should compare our report to the account statements you receive from Pershing. 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.

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

## ITEM 16 – INVESTMENT DISCRETION

As discussed in more detail in Item 4 of this brochure, in certain programs you may authorize your Advisor to have investment discretion over your account. An Advisor must receive written approval from us prior to offering investment discretion services to you. If we approve an Advisor to offer investment discretion to clients, they must also obtain written authorization from you prior to exercising such discretionary authority over your account. You may place reasonable restrictions on the management of your account, whether it is discretionary or non-discretionary, including restrictions on the type of securities that can be purchased in your account.

Our Advisors are prohibited from having the ability to withdraw funds and/or securities from your account without your express permission.

## ITEM 17 – VOTING CLIENT SECURITIES (I.E., PROXY VOTING)

For all the advisory services and programs offered through our Firm, neither we, nor our Advisors, have any authority to vote proxies on your behalf. You are solely responsible for receiving and voting proxies for the securities that you maintain within your account. You will receive proxies or other solicitations directly from the custodian and/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

We do not take prepayment of more than \$1,200 in fees, six months or more in advance or have a financial condition that could impair our ability to meet our contractual obligations. Therefore, we are not required to provide our audited balance sheets.